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Stock Exchange Group

La nuova CCP: Tra l'evoluzione dei mercati e le aspettative dei regolatori

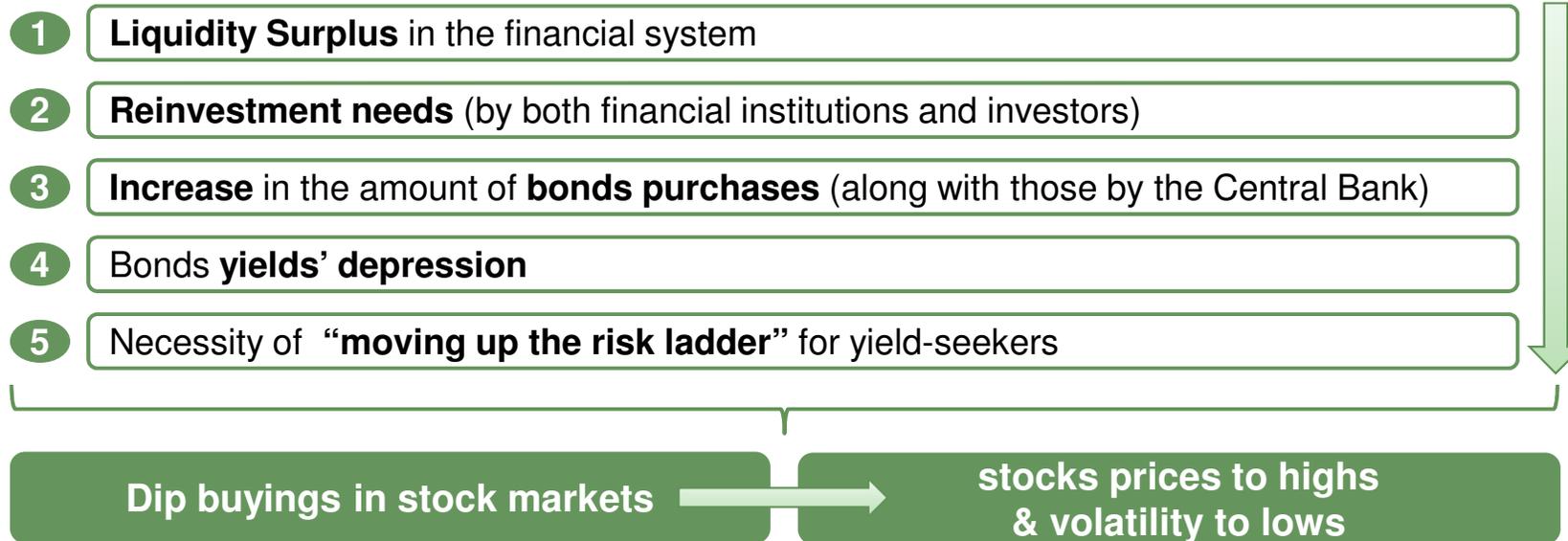
Workshop "Liquidity management. Back to normal?"
Milano, 7 Novembre 2017

