

AMEDA Conference



Enhancing Risk Management: the Omani example

05-05-2016



A long story made short...

A joint long term partnership



Atos

A commitment to success

A provider of business advice as well as IT

Long term experiences servicing majors CSD and CCP actors

mcd

مسقط للمقاصة والإيداع (ش.م.ع.م.)
Muscat Clearing & Depository (S.A.O.C)

A commitment to success

A will to further enhance efficiencies and develop new added-value Business functions

A deep knowledge of best Middle East practices and a sound IT system

A long story made short...

A market vision built into reality with UCSD

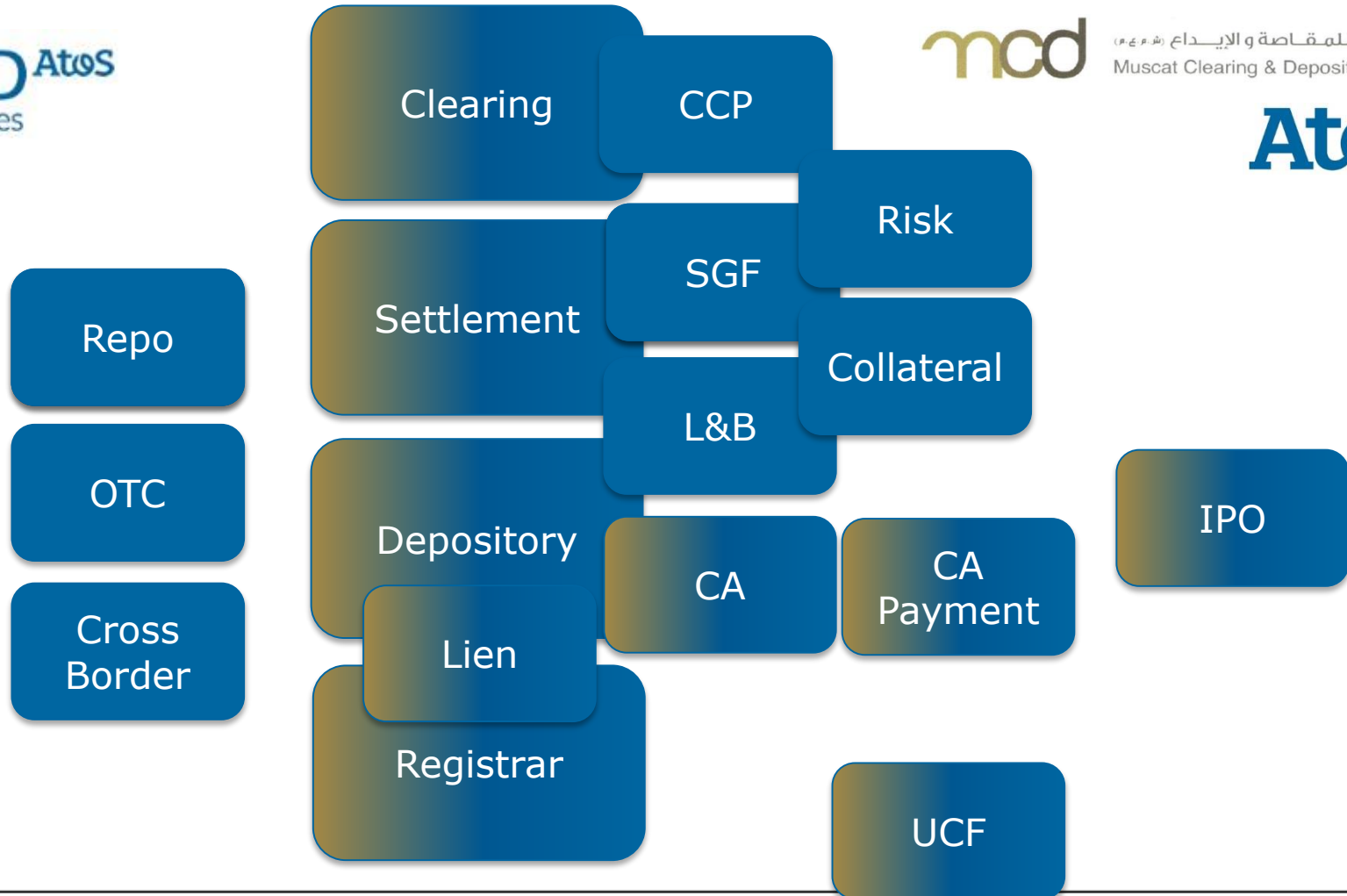


UCSD Atos
CSD Services

mcd

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Atos



A long story made short...

