

## GMAC TECHNICAL ISSUES SUBCOMMITTEE RECOMMENDATION

### Global Default Simulation

<b>Issue:</b>	<p>CCP Global is coordinating a global default simulation across CCPs, taking place during the week of the 13th November 2023.</p> <p>Global regulator support of the exercise is critical to its success. The default simulation has been arranged in consultation and with input from regulators, not least of which the CFTC. (attach, once final in Sept: the guidance letter and our descriptive deck)</p>
<b>Recommendation</b>	<p>As we approach the November exercise, it is critical that the CFTC continue its support and valuable input, alongside its role in convening regulators and market participants.</p> <p>Furthermore, CFTC is advised to consider inclusion of lessons learnt and best practices arising from such simulations into its capacity building programmes with, especially, some emerging market regulatory homologues.</p>
<b>Background, Supporting Arguments or Examples &amp; Data (if any)</b>	<p>Often called “default simulations” or “fire drills,” these exercises are performed at least annually by CCPs to confirm the readiness of a CCP’s default management structure. The purpose of a default simulation is to check that operationally, the plans that a CCP and its participants have in place for managing an actual member default are fit for purpose.</p> <p>Such tests are distinct from stress testing which validates the financial resources of a CCP. During simulations, CCPs test the operational readiness of their staff, procedures, IT systems, clearing members and clients, or part thereof.</p> <p>The exercise planned for November includes 14 CCP Global members, and certain European non-members are participating as primary participants. A further 15 members will participate as observers.</p>