Marco Polito
CC&G - Chief Risk Officer

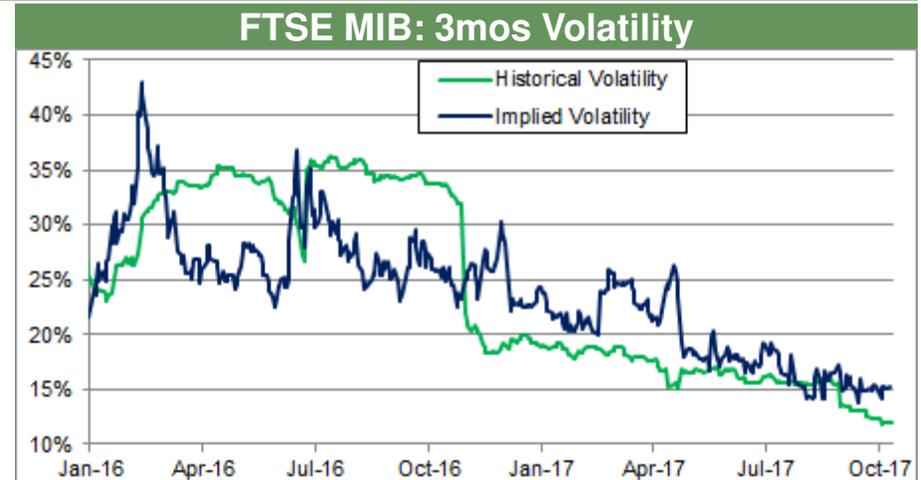
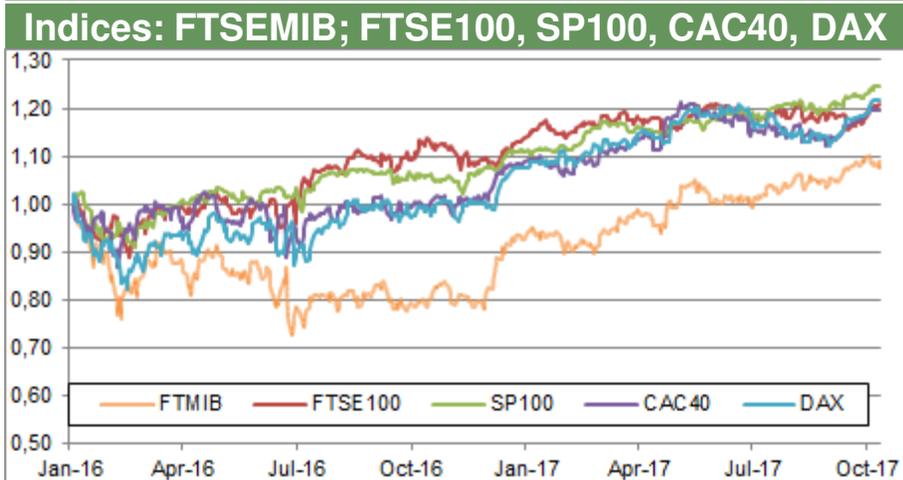


Market Context (1/3)

Quantitative Easing programs throughout **2017** have so far led – among others – to the following chain of **consequences**:



Market Context (2/3)



What could **affect** this **trend** in the **near future**:

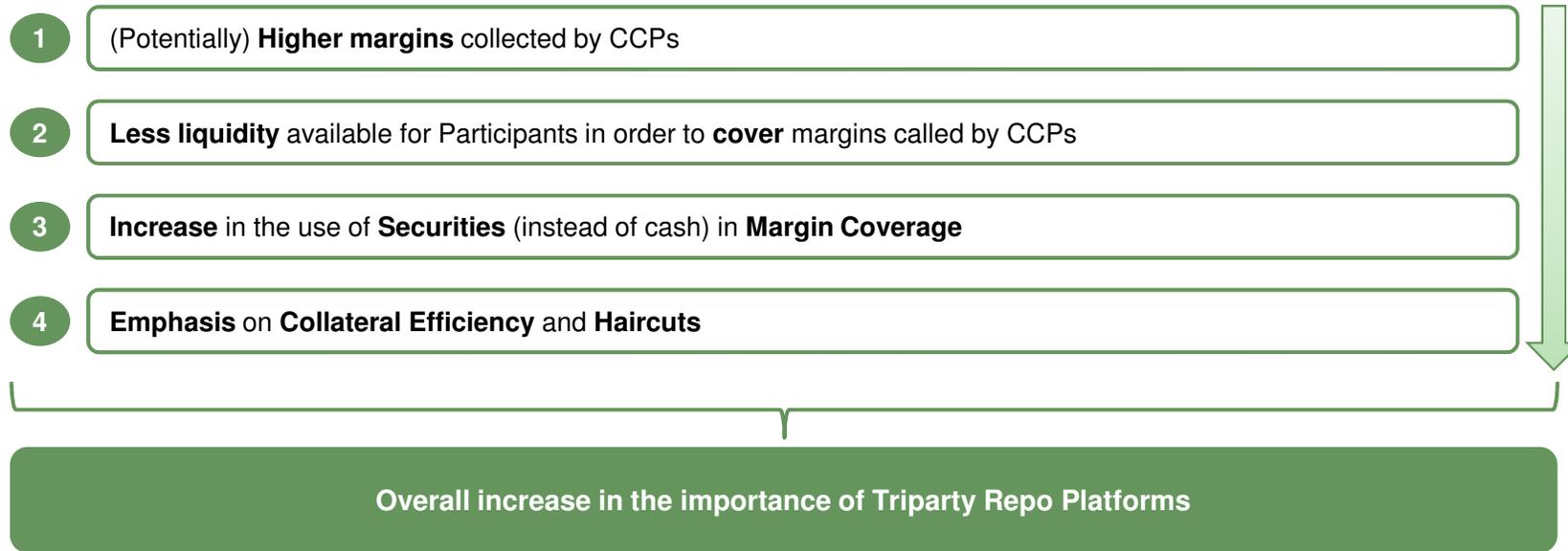
- Bursting of the “**bubble of confidence**” and return to a **normal state**
- **Tapering** programs
- **Geopolitical tensions** (US/North Korea etc...)
- **Political instability** in Europe and in the US (Italian political elections, Spanish political crisis etc...)