Why enhancing Risk Management?



Business

- Support new business services

Fairness

- Risk takers pay for the theirs risks
- Defaulter pays more than Survivors

Velocity

- Fine tune Risks to marker behavior
- Support daily surge in volumes or volatility

A CCP Waterfall

The cornerstone of CCP risk management



LCH The Markets' Partner

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Margin Deposit
of Defaulter member

Clearing Fund contribution
of Defaulter member

Defaulter
pays

SGF contribution
of Defaulter member

CCP Equity Capital
« Skin in the game »

CCP pays

Clearing Fund
remaining prefunded amount

Clearing Fund
unfunded contribution

Survivors
pay

SGF
remaining prefunded amount

CCP Remaining resources

CCP pays

A CCP Waterfall

The cornerstone of CCP risk management



LCH The Markets' Partner

Margins Deposit

Clearing Fund

- ▶ LCH SA (only) across all business lines
- ▶ Margins
 - 25 800 MEUR
- ▶ Clearing Fund
 - 2 416 MEUR
- ▶ CCP Capital
 - 293 MEUR

- ▶ Total
 - 28 509 MEUR
 - Breakdown:
 - Margins 90,5%
 - Clearing Fund 8,5%
 - CCP capital 1,0%

▶ Source: LCH SA Website 2016

Why a Waterfall?

You start on top and hope not to finish on the bottom



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« Skin in the game »

Clearing Fund
remaining prefunded amount

Clearing Fund
unfunded contribution

Game Over

SGF contribution
of Defaulter member

SGF
remaining prefunded amount

Game Over



A real life example

Using the biggest default... so far



LCH The Markets' Partner

LEHMAN BROTHERS

~~Margin Deposit
of Defaulter member~~

~~Margin Deposit
of Defaulter member~~

Defaulter
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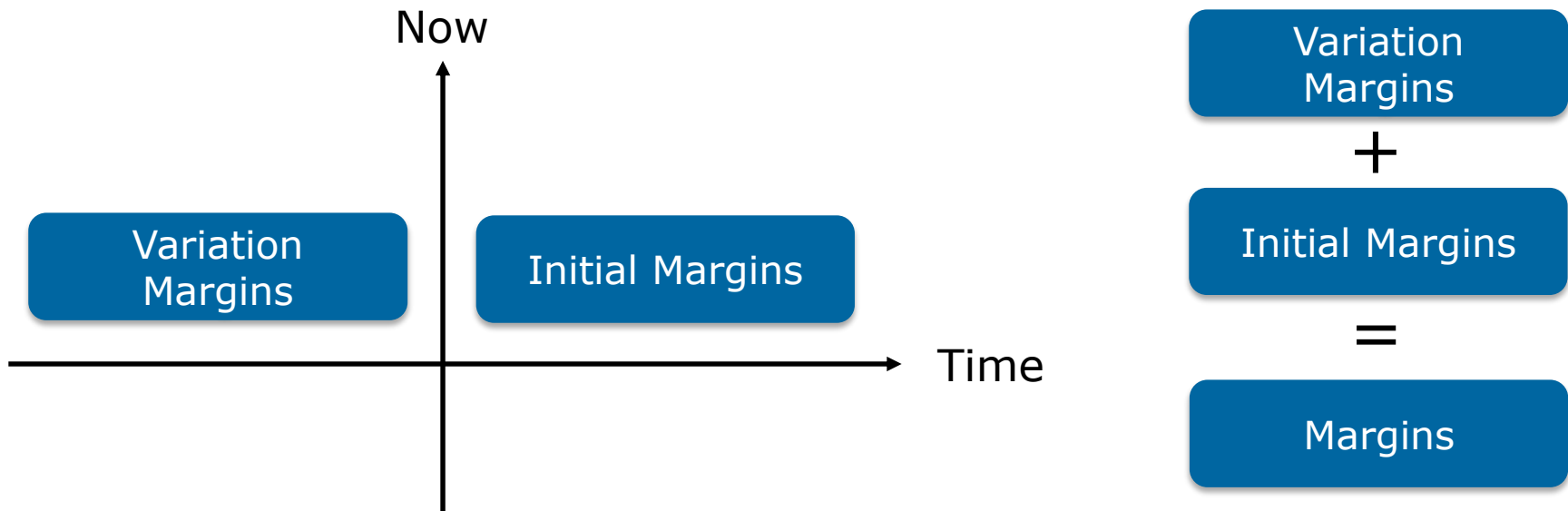
How to compute Margins?

