



AFW2 –AFE – AFS INTERREGIONAL HYBRID WORKSHOP

Observance of CPSS – IOSCO Principles for Financial Market Infrastructures and Cyber Resilience of FMI
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ACCRA, Ghana

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PRINCIPLES 4,5,6 & 7

Credit & Liquidity
Management



AFRITAC
West 2



AFRITAC
East



AFRITAC
South

General applicability



	PS	CSD	SSS	CCP	TR
Principle 4 - Credit	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Principle 5 - Collateral	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Principle 6 - Margin	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
Principle 7 - Liquidity	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>

Principle 4: Credit risk



An FMI should...

... effectively *measure, monitor* and *manage* its credit exposures ...

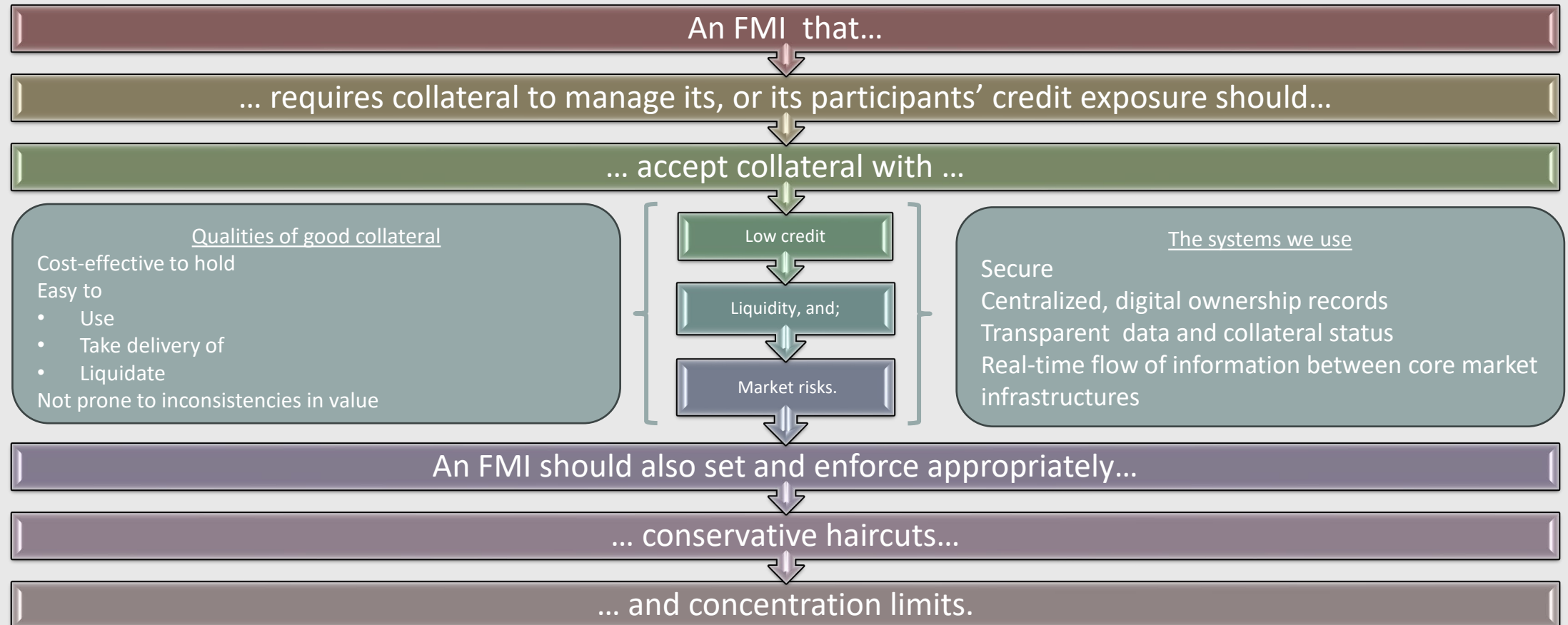
... *to its participants* ...

... and those arising from its payment, clearing and settlement processes.

An FMI should also...


... maintain sufficient financial resources to cover its credit exposure to each participant fully with a high degree of confidence.

Principle 5: Collateral risk



Principle 6: Margin risk



A  CCP should...

“an effective margining system is a key risk management tool for a CCP to manage the credit exposures posed by its participants’ open positions”

Cover its
credit
exposure ...

*... for all
products
through an
effective
margin
system...*

*... and
reviewed
regularly.*

... to its
participants...

... that is Risk-
based...

Principle 7: Liquidity risk

An FMI should

... effectively *measure, monitor* and *manage* its liquidity risk.

... *maintain* sufficient liquid resources (in all relevant currencies) to ...

... effect **same day, intraday** or even **multiday** settlement of payment obligations

... maintain a *high degree* of confidence under a *wide range* of potential stress scenarios...

... should *include*, but not be limited to, the *default* of the participant ...

... that would generate the *largest aggregate* liquidity obligation...

... in extreme, but plausible, market conditions



Extensive cross-referencing

- Participants (P4)
- Settling Banks (P9)
- Custodians (P16)

Credit

- What is acceptable?
- How do you value it?
- Concentrations
- Cross-border

Collateral

Liquidity

- Sources of risk
- Operational and analytical tools to identify, monitor and manage
- own assets + access to lines of credit

Margin

- Requirements?
- Pricing
- Initial Margin
- Variation Margin
- Testing



An FMI must be able to continue operating in a safe and sound manner



QUESTIONS