

2 May 2023

## BCBS-CPMI-IOSCO Margin policy work – Virtual stakeholder outreach – Collateral service providers

### Background

In September 2022 the BCBS-CPMI-IOSCO published the report *Review of margining practices*<sup>1</sup>. This report outlined areas for further policy work which is being carried out by the BCBS-CPMI-IOSCO *Joint Working Group on Margin* (JWGM), the CPMI-IOSCO *Policy Standing Group* (PSG), the BCBS-IOSCO *Working Group on Margin Requirements* (WGMR) and the FSB *Working Group on Margin Preparedness* (WGMP), as set out in the table below.

Margining practices follow-up work	Centrally cleared markets	Non centrally cleared markets
Increasing transparency	JWGM	-
Enhancing liquidity preparedness of market participants as well as liquidity disclosures	WGMP	
Identifying data gaps in reporting	WGMP	
Streamlining variation margin processes	PSG	WGMR
Evaluating the responsiveness of initial margin models to market stresses	JWGM	WGMR

To support its development of proposed guidance and/or policy recommendations, the JWGM and the WGMR are hosting three outreach sessions with

- intermediaries/clearing members;
- end-users/clients; and
- collateral service providers.

These events will follow the Chatham House Rule and remarks will not be for attribution.<sup>2</sup> Participants are free to use the information received, but neither the identity nor the affiliation of the speaker(s), nor that of any other participant, may be revealed.

<sup>1</sup> Available on the BIS website ([www.bis.org/bcbs/publ/d537.htm](http://www.bis.org/bcbs/publ/d537.htm)) and on the IOSCO website ([www.iosco.org/library/pubdocs/pdf/IOSCOPD714.pdf](http://www.iosco.org/library/pubdocs/pdf/IOSCOPD714.pdf)).

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The purpose of these outreach sessions is to complement the quantitative data collected in conjunction with the report *Review of margin practices* by gathering further information to:

- understand the degree and nature of CCP initial margin (IM) models' responsiveness to volatility and other market stresses;
- explore appropriate ways to analyse, compare and set baseline expectations for procyclicality in various settings;
- increase transparency to the public, to regulators, and/or to specific participant categories (including clients, clearing members, third-party providers, and other relevant stakeholders); and
- foster market participants preparedness for above-average variation margin (VM) calls through the efficient collection and distribution of VM in non-centrally cleared markets.

During the outreach sessions, online polls will also be conducted (see Annex for potential polling questions); responses are anonymous. Summary results will be shown during the outreach session and may be used to support future analysis.

Participants are also invited to send in further written comments on the issues discussed during this outreach session to the Secretariats ([baselcommittee@bis.org](mailto:baselcommittee@bis.org); [cpmi@bis.org](mailto:cpmi@bis.org); [margin@iosco.org](mailto:margin@iosco.org)) by **8 June 2023**. When drafting your comments, please include a reference to what capacity(ies) you are commenting in (ie intermediary/clearing member/end-user/client/collateral service providers), the relevant agenda item and the specific question (if applicable).

## Annotated Agenda – Workshop 3 – Collateral service providers

### 1 June 2023 13.00–14.30 CEST

#### 1. Introduction (13.00 – 13.05)

Rafael Martinez (WGMR co-chair) will briefly introduce the objectives of this virtual outreach.

#### 2. VM processes in non-centrally cleared markets (13.05 – 14.25)

**Moderator:** Thomas Littlefield (WGMR VM subgroup chair)

**Objective:** This session will discuss the VM processes in non-centrally cleared markets to understand how to better foster market participants preparedness for above-average VM calls through the efficient collection and distribution of VM in non-centrally cleared markets.

#### Issues for discussion

General non-centrally cleared VM process

1. What are the various material processes required for VM exchange across the firm's various business units, and what role do these processes play in facilitating the exchange of VM?

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2. Have you experienced any frictions (eg technical constraints for the exchange of non-domestic cash VM for domestic and/or cross-border transactions) in these processes during the COVID or subsequent stress periods?

#### Collateral and general wrong-way risk

3. Have you experienced a narrowing of the allowable set of collateral for VM and if so, in your assessment, what has caused it?
4. What risk management improvements can be made in markets where there are interactions between large VM calls for banks/non-banks and stresses in high quality liquid assets (HQLA) markets such as money market funds and sovereign bonds, through which they fund cash calls?

#### Transparency and dispute resolution

5. What types of increased transparency (eg collateral schedule) and communication/information (eg between dealers/banks and clients) could lead to better preparedness by clients in the event of large VM payments?

### 3. Conclusions and wrap up (14.25 – 14.30)

Frédéric Hervo (WGMR co-chair) will provide concluding remarks and describe next steps.

## Annex: Potential polling questions

### 1. VM processes in non-centrally cleared markets

#### General non-centrally cleared VM process

1. Did you experience material frictions in the processes that underlie VM exchange during the COVID or subsequent stress periods? For example, technical constraints for the exchange of non-domestic cash VM for domestic and/or cross-border transactions (eg securities settlement timing under national regimes, custodian limitations, FX settlement cycles, etc).
  - Materially
  - Moderately
  - Not Materially

#### Collateral and general wrong-way risk

2. Do you consider the constrained set of highly liquid assets to represent a material hinderance within the non-centrally cleared VM exchange process?
  - Materially
  - Moderately
  - Not materially

#### Transparency and dispute resolution

3. Would increased transparency and communication/information exchange (eg between dealers/banks and clients) lead to materially better preparedness by counterparties in the event of large VM payments?
  - Materially
  - Moderately
  - Not materially