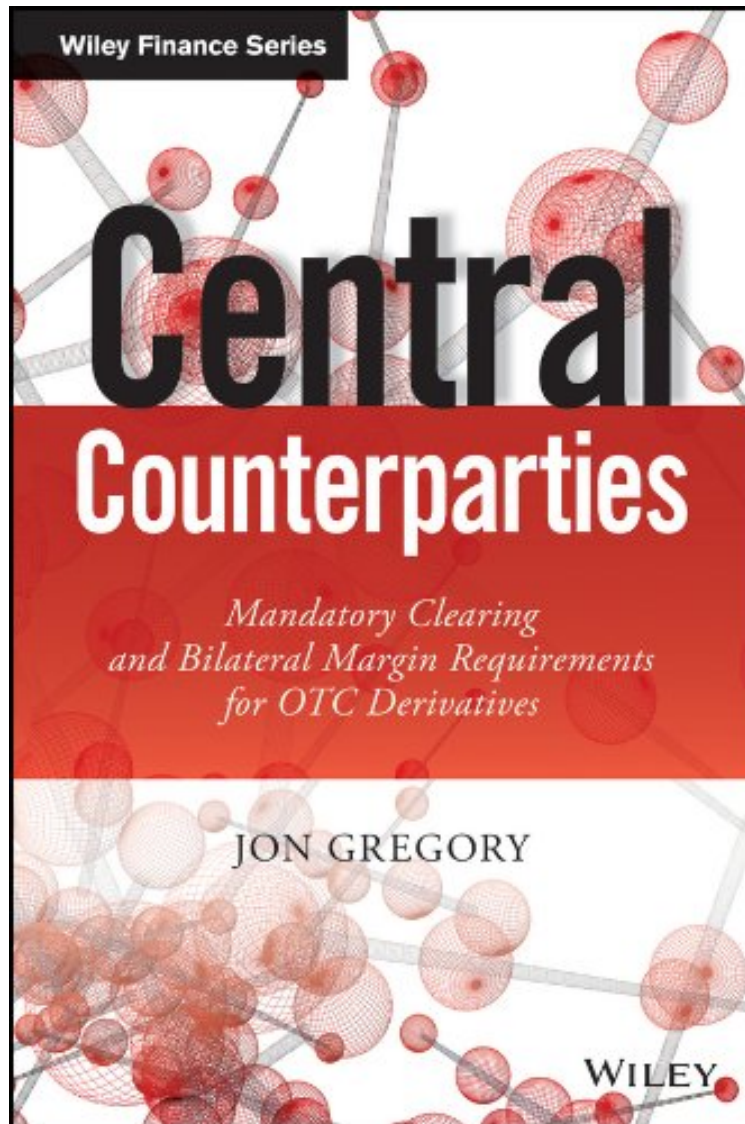


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Central Counterparties: Mandatory Central Clearing and Initial Margin Requirements for OTC Derivatives (The Wiley Finance Series)

Jon Gregory

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Jon Gregory : **Central Counterparties: Mandatory Central Clearing and Initial Margin Requirements for OTC Derivatives (The Wiley Finance Series)** before purchasing it in order to gage whether or not it would be worth my time, and all praised Central Counterparties: Mandatory Central Clearing and Initial Margin Requirements for OTC Derivatives (The Wiley Finance Series):

0 of 0 people found the following review helpful. Excellently written, well informed, and in-depthBy Stuart BDr Jon Gregory's new book summarizes and digests the developments in over-the-counter (OTC) derivative clearing since the 2007 global financial crisis. The book introduces the concepts of bilateral trading, counterparty risk, and margining, and in doing so presents a clear picture of the industry's recent evolution towards central clearing. Gregory appears to have been very careful to present an unbiased assessment of central clearing, reminding the reader that it far from represents a new 'panacea', but like the regimes it replaces, is fraught with potential shortfalls. The book also does well to go beyond product and jurisdictional boundaries, discussing the implications of regulatory differences between the major markets in Europe and the USA, and raising questions of potential regulatory arbitrage. The book is extremely well written and presents background to many of the underlying concepts clearly and concisely. The level of analysis is good, but focuses on presenting the facts and raising questions in the reader's mind. Unlike more academic assessments of central clearing, Gregory presents a far more considered view, drawn from his deep first hand experience of some of the world's largest credit trading desks.0 of 0 people found the following review helpful. ... the weeds that are likely to be distracting and unnecessary to the targetBy AaronTopic areas selected are relevant and explored sufficiently to gain a threshold level of understanding without delving too far into the weeds that are likely to be distracting and unnecessary to the target audience3 of 3 people found the following review helpful. Clear, accurate, timely and in-depthBy ManojThis is a clearly written book on the world of CCPs. It is timely and accurate in its descriptions. Quite a few lessons from the Lehman's bankruptcy are highlighted such as the 'flip provision' in certain legal documents, the management of Lehman's portfolio following bankruptcy etc. Exposures to default funds is a big issue right now for SIFIs and the book dedicates several chapters to default funds and loss allocation methods. Capital calculations for CCPs is covered in chapter 10 - this is useful. I think an example using an example portfolio would add value. Also a chapter on stress testing requirements for CCPs and clearing members would be useful. Chapter 14, 'Risks Caused by CCPs' is a must read. It is excellent. If you want a book on understanding the practice and theory of CCPs, I would recommend this book. The author has made the effort to make each chapter understandable.

