



CCP Back Testing Applications and the Results

Takasbank Practice 2023-3

Central Counterparty Department



Contents

- Introduction
- Initial Margin Back-testing
 - Account based Back-testing
 - Product based Back-testing
 - Money Market Back-testing
 - SWAP Market Back-testing
- Haircut Back-testing
- Initial Margin Back-testing Results
 - Account based Back-testing Results
 - Product based Back-testing Results
 - Money Market Back-testing Results
 - SWAP Market Back-testing Results
- Haircut Back-testing Results

Introduction

- In risk management, back-testing which is usually employed to assess the measurement models' accuracy and performance, is used by CCPs to test the parameters in the collateral calculation models and haircuts applied to eligible collateral assets.
- It is compulsory for CCPs to back-test risk management models as per the CPMI-IOSCO principles and EU EMIR regulations. Similarly, in our country the Takasbank's obligation to check the authenticity and reliability of the risk models employed in CCP services through back-testing was introduced through the Central Counterparty Regulation, Article 45 .

Initial Margin Back-testing

- In the CCP-enabled markets the models employed in the calculation of initial margin and adequacy of confidence levels are analysed via back-tests executed on a daily basis by the Central Counterparty Division.
- In back-testing , it is controlled whether the initial margin required for the positions are large enough the to meet the change in the value of the position during the holding period in light of the confidence level and holding period assumptions that are utilized in initial margin calculation. The observations where the initial margin does not cover the change in value is referred as breach. In the back-testing period, the number of breaches are anticipated to be less than the number implied by the confidence level.
- The back-testing results of the models employed in initial margin calculation and if there is any, suggested measures are presented to Takasbank Board of Directors at least 4 times a year in March, June, September and December by internal audit divisions. The back-testing results shall be submitted to the CCP Risk Advisory Committee in June and December.

Account Based Back-testing

- In Derivatives Market (VIOP) the back-tests are conducted on a daily basis on all accounts with open positions. At the end of each day, it is checked whether the initial margin amount required for the relevant account is large enough to meet the change in value of the position in the account during holding period. For this purpose the positions in the account are valued at market prices in the following days (during the holding period) and the change in the value of positions is calculated. If this value is larger than the initial margin, it is acknowledged that there is a breach in the account. The change in values of the positions in the Derivatives Market (VIOP) is based on the change in the profit/loss arising from futures contracts and short option positions' values.
- The conditions whereby the maximum change exceeds the initial margin is acknowledged as “breach”. Back-testing is performed for all the positions taken in the market on a daily basis and the excess numbers' ratio to the total number of observations is anticipated to remain at the confidence level utilized in the initial margin calculation.

Product Based Back-testing

- As gross collateral basis is applied in Securities Lending Market (ÖPP) in back-testing an approach based on borrowed/ lent security is followed. For this purpose borrowing/ lending transactions are used on security basis. For a single day, the varied number of securities, which are subject of borrowing transactions, is the observation number for that day. The price changes in the borrowed/ lent securities during the holding period is acknowledged as breach if they exceed the initial margin requested for the related borrowing transaction. In Securities Lending Market, since initial margin and valuation process utilize weighted average price, in back-testing weighted average prices are used for borrowed/lent securities as well.
- Also, in Derivatives Market (VIOP) and Equity Market(PP) back-testing are performed. In this regard, it is tested through daily calculations whether the initial margin values requested for the contracts compensate for the price movements that they shall be exposed to in the course of the holding period.
- In the Debt Securities Market, back-testing is checked by comparing the change in theoretical prices that occur on a maturity basis at the end of each day during a 2-day holding period with the calculated initial margin value.

Money Market Back-testing

- In the Money Market, one and three month maturity transactions are made. In this context, a different approach to Securities Lending Market (ÖPP) and Derivatives Market (VIOP) has been adopted in backtest analyzes. According to this, the interest rate implied by the level of initial margin on the contract basis is calculated daily and then it is observed whether there is an interest rate change exceeding the amount of change calculated in the market.

SWAP Market Back-testing

- The SWAP Market back-test applies to foreign currency underlying assets traded in the SWAP Market.
- The back-test was conducted by taking into account the 2-day holding period of the exchange rate fluctuations in the USD and EUR data set for the test period.

Haircut Back-testing

- Haircuts are back-tested on a monthly basis. Back-testing may be performed via indices, maturity and indicators that represent the collateral assets.
- In the event that breach is observed for more than two business days in average for the past one year period during the back-testing and this asset group's haircuts have not been previously calibrated via multiplication factors, the haircuts is calibrated by reduction subject to the framework of the multiplication factors table. If the need to recalibrate arises for a previously calibrated asset group , the haircuts are recalculated.

Haircut Back-testing

$$\text{Haircut (\%)} = 1 - (\% \text{ Reduction multiple} \times \text{Multiplication factor})$$

Number of Breach	Multiplication Factor
2 and less	1.00
3	1.20
4	1.35
5	1.5

In the event that breach is observed for more than 5 business days in the last year's valuation multiples, the utilized data set, confidence level and the model are reviewed.



Back-testing Results

Central Counterparty Department



Initial Margin Back-testing Results

Product Based Back-Test Results (Derivatives Market 2023-3)

	VİOP KONTRAT BAZINDA				
	Tüm Enstrümanlar	Pay Future	Döviz Future	Elektrik Future	Opsiyon
Toplam Gözlem Sayısı	153,402	36,472	7,534	134	105,762
Güven Düzeyi Uyarınca Kabul Edilebilir Aşım Sayısı	767	182	38	1	529
Aşım Sayısı	293	271	0	3	3

In the back-test for the period concerned the open contracts in the derivatives market (VIOP) are taken into consideration. In the daily calculation, breach has not been observed on contract basis.

