



WFE's Clearing and Derivatives Conference

Conference Programme

Day 1 - Mon 19 Apr

11:00 - 11:15: **Opening Remarks**

Speakers



Nandini Sukumar
Chief Executive Officer
The World Federation of Exchanges



Pedro Gurrola-Perez
Head of Research
The World Federation of Exchanges

11:15 - 12:15:

Coming of age: 21 years after the G20

Twenty one years after the G20 was created in the aftermath of one financial crisis and 11 years after leaders at the Pittsburgh summit committed to improving over-the-counter markets in the wake of another, it's time to take stock. While progress has been made, much remains still to be done. As the pandemic-induced volatility rocked markets over the last year, market infrastructures have held the system securely, ensuring resilience and stability. What lessons has the pandemic taught us? And where should we look next? What lies ahead?

Dr. Urs Rügsegger, Chair of SIX Swiss Exchange, Chair of Zuger Kantonalbank and Chair of the World Federation of Exchanges in conversation.

Chair

Dr. Urs Rügsegger
Chairman, SIX Swiss Exchange and
WFE Chairman

Speakers

Marguerite Soeteman-Reijnen
Chairman Executive Board
Aon Holdings



Alexander Schindler
Member of the Executive Board
Union Asset Management Holding AG

12:15 - 13:00:

Keynote speech: Dawn DeBerry Stump, Commissioner, Commodity Futures Trading Commission (CFTC)**Speaker**

Dawn DeBerry Stump
Commissioner
Commodity Futures Trading Commission

13:00 - 13:15:

Break: Next session will resume at 13:15

13:15 - 14:15:

The Economics of Central Clearing - a conversation

Author: Albert J. Menkveld (Vrije Universiteit Amsterdam) and Guillaume Vuillemeys (HEC Paris)

This article surveys and takes stock of the research literature on CCPs in the last decades and provides an overview of the most salient topics: multilateral netting, protection against counterparty risk, the effect of CCPs on asset prices and fire sales, margins setting, the default waterfall, and CCP governance.

Speakers

Albert J. Menkveld
Professor of Finance
Vrije Universiteit Amsterdam



John Davidson
Chief Executive Officer
OCC (Options Clearing Corporation)

14:15 - 15:00:

The impact of derivatives collateralisation on liquidity risk: evidences from the investment fund sector

Authors: Audrius Jukonis (European Central Bank), Linda Fache Rousová (European Central Bank) and Elisa Letizia (Single Resolution Board)

Stricter margining requirements for derivative positions have increased the demand for collateral by market participants. At the same time, euro area investment funds which use derivatives extensively have been reducing their liquid asset holdings. Using transaction-by-transaction derivatives data, the research assesses whether the current levels of funds' holdings of cash and other highly liquid assets would be adequate to meet funds' liquidity needs to cover variation margin calls on derivatives under a range of stress scenarios.

Presenter

Audrius Jukonis
Analyst
European Central Bank

Discussant

Matthias Graulich
Member of the Executive Board
Eurex Clearing

Day 2 - Tue 20 Apr

11:00 - 11:45:

The market structure of dealer-to-client interest rate swaps

Author: Aref Bolandnazar, Ph.D. Candidate in Finance, Columbia Business School, Columbia University.

Using proprietary data on cleared interest rate swaps (IRS) transactions and the dealers' daily margin requirements, the paper develops an equilibrium model of IRS markets with imperfect competition among capital constrained dealers.

Presenter

Aref Bolandnazar
Ph.D Candidate in Finance
Columbia Business School

Discussant

Jorge Alegria
IOMA Chairman (2011-2014)

11:45 - 12:45:

How market structures are changing

In the last five years, clearing services have become more concentrated, new products and asset classes have come into the cleared environment, new technologies are permeating the post-trade space and clearing itself has become more fragmented. How will these trends, and others still to come, change clearing and financial market infrastructure?

