

Central Counterparty Global Conference 2008

Panel: Market Participants Drivers and Needs

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Payments Systems Risk Management

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CCP 12 Conference

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I CCP Risk Management at Citi

- Direct member in 40+ CCPs
- Direct member of 500 Value Transfer Networks globally
- Exchanges, clearing houses, depositories, cash payment systems

II CCP Membership Risks

- Member default
- CCP default
- Operational risk/concentration risk
- Loss sharing exposures

III Evaluation of CCP Risk From a Member Perspective

- Trade/Transaction, execution & capture
 - ♦ How is trading performed, anonymous ?
 - ♦ Matching process
 - ♦ Timing of novation

- Margining Process
 - ♦ Eligible forms, haircuts, invested ?, shared ?
- Limit structures
 - ♦ Order limits, credit limits, position or market risk limits
 - ♦ Member limits for their customers. Required?
 - ♦ Time interval between marks, m-t-m calculation process
- Clearance and Settlement
 - ♦ Settlement cycle (T+1, T+3, etc)
 - ♦ Irrevocable Payment Commitment (IPC) period
 - ♦ Margining system (SPAN?)
 - ♦ Timing for members to perform on margin calls
 - ♦ Linkages (Central Banks, Settlement Banks, Depositories)

IV Risk Rating & Exposure Methodology

V Continuity of Business (COB)