Initial Margin Back-testing Results

Product based Back-testing Results (SLM 2023-3):

	ÖPP KONTRAT BAZINDA		
	Toplam	BİST30	DİĞER
Toplam Gözlem Sayısı	4,524	3,062	1,462
Güven Düzeyi Uyarınca Kabul Edilebilir Aşım Sayısı	23	15	7
Aşım Sayısı	4	4	0

In the daily calculation, breach has not been observed on contract basis.

Initial Margin Back-testing Results

Product Based Back-Test Results (Equity Market 2023-3)

	PAY PİYASASI KONTRAT BAZINDA					
	Toplam Paylar	BİST30*	BİST100-30	BİST DİĞER**	BİST GÖZALTI	VARANT
Toplam Gözlem Sayısı	124,793	11,204	17,155	92,355	3,681	330,405
Güven Düzeyi Uyarınca Kabul Edilebilir Aşım Sayısı	624	56	86	462	18	1652
Aşım Sayısı	160	21	34	103	1	2058

In the daily calculation, breach has not been observed on contract basis for equity market.

Initial Margin Back-testing Results

Maturity Based Back-Test Results (Debt Securities Market 2023-3)

	BORÇLANMA ARAÇLARI PİYASASI VADE BAZINDA						
	Toplam	ON*	1 M	6 M	1 Y	2 Y	5 Y*
Toplam Gözlem Sayısı	2450	245	490	490	490	490	245
Güven Düzeyi Uyarınca Kabul Edilebilir Aşım Sayısı	12	1	2	2	2	2	1
Aşım Sayısı	61	0	0	14	18	20	9

In the daily calculation, breach has been observed on contract basis for Debt Securities Market.

Initial Margin Back-testing Results

Money Market Back-testing Results (2023-3):

	BİAŞ Para P. Gün Bazlı
Toplam Gözlem Sayısı	260
Güven Düzeyi Uyarınca Kabul Edilebilir Aşım Sayısı	1
Aşım Sayısı	0

The test results show that there is no change in the market interest rate exceeding the declared rates.

Initial Margin Back-testing Results

SWAP Market Back-testing Results (2023-3):

	Toplam	SWAP Piyasası	SWAP Piyasası	SWAP Piyasası	SWAP Piyasası	SWAP Piyasası
		(USD)	(EUR)	(XUAEUR)	(XUAUSD)	(XUATRY)
Toplam Gözlem Sayısı	1294	260	260	258	258	258
Güven Düzeyi Uyarınca Kabul Edilebilir Aşım Sayısı	13	3	3	3	3	3
Aşım Sayısı	6	2	2	0	2	0

In the daily calculation, breach has not been observed on contract basis for SWAP Market.

Initial Margin Back-testing Results

OTC Market Back-testing Results (2023-3):

	OTC KONTRAT BAZINDA
Toplam Gözlem Sayısı	67,458
Güven Düzeyi Uyarınca Kabul Edilebilir Aşım Sayısı	337
Aşım Sayısı	40

In the daily calculation, breach has not been observed on contract basis for OTC Market.

Haircut Back-testing Results

2022 Ekim- 2023 Eylül Teminat Değerleme Katsayıları Geriye Dönük Testi		Teminat Değerleme Katsayıları	Aşım Sayısı
DÖVİZ	DOLAR	90%	0
	EURO	89%	0
	POUND	89%	0
DİBS	1 yıllık faize göre hesaplama yapılmıştır.	97%	4
	5 yıllık faize göre hesaplama yapılmıştır.	84%	1
	10 yıllık faize göre hesaplama yapılmıştır.	84%	5
EUROBOND (USD)	5 yıllık gösterge faize göre hesaplama yapılmıştır.	89%	0
	10 yıllık gösterge faize göre hesaplama yapılmıştır.	89%	0
	30 yıllık gösterge faize göre hesaplama yapılmıştır.	88%	1
EUROBOND (EUR)	5 yıllık gösterge faize göre hesaplama yapılmıştır.	89%	0
	10 yıllık gösterge faize göre hesaplama yapılmıştır.	85%	0
	30 yıllık gösterge faize göre hesaplama yapılmıştır.	72%	0
PAY*	BİST30 endeksi	83%	0
	BİST100 endeksi	79%	0
	BİST30 İçerisindeki Aşım Gerçekleşen Pay Sayısı:		
	11	83%	17
	BİST100-BİST30 İçerisindeki Aşım Gerçekleşen Pay Sayısı:		
15	79%	29	
ALTIN		87%	0
YATIRIM FONU*	Aşım Gerçekleşen Hisse Senedi Şemsiye Fonu Sayısı:		
	14	89%	20
	Aşım Gerçekleşen Borçlanma Araçları Şemsiye Fonu Sayısı:		
2	92%	2	

*BİST30 paylarında toplam aşım sayısının 60'ı, BİST100 paylarında toplam aşım sayısının 140'ı, toplam sayısı 10 olan hisse senedi şemsiye fonlarında aşım sayısının 200'ü ve toplam sayısı 75 olan borçlanma araçları şemsiye fonlarında ise aşım sayısının 150'yi geçmemesi teminat değerlendirme katsayılarında kalibrasyon ihtiyacının bulunmadığını göstermektedir.

(*) Government domestic borrowing security

Haircut Back-testing Results



The calibration study for all markets was announced in the general letter numbered 1906. The calibration study for Government domestic borrowing security 1 and 10-year maturities was carried out and was announced in the general letter numbered 1896.



Thank you

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