Practical guidance toward handling the latest changes to the OTC derivatives market Central Counterparties is a practical guide to central clearing and bilateral margin requirements, from one of the industry's most influential credit practitioners. With up-to-date information on the latest regulations imposed after the global financial crisis, this book covers the mechanics of the clearing process and analyses the resulting consequences. Detailed discussion explains the ways in which the very significant clearing and margining rules will affect the OTC derivatives market and the financial markets in general, with practical guidance toward implementation and how to handle the potential consequences. Over-the-counter derivatives were blamed by many for playing a major role in the 2007 financial crisis, resulting in a significant attention and dramatic action by policymakers, politicians, and regulators to reduce counterparty credit risk which was seen as a major issue in the crisis. The two most important regulatory changes are the mandatory clearing of standardised OTC derivatives, and the requirements for bilateral margin posting in non-standard OTC contracts. Central Counterparties is a complete reference guide to navigating these changes, providing clarification and practical advice. Review the mitigation of counterparty credit risk with the historical development of central clearing Clarify the latest regulatory requirements imposed by Dodd-Frank, EMIR, Basel III and more Learn the mechanics of central clearing, with special attention to complex issues such as margin calculations, the loss waterfall, client clearing and regulatory capital rules Gain insight into the advantages and disadvantages of clearing and bilateral margin requirements, and the potential issues that arise As the clearing and margining mandates are phased in, the associated costs will be severe enough to dramatically shift the topology of the financial markets and transform the nature of risk. Central Counterparties provides the information, clarification and expert insight market practitioners need to get up to speed quickly.

From the Inside Flap"Clearing has risen to the top of the agenda for derivatives risk managers and operational staff. Here now in one place, is the ideal reference book for those coping with these new challenges, combining crystal clear exposition with deep institutional and technical understanding." Alistair Milne, Professor of Financial Economics, Loughborough University School of Business and Economics "Politicians and regulators have placed great faith in central counterparties (CCPs) to reduce systemic risk and contribute to overall market stability. Jon Gregory provides an excellent and very accessible description of the many complex issues that arise in running a CCP. This is a book that anyone concerned with financial regulation should read." Stuart M. Turnbull, Bauer Chaired Professor, Bauer College of Business, University of Houston "The derivatives landscape has changed as a result of the global financial crisis that started in 2007. Jon Gregory has done an excellent job explaining the way derivatives markets now work. All derivatives market participants will find his book an invaluable source of information." John C. Hull, Professor of Derivatives and Risk Management, University of Toronto "Jon Gregory's new book goes a long way to filling a yawning gap in the literature on CCPs. There is no better single source from which to learn about every aspect of CCPs, from the microscopic details of their operations to the macroscopic importance of these entities in the new

financial infrastructure. The book is truly comprehensive, but at the same time is clear, concise, and accessible to a broad audience. Moreover, Jon is extremely even-handed in his appraisal of the pros and cons of CCPs. Sometimes CCPs are characterized as 'single points of failure'; this book can be accurately characterized as a 'single point of knowledge' about CCPs, and successfully explicates this extremely complicated subject." Craig Pirrong, Professor of Finance, Bauer College of Business, University of Houston

From the Back Cover

The Global Financial Crisis, from 2007 onwards, illustrated the inherent weaknesses in the global financial system and some of their causes. In particular over-the-counter (OTC) derivatives were blamed by many for partially causing and catalysing the crisis. Not surprisingly, this has led to dramatic action from politicians, policymakers and regulators in relation to OTC derivative markets. Two of the most important changes are the mandatory clearing of standardised OTC derivatives and the requirements for bilateral margin posting in non-standard OTC contracts. Both clearing and margining mandates will be effectively phased in from 2014 and the associated costs will be severe. These regulatory changes are therefore going to create a dramatic shift in the topology of financial markets, together with a significant reallocation of counterparty and systemic risks. Knowledge of the subject is an important consideration for all financial institutions whether they are CCP members, clear trades indirectly or find themselves subject to bilateral margin requirements.

Central Counterparties: Mandatory Clearing and Bilateral Margin Requirements for OTC Derivatives explains the central clearing of OTC derivatives and the associated bilateral margin requirements. The book provides a historical perspective of central clearing as it developed with derivative exchanges in order to mitigate counterparty credit risk. The regulatory requirements (Dodd-Frank, EMIR, Basel III) being imposed since the global financial crisis are defined and discussed. The mechanics of central clearing are described including operational aspects, initial margin and default fund calculations, loss waterfalls and allocation methods. Client clearing is discussed, in particular giving detail on margin segregation and portability methods. An assessment is made throughout of the advantages and disadvantages of clearing and margining requirements, including potential issues such as funding liquidity risk, operational risk and wrong-way risk. The book is unique and covers the regulatory requirements together with the practical implementation details and the potential impacts and consequences. It is an invaluable and complete reference guide for any market practitioner, policy maker, academic or student with responsibility or interest in the area of OTC derivatives.

About the Author

DR JON GREGORY is a partner at Solum Financial Partners LLP and specialises in counterparty risk and CVA related consulting and advisory projects. He has worked on many aspects of credit risk in his career, being previously with Barclays Capital, BNP Paribas and Citigroup. He is author of the book *Counterparty Credit Risk and Credit Value Adjustment: A Continuing Challenge for Global Financial Markets* Second Edition. Jon holds a PhD from Cambridge University.