Increase in market volatility is expected in 2018

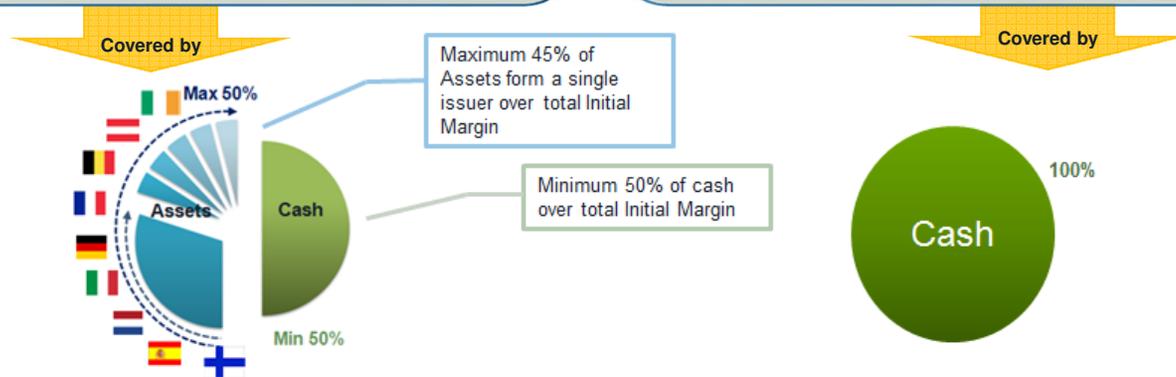
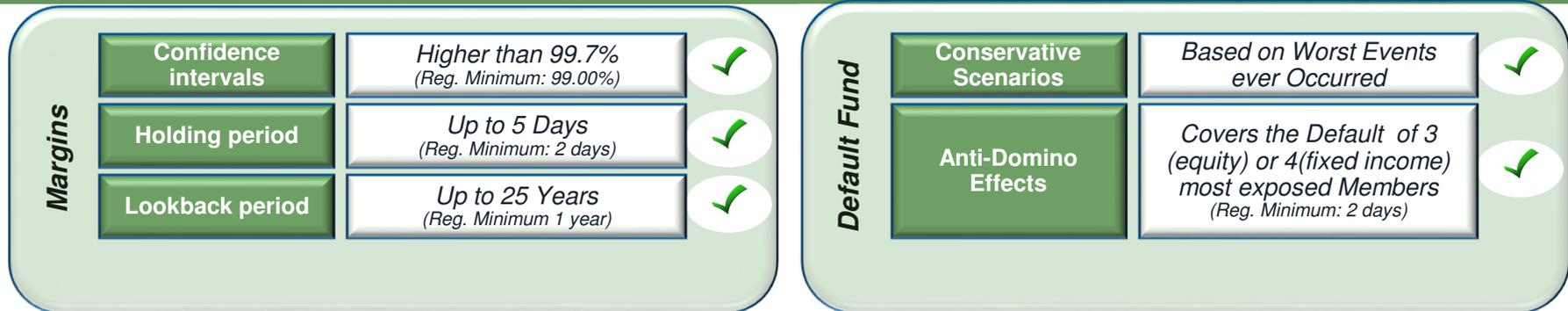


Market Context (3/3)

The **increase** in market **volatility** along with the effect of the **cash drained** from the system through **tapering** will lead to:



