CCPs and Systemic Risk
- discussion points -

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9th Payment and Settlement System Simulation Seminar

Brief summary

- Aim: To answer policy-relevant CCP-question
- In order to do so: Create flexible simulation tool
- Method
  - Structure: Network of participants, liability matrix, payment vector, equity vector
  - Algorithm: Eisenberg and Noe (2001)
  - Introduce CCP, vary CCP (default) rules
- Study of contagion, dependence on CCP rules, ...

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Early stages. Is more flexibility possible?

- Can time dimension be introduced? Stochastic characteristics of underlying assets?
- Possible policy implications
  - Different prescriptions for equity and derivates markets? For OTC and non-OTC?
- How can risk factors such as volatility and liquidity be incorporated?
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Further flexibility

- Current CCP "ingredients"
  - membership
  - netting
  - default fund

- Important issue

  - Structure of "default waterfall"

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  - Relative split between self-insurance [margins] and co-insurance [default fund]
  - Haircuts. Interesting for procycality.

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More policy questions

- Interesting, though possibly outside scope of the model
  - Differentiation between members
  - Access to central bank liquidity
  - [...]