

LOCAL CENTRAL COUNTERPARTY

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Abstract

On the 29th of January 2019, the Extraordinary General Meeting of Shareholders of the company Bucharest Stock Exchange (BVB) decided to incorporate a joint-stock company in order to authorize and operate it as a central counterparty. The business scope of this company would be to carry out operations such as clearing, calculation of net liabilities, and ensuring the availability of financial instruments, money funds (or of both) to cover the resulting exposures.

The central counterparty will be able to provide guarantee services for transactions based on financial instruments carried out both on the spot trading venues currently managed by the BVB and on the derivative market, supposing that BVB developed such a market.

Seeing that the financial instruments listed on the trading venues managed by the BVB are heterogenous in terms of liquidity and volatility, the possibility for the local central counterparty to provide clearing services would be limited to certain financial instruments, at least during the first stage. If the clearing services are extended to all the securities listed on the BVB, the guarantee level will reach, in certain situations, up to 100% of the transaction value, which would actually entail a pre-validation activity.

Key words: central counterparty, financial instruments, net positions, market risk, credit risk

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