1. Record Nr. UNINA9910808289203321 Autore **Gregory Jon Titolo** Central counterparties: mandatory clearing and bilateral margin requirements for OTC derivatives / / Jon Gregory West Sussex, England:,: John Wiley & Sons, Inc.,, 2014 Pubbl/distr/stampa ©2014 **ISBN** 1-118-89157-0 1-118-89156-2 Descrizione fisica 1 online resource (329 p.) Collana Wiley Finance Series Disciplina 332.632 Soggetti Credit derivatives Options (Finance) - Prices - Mathematical models Lingua di pubblicazione Inglese Materiale a stampa **Formato** Livello bibliografico Monografia Note generali Description based upon print version of record. Includes bibliographical references and index. Nota di bibliografia Nota di contenuto Cover: Title Page: Copyright Page: Contents; Acknowledgements; PART I: BACKGROUND; 1 Introduction; 1.1 The crisis; 1.2 The move towards central clearing; 1.3 What is a CCP?; 1.4 Initial margins; 1.5 Possible drawbacks; 1.6 Clearing in context; 2 Exchanges, OTC Derivatives, DPCs and SPVs; 2.1 Exchanges; 2.1.1 What is an exchange?; 2.1.2 The need for clearing; 2.1.3 Direct clearing; 2.1.4 Clearing rings; 2.1.5 Complete clearing; 2.2 OTC derivatives; 2.2.1 OTC vs. exchangetraded; 2.2.2 Market development; 2.2.3 OTC derivatives and clearing; 2.3 Counterparty risk mitigation in OTC markets 2.3.1 Systemic risk 2.3.2 Special purpose vehicles; 2.3.3 Derivatives product companies; 2.3.4 Monolines and CDPCs; 2.3.5 Lessons for central clearing; 2.3.6 Clearing in OTC derivatives markets; 2.4 Summary; 3 Basic Principles of Central Clearing; 3.1 What is clearing?; 3.2 Functions of a CCP; 3.2.1 Financial markets topology; 3.2.2 Novation: 3.2.3 Multilateral offset: 3.2.4 Margining: 3.2.5 Auctions: 3.2.6 Loss mutualisation; 3.3 Basic questions; 3.3.1 What can be cleared?; 3.3.2 Who can clear?; 3.3.3 How many OTC CCPs will there be?; 3.3.4 Utilities or profit-making organisations? 3.3.5 Can CCPs fail? 3.4 The impact of central clearing; 3.4.1 General

points; 3.4.2 Comparing OTC and centrally cleared markets; 3.4.3 Advantages of CCPs; 3.4.4 Disadvantages of CCPs; 3.4.5 Impact of

central clearing; 4 The Global Financial Crisis and the Clearing of OTC Derivatives; 4.1 The global financial crisis; 4.1.1 Build-up; 4.1.2 Impact of the GFC; 4.1.3 CCPs in the GFC; 4.1.4 LCH.Clearnet and Swap Clear; 4.1.5 Lehman and other CCPs; 4.1.6 Responses; 4.1.7 Objections; 4.2 Regulatory changes; 4.2.1 Basel III; 4.2.2 Dodd-Frank; 4.2.3 EMIR; 4.2.4 Differences between the US and Europe

4.2.5 Bilateral margin requirements 4.2.6 Exemptions; 4.3 Regulation of CCPS; 4.3.1 Problems with mandates; 4.3.2 Oversight; 4.3.3 CCPs and liquidity support; PART II: COUNTERPARTY RISK, NETTING AND MARGIN; 5 Netting; 5.1 Bilateral netting; 5.1.1 Origins of netting; 5.1.2 Payment netting and CLS; 5.1.3 Close out netting; 5.1.4 The ISDA Master Agreement; 5.1.5 The impact of netting; 5.1.6 Netting impact outside OTC derivatives markets; 5.2 Multilateral netting; 5.2.1 The classic bilateral problem; 5.2.2 Aim of multilateral netting; 5.2.3 Trade compression

5.2.4 Trade compression and standardisation 5.2.5 Central clearing; 5.2.6 Multilateral netting increasing exposure; 6 Margining; 6.1 Basics of margin; 6.1.1 Rationale; 6.1.2 Title transfer and security interest; 6.1.3 Simple example; 6.1.4 The margin period of risk; 6.1.5 Haircuts; 6.2 Margin and funding; 6.2.1 Funding costs; 6.2.2 Reuse and rehypothecation; 6.2.3 Segregation; 6.2.4 Margin transformation; 6.3 Margin in bilateral OTC derivatives markets; 6.3.1 The credit support annex (CSA); 6.3.2 Types of CSA; 6.3.3 Thresholds and initial margins; 6.3.4 Disputes; 6.3.5 Standard CSA

6.3.6 Margin practices in bilateral OTC markets

Sommario/riassunto

Practical guidance toward handling the latest changes to the OTC derivatives market Central Counterparties is a practical guide to central clearing and bilateral margin requirements, from one of the industry's most influential credit practitioners. With up-to-date information on the latest regulations imposed after the global financial crisis, this book covers the mechanics of the clearing process and analyses the resulting consequences. Detailed discussion explains the ways in which the very significant clearing and margining rules will affect the OTC derivatives market and the financial mark