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Press release

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BCBS-CPMI-IOSCO publish analysis of margining dynamics in centrally cleared commodities markets during 2022 stress events

- Global standard setters publish a report analysing margin dynamics in centrally cleared commodities markets during the high-volatility episode in 2022.
- The report finds that central counterparties (CCPs) are sensitive to the impact of margin calls on market participants and that some CCPs are adjusting their approach to stress testing for commodity derivatives following the 2022 volatility.
- The findings support the case for, and help inform, current international policy work aimed at enhancing the transparency of initial margin requirements and evaluating margin responsiveness to market stress.

The Basel Committee on Banking Supervision (BCBS), the Bank for International Settlements' Committee on Payments and Market Infrastructures (CPMI) and the International Organization of Securities Commissions (IOSCO) (the standard setters) today published the report *Margin dynamics in centrally cleared commodities markets in 2022*.

Among its key findings are:

- CCPs are sensitive to the impact of margin calls on market participants and many either maintain or have introduced measures to help limit the speed and size of initial margin requirement increases;
- the market turmoil of 2022 exceeded some of the biggest shocks foreseen in the scenarios CCPs used to size their default funds and consequently some are adjusting their approach to stress testing for commodity derivatives.

This report examines margin calls in centrally cleared commodities markets during the volatility following the Russian invasion of Ukraine in 2022. It is based on a survey of CCPs that clear commodities derivatives and on an industry workshop held to gather the perspectives of end users of commodities derivatives. It complements the BCBS-CPMI-IOSCO *Review of margining practices* report published in September 2022, which analysed the effects of market volatility during the Covid-19 period on margin demands and the associated impact on market participants.

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This report looks at the dynamics of CCPs' margin models, the use of discretion and its effect on margin procyclicality, and the other ways in which CCPs adapted their risk management during this period. It also investigates market participants' preparedness to meet margin calls during these stress events based on the level of transparency and predictability of these margin practices.

Among the report's other findings are:

- end users of commodities derivatives are concerned about the current level of transparency and predictability of CCPs' margin requirements, in particular for intraday margin calls;
- many end users of commodity derivatives believe that there is scope to improve the transparency and predictability of additional margin requirements applied by their clearing brokers on top of the initial CCP margin (referred to as "add-ons" or "margin multipliers").

The findings in this report will inform the international policy work set out in the BCBS-CPMI-IOSCO *Review of margining practices,* aimed at evaluating the responsiveness of initial margin models and enhancing the transparency of margin requirements in centrally cleared markets.

The analysis contributes to the Financial Stability Board's (FSB's) work to enhance the resilience of the non-bank financial intermediation and complements the FSB's report on *The Financial Stability Aspects of Commodities Markets* with a specific focus on CCP-related dynamics.

Notes to editors:

Margin is collateral (cash and non-cash) that is collected to protect against future or current risk exposures resulting from market price changes or in the event of a counterparty default.

Margin calls are highly dependent on the levels of experienced market volatility. CCPs rely on models that use this volatility as a key input to assign initial margin requirements. Many CCPs also use discretion during periods of stress, which can affect the size and speed of any model-derived margin changes.

A "margin multiplier" or "add-on" is an additional initial margin requirement sometimes applied by a clearing member to its clients for centrally cleared transactions.