Margins should cover day to day Members risks



► Margins

- Margins include two components:
 - Variation Margin (Mark to market) covers Past Risks
 - Initial Margin covers Future Risks
- Margins are the sum of both.



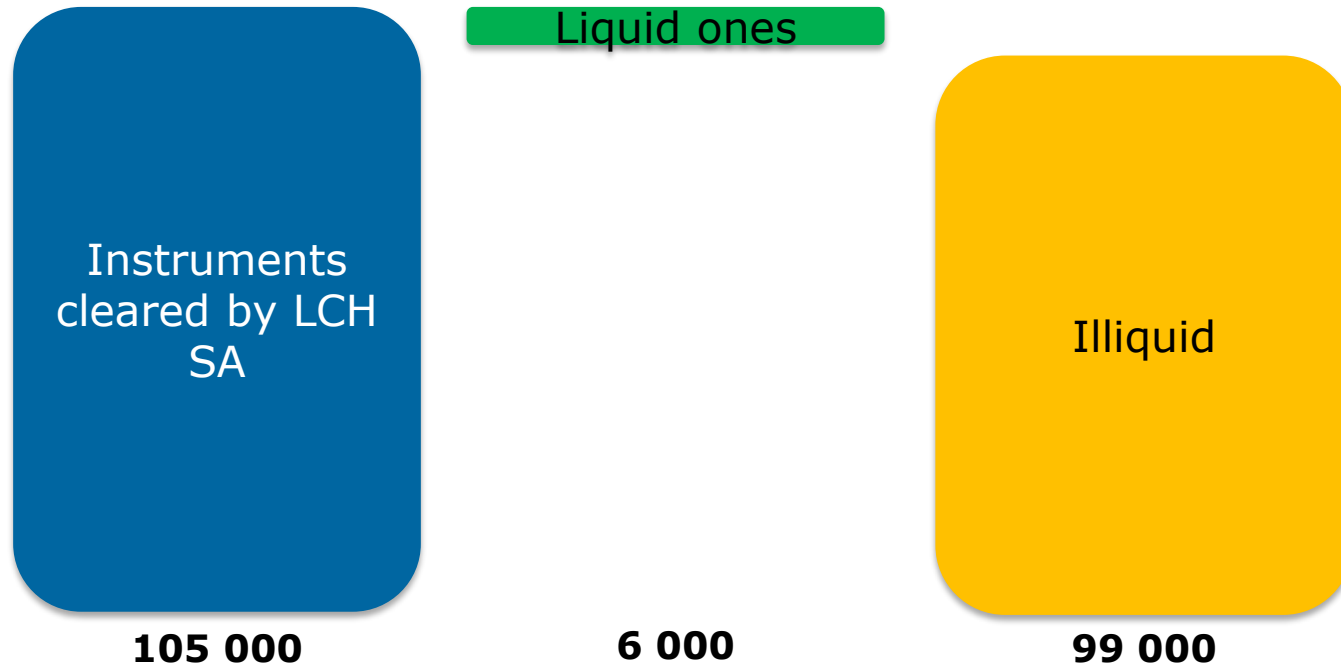
How to compute Margins?

The tricky part is always the Initial Margin...