Moderator

Umesh Gajria
Global Head of Index-Linked Products
Bloomberg

Panellists

John Fennell
Executive Vice-President & Chief Risk Officer
OCC (Options Clearing Corporation)



Vikram Kothari
Managing Director
National Securities Clearing Corporation Limited (NSCCL)



Erik Tim Müller
Chief Executive Officer
Eurex Clearing AG

12:45 - 13:15: **Break: Next session will resume at 13:15**

13:15 - 14:00: **Model risk at central counterparties: Is skin-in-the-game a game changer?**

Authors: Wenqian Huang (Bank of International Settlements) and Előd Takáts (Bank of International Settlements)

The authors investigate empirically how the balance sheet characteristics of central counterparties affect their modelling of credit risk. They find that higher skin-in-the-game is significantly associated with more prudent modelling, in contrast to profits and forms of capital other than skin-in-the-game.

Presenter



Előd Takáts
Principal Economist
Bank for International Settlements

Discussant



John McPartland
Director of Research
Hidden Road Partners LP

14:00 - 15:00:

Skin Skin Skin

Skin-in-the-game (SITG), the part of the CCP's own capital included in the pre-funded default waterfall, is not intended to be meaningful as a loss-absorbing component but rather to signal the CCP's strong incentive to perform consistently prudent risk management. While research has shown increasing SITG could provide the wrong incentives for clearing members in a default in addition to increasing the costs of clearing across the financial sector, the sizing and structure of SITG continues to be the focus of a debate. Can we reconcile these different and often conflicting interests? Is there a case for revisiting its structure? Why does its calibration vary? Is there an optimal outcome in the trade-off between SITG and the cost of clearing?

Chair

John McPartland
Director of Research
Hidden Road Partners LP

Panellists

Dr. David Murphy
Visiting Professor, Department of Law
London School of Economics (LSE)



Juan A. Blackwell
Senior Principal, Head of Credit and Counterparty Risk Management
Ontario Teachers' Pension Plan Board



Marcelo Carvalho
Managing Director, CCP Chief Risk Officer
B3 - Brasil Bolsa Balcão



Suzanne Sprague
Managing Director, Credit & Liquidity Risk, Risk Policy, & Banking
CME Group

Day 3 - Wed 21 Apr

10:45 - 11:00:

Keynote speech: Eva Hüpkes, Head of Regulatory and Supervisory Policies, Financial Stability Board (FSB)**Speaker**

Eva Hüpkes
Head of Regulatory and Supervisory Policies
Financial Stability Board (FSB)

11:00 - 12:00:

Recovery and resolution: the parable of the incentives

As we design risk management strategies to deal with tail events, everyone agrees that it's crucial to ensure that incentives across the CCP ecosystem are aligned in a way that promotes financial stability -- including in extreme situations. What are the elements of this design? How do we ensure the market gets the certainty it needs and under what scenarios? While we have never reached the end of the modern waterfall, if ever we do -- what is the optimal strategy to maximise the probability of a successful resolution? At what point should the resolution authorities intervene? What impediments, both legal and operational, should we account for? How do we ensure incentives stay adequately aligned at times of crisis?

Moderator

Diana Chan
Independent Director
Euroclear SA/NV

Panellists

Robert Steigerwald
Senior Policy Advisor, Financial Markets
Federal Reserve Bank of Chicago



Simon Gleeson
Partner
Clifford Chance



Christopher S. Edmonds
Global Head of Clearing and Risk
Intercontinental Exchange



Richard Metcalfe
Head of Regulatory Affairs
The World Federation of Exchanges

12:00 - 12:45:

Fireside chat**Speakers**

Nandini Sukumar
Chief Executive Officer
The World Federation of Exchanges



Tajinder Singh
Acting Secretary General
IOSCO

12:45 - 13:15:

Break: Next session will resume at 13:15

13:15 - 14:00:

Intermediation networks and market liquidity: evidence from CDS markets

Author(s): Mark Paddrik (Office of Financial Research, U.S. Department of Treasury) and Stathis Tompaidis (McCombs School of Business, University of Texas at Austin)

Using supervisory data between 2010-16 for the OTC CDS market, the research empirically tests several predictions and evaluates how changes in intermediation networks are related to the liquidity of dealers and the market.