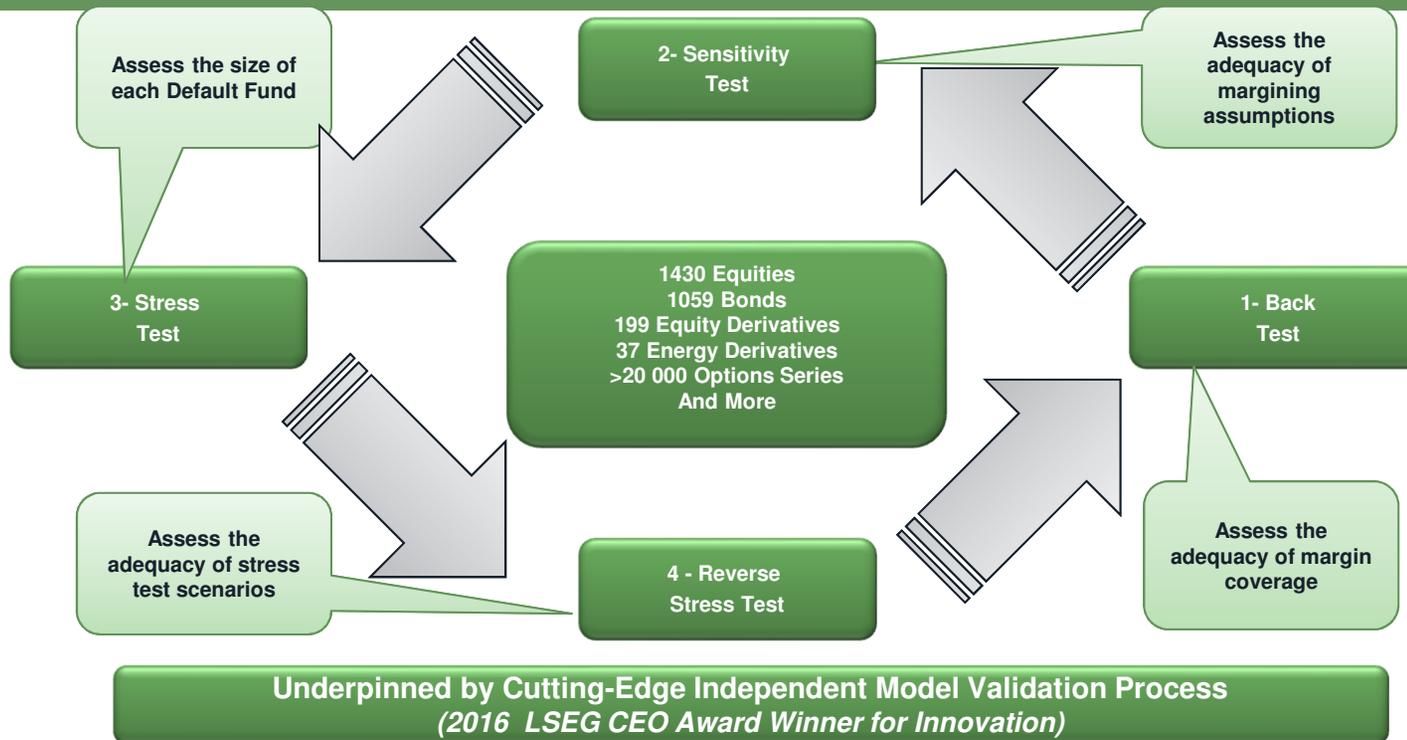
Conservative Assumptions...



KEY MESSAGE: Soundness and robustness of the model strongly proven during the recent crises