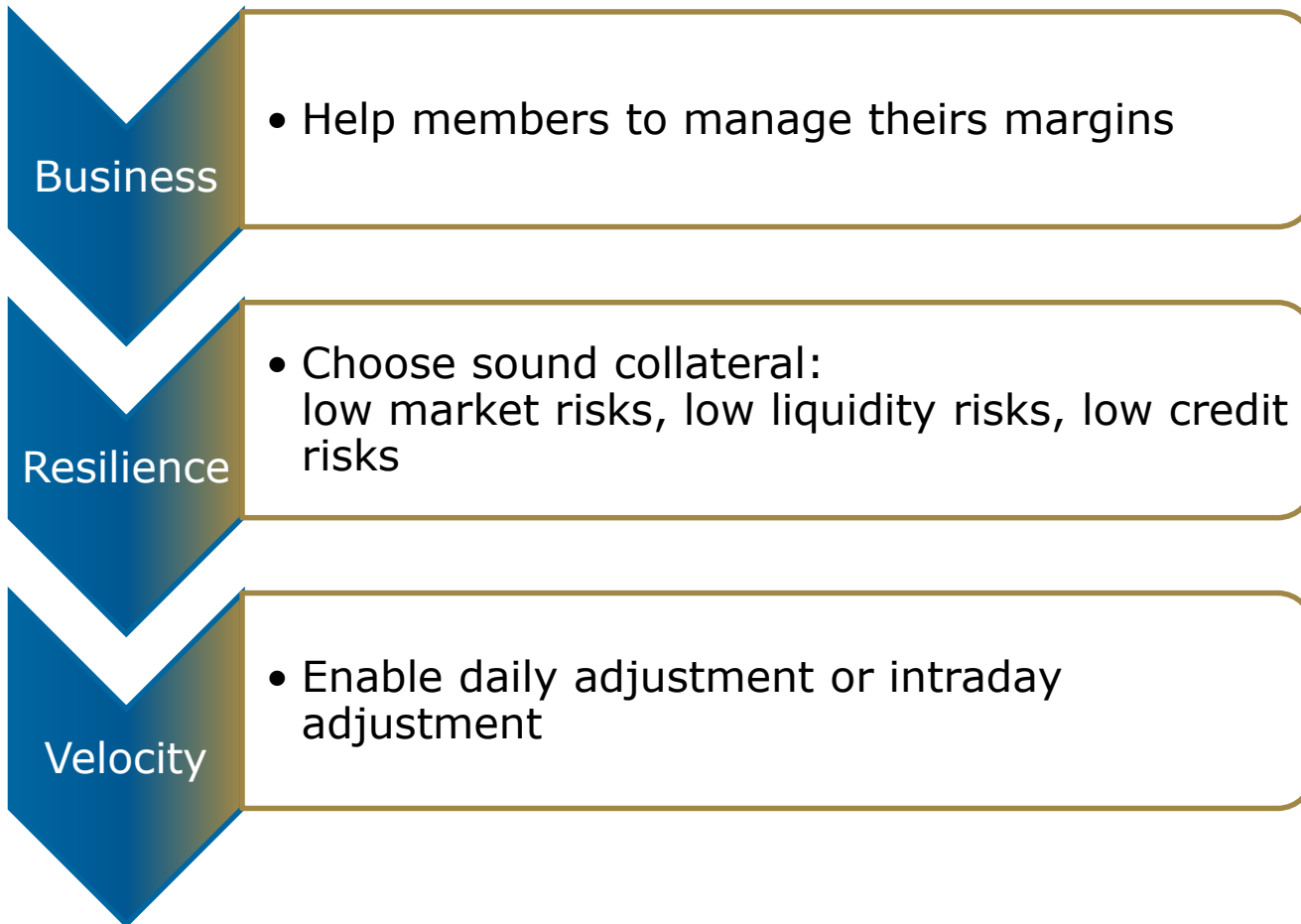
► How to compute future risks?

- Usual suspects: Value At Risk? Expected Shortfall?
- These are complex and efficient algorithms...
- ... But they work nicely for liquid instruments only.
- **So keep it simple, use a bucket approach**



Now what? Collateral!

Risk without Collateral is a building without foundations



The proposed roadmap

The journey is as important as the target



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	Today	Tomorrow	Day after Tomorrow	Some days after
Defaulter pays		Margins	Margins	Margins
	Default Fund contribution	Default Fund contribution	Default Fund contribution	Default Fund contribution
SGF pays				Some SGF Capital
Survivors pay	Remaining Default Fund	Remaining Default Fund	Remaining Default Fund	Remaining Default Fund
SGF pays			SGF Capital	SGF Capital

Conclusion

What should you remember?



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The best practice is a best practice when implemented in such a way that it best suits your business needs

