

Dear Participants,

The 2023 CCP Global – International Default Simulation (“CIDS”) Exercise will take place beginning November 13<sup>th</sup> and run until the end of the default management process (“DMP”) as planned by the CCPs. The 2023 CIDS Exercise aims to identify potential difficulties that could arise if a major clearing participant defaulted at numerous CCPs, and some non-defaulting clearing members were required to bid on portfolios at multiple CCPs in a compressed timeframe. These potential difficulties may not be uncovered by single CCP default drills. This exercise will include more CCPs than any of the previous exercises, and thus could provide new insights, along with areas for improvement at individual, or multiple, CCPs.

Regulators (“we”) are writing to you as the supervisors of the CCPs participating in the default management drill to request that you provide feedback after the completion of the drill. Your feedback is integral to the findings/observations made by us as regulators and by participating CCPs.

**Requested feedback:** Please review the questions below and provide feedback to regulators and/ or CCP Global by [INSERT DATE]. Section A asks for identifying information and general feedback on the exercise as a whole, which you only need to complete once. Section B asks for feedback specific to each CCP that you interacted with as part of the exercise. If your firm participated in the exercises of multiple CCPs, copy Section B as many times as is necessary. Provide responses to those questions that are relevant to your participation.

Please indicate on the following page whether or not your responses can be shared with **other** regulators participating in this exercise and CCP Global. We will be compiling observations for CCPs and clearing members and provide a summary analysis in Q1 2024. If you have questions regarding this survey, or would like to share thoughts in the meantime, reach out to the email below.

Email inquiries and responses to: [GSchmeltz@CFTC.gov](mailto:GSchmeltz@CFTC.gov)

If you would like to share the responses in section A with CCP Global, email Section A separately to [sandy.wong@ccp-global.org](mailto:sandy.wong@ccp-global.org) and [teo.floor@ccp-global.org](mailto:teo.floor@ccp-global.org) <sup>1</sup>

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<sup>1</sup> CCP Global will summarize the feedback collected and share it internally with CCP Global members. Please inform CCP Global in your reply if you would like to remain anonymous or require special handling. Note that CCP Global will keep the responses anonymized if they are referred in any external material/ public report.

Sharing responses with other participating authorities (choose one by marking “X” below):

Yes, share all of these responses with other participating authorities \_\_\_\_\_

No, do not share any responses with other participating authorities \_\_\_\_\_

Share responses, except those for which I’ve responded “no” in Section B \_\_\_\_\_

Finally, CCP Global is planning an in-person roundtable discussion in Madrid early next year<sup>2</sup>, which could include a separate session with bidding participants and regulators. Would you, or a representative from your firm likely participate? If yes, please mark “X” in the box below and provide contacts for CCP Global to reach out to separately.

Contact(s) regarding registration: \_\_\_\_\_

Thank you in advance for participating and providing us with feedback.

Sincerely,

Glenn



**Glenn Schmeltz**  
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Division of Clearing and Risk  
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312-596-0604  
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<sup>2</sup> CCP Global will also provide more details on the workshop in its [webpage](#) when available.

**Section A:**

Identification of Bidder:

		Response
1a	Name of legal entity participating	
1b	LEI of legal entity (where applicable)	
1c	Name of parent company to legal entity	
1d	LEI of parent company (where applicable)	

General Feedback:

Please provide responses to those questions that are relevant to your participation, input “NA” if not applicable.

		Response
2a	Scope of general feedback - Does this general feedback cover only the legal entity or the parent entity?	
2b	In how many CCPs’ fire drills were you active in the 2023 CIDS Exercise? Provide information on the names of the CCPs and in what capacity (i.e. default management group or committee, auction, liquidation, porting).	
2c	How many auctions/quote requests at maximum did you have to i. Price simultaneously? ii. Provide a bid for simultaneously? Specify how many portfolios and bids had to be processed by the same desk.	
2d	Given the answer in Q2b-c, did you experience any resource concerns in arranging/ fulfilling the fire drill participation by multiple CCPs? Please provide details.	