Presenter

Mark Paddrik, PhD
Senior Research Economist, Office of Financial Research
U.S. Department of the Treasury

Discussant

Christer Rydberg
Head of Risk Policy
Singapore Exchange

14:00 - 14:45:

Keynote speech: Rent-Seeking Platforms**Speaker**

Rod Garratt
Maxwell C. and Mary Pellish Chair in Economics
University of California, Santa Barbara

Day 4 - Thu 22 Apr

11:00 - 12:00:

Margin procyclicality or ecosystem fragilities?

During the most challenging days of March 2020, we saw volatility spike to levels above those of the Global Financial Crisis and, as a consequence of that heightened risk, margin calls also peak. As analysis of these events progresses, it is clear the liquidity demands experienced can only be explained by looking at the complex set of interactions and interdependencies across the financial system as a whole. So -- is the procyclicality of margin models really the issue or should participants just be better prepared? What are the trade-offs involved in risk models? What would be the costs and benefits of less procyclical but less sensitive models? Are there other ways of contributing to remediate system-wide fragilities?

Chair**Froukelien Wendt**

Independent Member of the CCP Supervisory Committee
The European Securities and Markets Authority (ESMA)

Panellists**Pedro Gurrola-Perez**

Head of Research
The World Federation of Exchanges

**Ananda Radhakrishnan**

Vice President, Bank Derivatives Policy
American Bankers Association (ABA)

**Vicky Hsu**

Head of European Counterparty Risk
BlackRock

12:00 - 12:45:

A CBA of APC

Authors: David Murphy (London School of Economics) and Nicholas Vause (Bank of England)

The authors propose a cost measure that allows them to perform a cost benefit analysis ('CBA') of the different antiprocyclical (APC) measures. To illustrate this, they use a commonly-used type of initial margin model, filtered historical simulation value at risk, presenting the costs and benefits of applying a number of different APC mechanisms to this model, including those defined in EU legislation.

Presenter

Nicholas Vause
Advisor in the Financial Stability Directorate
Bank of England

Discussant

Ron Berndsen
Independent Director of LCH Ltd. and LCH SA, and Professor of Financial
Market Infrastructures
Tilburg University

12:45 - 13:15:

Break: Next session will resume at 13:15

13:15 - 14:00:

Systemic stress testing under central and non-central clearing

Authors: Barbara Casu (Cass Business School, City, University of London), Elena Kalotychou (Cyprus University of Technology), and Petros Katsoulis (Cass Business School, City, University of London),

By developing a stress-testing network model of the largest market participants the authors compare defaults due to counterparty and liquidity risks and systemic losses in the regime with and without non-central clearing.

Presenter

Petros Katsoulis
PhD Candidate in Finance
The Business School (formerly Cass), City, University of London

Discussant

Dr. Alicia Greenwood
Chief Executive Officer, JSE Clear and Member of the Executive Board
Johannesburg Stock Exchange (JSE)

14:00 - 15:00:

How CCPs Can Manage Climate-Related Financial Risks

Climate change, the world agrees, is a great and looming risk to the stability of the global financial system. It affects every facet of the economy and the health & survival of the human race. The role of financial market infrastructure is to enable systemic stability, manage risk and bring transparency to markets. So - what is the role of financial market infrastructure in managing climate-related financial risks? How can they diminish financial system stress and boost resilience? What kind of data can and should FMI's provide to bring greater understanding of these risks? How can FMI's provide practical solutions to the problems caused by climate change? How can they support the financial system in the transition to the net-zero economy? What kind of policy and regulatory levers need to be adopted, and in what time frame, for that to happen?

