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Clearing – Future Challenges and Opportunities

Glenn Goucher

President and Chief Clearing Officer

CDCC



Agenda

- **Recent Changes**
 - Operational, Risk and Product Developments
- **Upcoming Changes**
 - PFMI Related
- **Future Initiatives**
 - Customer themes
 - Challenges
 - Opportunities

Recent Changes at CDCC

- **Operational**

- Expansion of Settlement Banks, Enhancement of Password Management, Accelerated Expiry for Options, TR for Converge OTC

- **Risk**

- Margin model changes (procyclicality, close out period calculations, specific wrong way risk, mismatched settlements, concentration) ; stress testing framework, clearing fund framework, collateral framework.

- **Product Developments**

- Option eligibility rules for ETF's , listing of new sector options and futures, OTC options on certain S&P indices on Converge

Upcoming Changes

- **Ongoing Implementation of PFMI Related Enhancements**
 - Transparency (Qualitative and Quantitative)
 - Default Management (Increasing Complexity and Involvement of Stakeholders)
 - Participation Requirements
 - Customer Protection Regime (Segregation and Portability)
 - Recovery and Resolution Framework
 - Stress Test Regime (new global standards)
- **Expanded Participation (Fixed Income)**
 - Government Pension Funds
 - Government
 - Caisse Centrale
 - Insurance Companies
 - Money Market Funds
- **Support MX Changes**
 - Products

Future Initiatives

- **Future Initiatives**

- Members looking for capital efficiency and operational efficient solutions; margin methodology model enhancements.
- Increasingly integrated resiliency testing involving more stakeholders and complex situations.
- Funding market product developments under investigation; security lending and pooled GC