...continuously challenged by severe tests



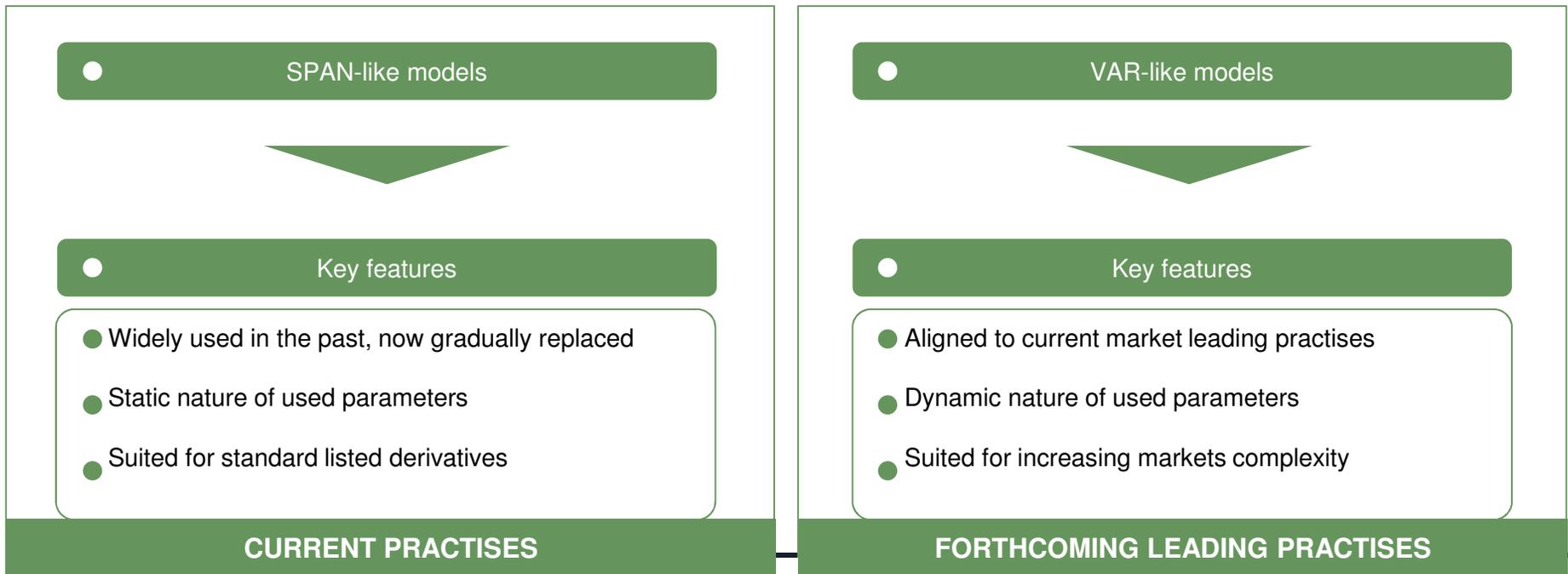
KEY MESSAGE:

Conservative Approaches - Innovative Developments



New Margins' methodologies

The **increasing** markets' **complexity** is pushing **CCPs** towards the implementation of **leading practises** margins' **methodologies** (such as **VaR-like** methodologies):

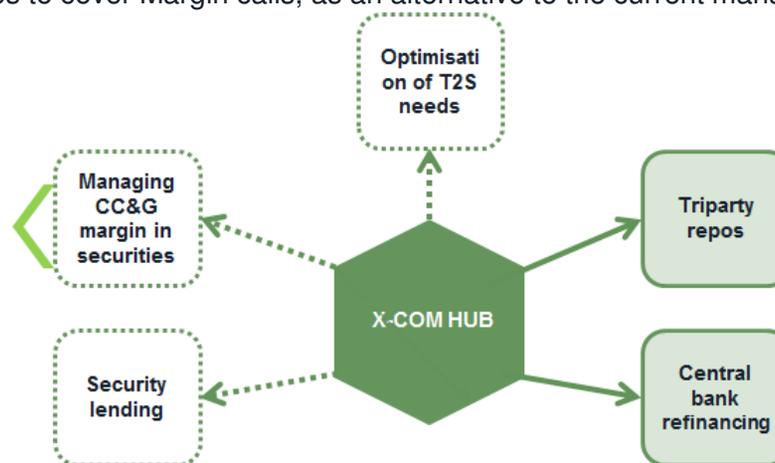


Managing margin requirements on X-COM

- Collateral is typically isolated across business silos, disparate margin and operations centers and treasury areas, therefore there is still room for optimizing collateral allocation processes
- Current market conditions show broad chances of improvement towards a more efficient collateral management system in terms of processes and costs and therefore towards a greater level of efficiency in managing funding needs and investment strategies of customers
- X-COM is the ideal platform for managing securities to cover Margin calls, as an alternative to the current management system

All the advantages of the X-COM platform with centralized collateral management with no operational burden e.g.:

- Automatic substitution of securities in case of ineligibility;
- Recall of collateral with simultaneous substitution
- Multiple Mark-to-market thru the day
- Collateral reuse in NCB



Proposals

KEY MESSAGE

Possible enrichments of X-COM features



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**Any questions?
Thank you!**