Chair



Bob Litterman

Chairman of the Climate-Related Market Risk Subcommittee
Commodity Futures Trading Commission (CFTC)

Panellists



Alessandro Cocco

Vice President and Head of Financial Markets Group
Federal Reserve Bank of Chicago



Pauline Engelberts

Global Chief Operations Officer
ABN Amro Clearing



Adrian Farnham

Chief Executive Officer
LME Clear

Day 5 - Fri 23 Apr

11:00 - 11:45:

Taking money off the table: suboptimal early exercises, risky arbitrage, and American put returns

Authors: Kevin Aretz (Manchester Business School), Ian Garrett (Manchester Business School), Adnan Gazi (University of Liverpool)

Many studies report that American option investors often exercise their positions suboptimally late. Yet, when that can happen in case of puts, there is an arbitrage opportunity in perfect markets, exploitable by longing the asset-and-riskfree-asset portfolio replicating the put and shorting the put. Using early exercise data, the paper analyzes such arbitrage strategies.

Presenter

Adnan Gazi
Assistant Professor of Finance
University of Liverpool Management School

Discussant

Jon V. Cherry
President & Global Head of Options
Northern Trust Securities, Inc.

11:45 - 12:45:

Innovation in CCP risk models

During the first half of 2020, we saw risk factors move in unprecedented ways. Oil prices turned negative, traditional correlations in Treasuries broke down, and commodity spreads spiked. These events remind us of the importance of continuous innovation in risk modelling, including in model design and in model validation techniques. What are the modelling challenges arising from the extraordinary risk factor movements seen in 2020? What is the right balance between modelling these as part of the initial margin or as part of the default fund? Should non-market risks be modelled as an intrinsic part of the IM model? How do they fit in the context of the default waterfall? What new techniques are available for model validation?

Chair

Pedro Gurrola-Perez
Head of Research
The World Federation of Exchanges

Panellists

Fernando Cerezetti
Director of Risk Oversight
ICE Clear Europe, Intercontinental Exchange



Travis Nesmith
Assistant Director and Section Chief, Quantitative Risk Analysis
Federal Reserve Board



Wael AlHazzani
Chief Executive Officer
Securities Clearing Center (Muqassa)



Nicholas Lincoln
Group Head of Market & Liquidity Risk at LCH
London Stock Exchange Group

12:45 - 13:15:

Break: Next session will resume at 13:15

13:15 - 14:00:

Competition and manipulation in derivative contract markets

Author: Anthony Lee Zhang, University of Chicago Booth School of Business

This paper studies manipulation in cash-settled derivative contract markets. It defines two measures of manipulation-induced welfare losses, which can be estimated using commonly observed market data.

Presenter

Anthony Lee Zhang
Assistant Professor
University of Chicago Booth School of Business

Discussant

Richard Heckinger
Contributing Editor, Central Banking Journal, Associate Editor, Journal of Financial Market Infrastructure and a Member, Editorial Advisory Board of the Global Commodities Applied Research Digest.

14:00 - 14:30:

Keynote speech: Still the World's Safe Haven? Redesigning the U.S. Treasury Market After the COVID19 Crisis**Speaker**

Darrell Duffie
Adams Distinguished Professor of Management and Professor of Finance
Stanford University's Graduate School of Business

14:30 - 15:15:

Fireside chat**Speakers**

Sunil Cutinho
President, Clearing & Post-Trade Services
CME Group



Darrell Duffie
Adams Distinguished Professor of Management and Professor of Finance
Stanford University's Graduate School of Business

15:15 - 15:30:

Concluding Remarks and Announcing the Call for Papers WFE's Clearing Conference 2022

Speakers



Nandini Sukumar
Chief Executive Officer
The World Federation of Exchanges



Pedro Gurrola-Perez
Head of Research
The World Federation of Exchanges

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