



Banking and Financial Services Law Association Annual Conference 2013

Concurrent Session 2A

Nick Wiley

Not change, but transformation



G20 objective

All standardised OTC derivative contracts should be:

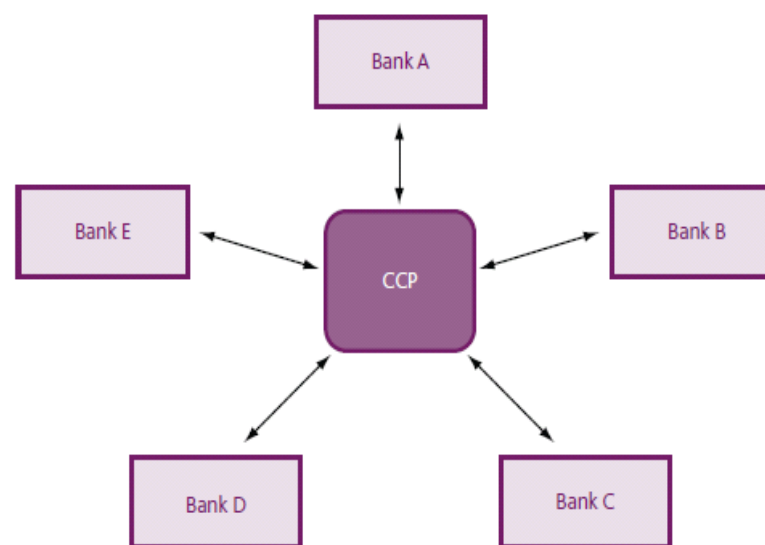
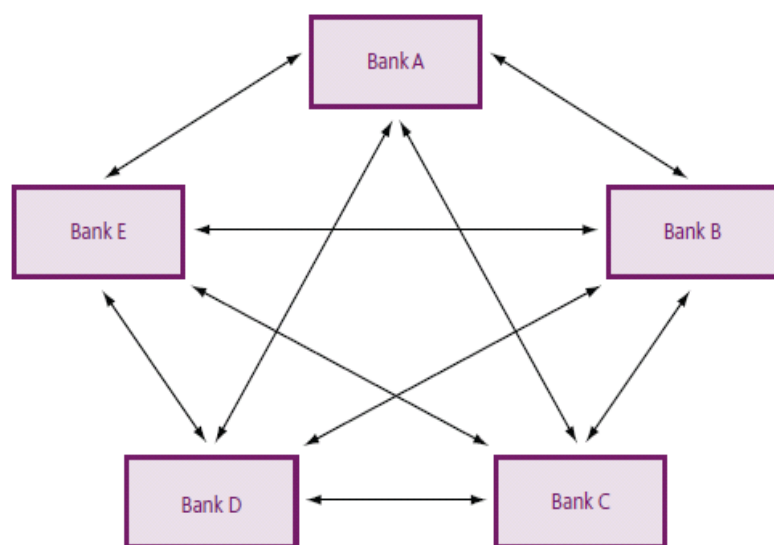
- traded on exchanges or electronic trading platforms, where appropriate
 - cleared through central counterparties
- >
- promote market integrity
 - mitigate systemic risk

Mandatory platform trading

- Not here, yet ...
- “*Exchange traded OTC derivatives*”?
- Product standardisation ... substitution ... proliferation ...
- An end to the role of banks as intermediaries?

Mandatory central clearing

- Central Clearing = Novation + Netting



- the case for clearing ... “case closed”, for standardised contracts in systemically important markets
- “regulatory mandate” versus “economic incentives”

Mandatory central clearing

Impact on Clearing Houses – Capital

November 5, 2012 11:11 pm

D. Börse faces €100-€150m capital shortfall

Financial Times

May 1, 2013 7:33 pm

LCH.Clearnet starts €320m fundraising to meet capital needs

Financial Times

ASX in \$553m capital raising

ANDREW WHITE The Australian June 11, 2013 5:09PM

Mandatory central clearing

Impact on Clearing Houses – Business Models

- “pay and have a say” versus “outsource and clearing house will resource”
- or a bit of both ...

March 27, 2013 6:41 pm

LSE stake in LCH gains approval

By Philip Stafford

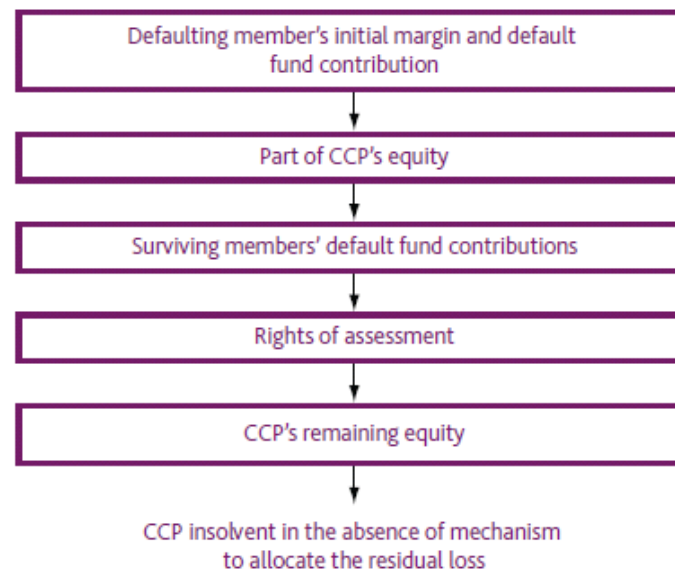
The [London Stock Exchange](#)'s planned purchase of a controlling stake in LCH.Clearnet was approved by both sets of shareholders on Wednesday and is set to be completed after regulators raised no objection to the deal.

Financial Times

Mandatory central clearing

Impact on Clearing Houses – “Recovery and Resolution”

- “No (more) taxpayer bailouts” ... means losses must be fully allocated to users
- the “waterfall”



Bank of England (2013)

- An FMI statutory management scheme ... in 2014?