PRESS RELEASE

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Payments Risk Committee CCP Study Group Releases “Recommendations for Supporting Clearing Member Due Diligence of Central Counterparties”

The Payments Risk Committee (PRC) today released a report recommending that central counterparties ("CCPs") make certain information on their risk management practices available to their clearing members. The report was recently completed by the PRC’s study group on central counterparty topics.

The PRC believes that reporting of risk management practices at CCPs is fundamental to enable clearing members to conduct their own due diligence on the risks they face as clearing members. The report also recommends a common framework for reporting, which is expected to encourage greater consistency in reporting across CCPs.

The report, which focuses on eight risk management topics, makes the following recommendations to improve the availability of consistent information:

**Governance:** The proposed template suggests the type of information that CCPs should disclose publically or on a confidential basis to all clearing members, such as committee roles and responsibilities, directors, etc.

**Composition and Value of Initial Margin and Guaranty Fund:** The information requested through the proposed template is expected to provide clearing members with a greater understanding of a CCPs initial margin, default fund, posted collateral detail, and concentration metrics.

**Collateral Structures:** The proposed template suggests the dissemination of information on a CCPs collateral structure in a standard format to appropriate groups within member firms to improve clearing members’ ability to assess the potential risk to their collateral in the event of insolvency of a clearinghouse.

**CCP Investment Balances and Policy:** The information requested through the proposed template would provide an overview of a CCP’s investment policy governing posted clearing members’ initial margin and default fund contributions.

**Evaluation and Monitoring of Clearing Members:** The proposed template requests CCP disclosure of the credit evaluation framework used to measure and monitor ongoing credit worthiness of all members.

**Initial Margin and Guaranty Fund Methodology:** The disclosure of information requested through this proposed template is expected to provide greater detail on the methodologies and models used by CCPs for backtesting, as well as the governance processes surrounding these models and methodologies.
**Default procedures:** The proposed default procedures template was developed to provide transparency to clearing members on the steps a CCP would take in response to a clearing member default.

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