

Discussion of Articles
by Bliss and Papathanassiou
and
by Köppl and Monnet

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Köppl and Monnet

- Basic Economic Role of CCP: Enables enforcement of agreements in absence of DvP
- Key features:
 - Limited enforceability on both sides
 - Need for timely delivery (risk aversion)

Timeline

- 0. Symmetric Information (default fund)
- 1. Identities Revealed (trades agreed and margin posted)
- 2. Assets mature (settlement)

Extension

- 0. Symmetric Information (default fund)
- 1. Identities and Aggregate Shock Revealed
(trades agreed and margin posted)
- 2. Assets mature (settlement)

Mutual vs. Profit Maximizing CCP

- Monopoly leads to overuse of default fund
- Majority vote closes CCP rather than risk default fund.
- Robustness?

Bliss and Papathanassiou

- Futures Settlement vs. Securities or Payment Settlement
- CCP vs. Bilateral OTC

Messages

- CCPs are special
- Derivatives are different
- Laws matter
- Regulation is complicated

CCPs Are Special

- Risk mitigation, information provision
 - Mutualisation
 - Novation
 - Margin adjustment
- Standards and standardization
 - Political economy
- Result: Liquidity

Laws Matter

- Finality
- Seniority of payments
- Honoring novation
- Clarity of jurisdiction

Regulation

- Access: Pros and Cons

But Are Derivatives Special?

- Compare
 - Payments (CLS)
 - Securities settlement
- Differences of magnitude, not kind

Derivatives CCPs as Empirical Laboratory

- Magnitudes
- Historical Record
 - Data
 - Politics