Simplicity is a quality of its own

You do not need a CCP to manage Risks for securities

The journey is as important as the target

Thank you for your attention

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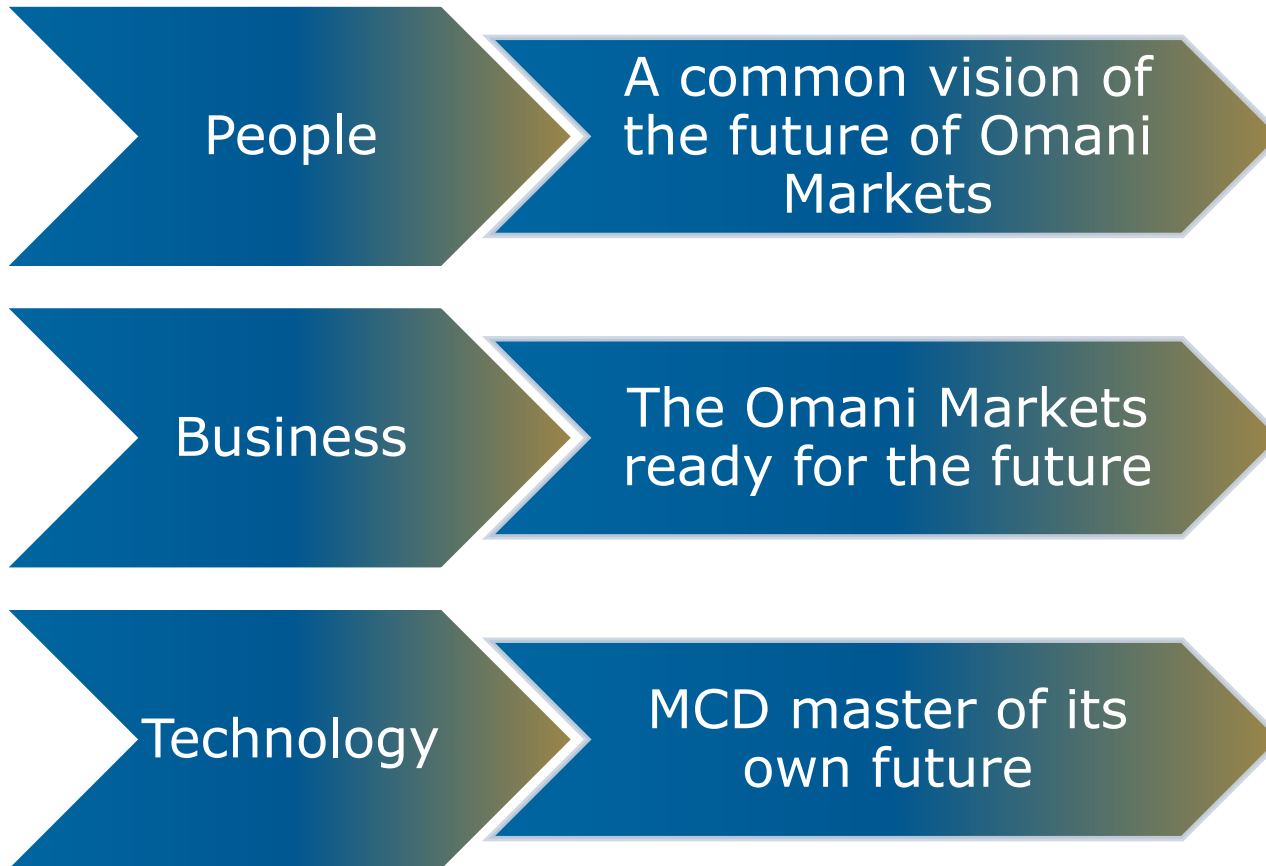
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Assets for the Future

People, Business and Technology



Atos

People, technology and business



At Atos, through digital transformation we strive to create the firm of tomorrow. We believe that bringing together people, technology and business is the way forward.

Every day, we power progress for our clients and partners. It is our unique approach as business technologists that makes this possible.

Atos

A global workforce to cover our clients needs



100,000 Business Technologists

72 countries

€12 billion annual revenue

10,000

UK & Ireland

United Kingdom, Ireland

6,500

Iberia

Andorra, Portugal, Spain

16,500

France

9,000

North American Operations

4,000

South America

Argentina, Brazil, Chile, Colombia, Guatemala, Uruguay



8,000

Benelux & The Nordics

Belgium, Denmark, Estonia, Finland, Luxembourg, Sweden, The Netherlands

13,000

Central & Eastern Europe

Austria, Bulgaria, Croatia, Cyprus, Czech Republic, Greece, Hungary, Italy, Lithuania, Poland, Romania, Russia, Serbia, Slovakia, Switzerland, Turkey

12,000

Germany

6,000

Asia Pacific

Australia, China, Hong Kong, Indonesia, Japan, Malaysia, New Zealand, Philippines, Singapore, Taiwan, Thailand

15,000

India, Middle East & Africa

Atos / Rio 2016

Olympic and Paralympic Games



Equivalent to a business of 200,000 employees, addressing 4 billion customers, operating 24/7, in a new territory, every 2 years.

Customer experience

4 BN Worldwide viewers

37 Competition venues with complete IT infrastructure

30,000 Media

14,700 + Athletes

Trust & Compliance

300,000

0 IT security impact

Operational excellence

70,000 Volunteers with online portal

200,000 Testing hours

80 Different systems and applications

250 Servers

Business reinvention

+++ Digital, social games

Cloud Services

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