		Response
2e	<p>If the resources were insufficient to participate in all auctions simultaneously, how did you address this issue. For instance, did you:</p> <ul style="list-style-type: none"> <li>i. Request CCP to change the bidding/pricing windows? If so, what did the CCP(s) respond?</li> <li>ii. Decline to participate in one or more auction(s), if so, how did you prioritize?</li> <li>iii. Take streamlined approach in portfolio analysis/pricing and provided more conservative bids accordingly?</li> <li>iv. Others, if any.</li> </ul>	
2f	To what extent, if at all, did your participation interfere with your regular business operations?	
2g	Do you identify any challenges or need for improvements related to the existing DMP execution (e.g., rules, auction formats)? Please provide details.	
2h	Do you identify any impediments or need for improvements related to the existing DMP infrastructure readiness in a global context? Please provide details.	
2i	Were CCP staff generally responsive during this fire drill exercise, e.g., during auctions? Was such level of responsiveness expected and reasonable? Please provide details.	
2j	Do you identify any improvements regarding the 2023 CIDS Exercise communication in terms of timeline and guidance? Please provide details.	
2k	Did your experiences in the exercise result in any planned changes to how you manage future default drills?	
2l	Did you learn anything from your participation in this exercise that you would like to share?	
2m	Did you find the exercise was sufficiently realistic? Are there distinct areas where a real event would differ from the exercise? How could drills be made more realistic in the future?	
2n	Do you have any suggestions on useful changes to incorporate in future CIDS exercises?	

If you would like to share the responses in section A with CCP Global, email Section A separately to [sandy.wong@ccp-global.org](mailto:sandy.wong@ccp-global.org) and [teo.floor@ccp-global.org](mailto:teo.floor@ccp-global.org).

**Section B: CCP-specific Feedback**

Name of legal entity participating (same as 1a):	
Name of CCP:	Chicago Mercantile Exchange Group

Please provide responses to those questions that are relevant to your participation, input “NA” if not applicable.

		Response	Share
3a	Was your participation as a direct or indirect member/client?		
3b	Was your participation in this CCP’s default exercise mandatory? Specify which actions were mandatory (e.g. bidding in an auction, sending seconded traders, others...)		
3c	Considering CCP mandatory bid requirement, did you have to bid on portfolios containing specific products you do not currently/usually clear? If so, could this have impacted your juniorisation in the waterfall?		
3d	Did you provide a seconded trader? In-person or remote? Approximately how many years has that person been trading? Did it lead to an issue with the level of staffing?		
3e	Did the CCP provide clear instructions for your involvement? If not, was the CCP able to provide timely guidance?		
3f	Did you provide/submit bids for hedges? If so, how many? Were you notified that your bids were successful, or not successful, and were you notified within an acceptable time?		
3g	Did you submit bids for auction? If so, how many (and which) auctions at this CCP? When were bids due (date and time)? How many (and which) did you win? Did the CCP notify you within an acceptable time?		
3h	If you would have won the auction, describe the magnitude of the impact on your maximum risk exposures? What would the positions received as a result of the drill represent, as a fraction of your average daily trading volume (%)?		

		Response	Share
3i	Did you bid on a portfolio that you feel should have been split into multiple portfolios for auction, and if so, which one?		
3j	Did you have sufficient time and information for an appropriate assessment of the portfolios and market conditions so you could effectively participate in hedging and liquidation auctions?		
3k	Do you have any issues with the CCP's format of the positions file? Was the instruction on bid sign (+/-) clear regarding pay or receive?		
3l	Did you have challenges in relation to pricing format (for example US treasuries futures)?		
3m	What were some of the challenges you faced or identified with this CCP, e.g. operational challenges or unclear requirements?		
3n	Did your involvement in other CCPs' default exercises limit your ability to engage with this CCP? If so, what were the specific constraints?		
3o	Did any internal exposure or other limits/constraints, such as capital requirements, have an impact on the bid price or the capacity to bid during auctions, or to provide a price for hedges?		
3p	How did the sequencing of auctions over different CCPs and/or winning bids impact your subsequent bids?		
3q	If you participated in porting test, what were the challenges faced?		
3r	<b>Do you have any examples of best practices used by this CCP which could be mirrored by others?</b>		
3s	<b>Do you have any examples of areas for improvement that this CCP could adopt, perhaps based on good practice observed elsewhere?</b>		
3t	<b>Do you have any other feedback you'd like to share regarding this CCP?</b>		