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Panel: Market Participants Drivers and Needs

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UBS

Clearing & Central Counterparties

Netting

- reduction of market settlements
- Netting leads to;
  - Significant **reduction in settlement fees.**
  - **Reduction in the amount of capital required**, leading to increased liquidity.
  - **Reduces back office overhead** and increases efficiency.

- UBS preference is for trade date netting model as opposed to continuous net settlement.

Lower capital claims

- If the CCP allows for cross border/product margining then this will result in a **consolidation of capital required** for margining.

Corporate Actions & Buy-ins

- There are generally Buy-in and corporate action differences. Standardisation amongst CCP's would be our preference. The differences create operational inefficiencies internally as well as increasing operational risk.

Post trade anonymity

- CCP's support the electronic order driven market place where anonymity is crucial by guaranteeing anonymity in the post trade processing environment. There is no point in having trade anonymity at the order book level if the counterparty is visible post trade

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Set up and usage costs

- The introduction of a CCP will incur **set up costs** (connections etc) as well as the ongoing **usage costs**, in the form of clearing fees and financing costs.
- In order to reduce this impact, it is preferable to join an established CCP rather than setting up a new central counterparty.
- Open competition among the CCP's helps to provide higher degree of cost transparency

Low Liquidity Markets

- Liquidity can influence the benefits of CCP.
- Without sufficient trading liquidity, the cost of clearing can be high

UBS position

- UBS preference is for open integration where there is a period of transitory competition between clearing providers
- Interoperability of CCP's across markets
  - Considerations about increase in complexity and technology investments
- Unbundle the charges and understand what we pay for
- Introduction of a risk differentiated approach

Clearing & Central Counterparties - Asia

- CCPs or Clearing Houses are present in Australia, Hong Kong, India, Indonesia, Japan, Korea, Philippines and Singapore.
- All are part of vertical silos and are generally state or exchange/CSD owned
- There is no inter-operability between CCPs across markets or the region
- The infrastructures are generally monopolistic and there is no competition with individual markets for the CCP landscape
- Costs are normally wrapped up within the total CSD fees