






Cheat sheet: Counterparty Credit Risk management according to the Basel guidelines

The six segments of CCR management according to BCBS 574 and their key requirements:


	1. Due diligence and monitoring In-depth knowledge and continuous monitoring of counterparties and their risk profiles form the basis for sound CCR management.	<ul style="list-style-type: none">▶ Updated onboarding standards tailored to the risk appetite – institution-wide consistency – ongoing monitoring of counterparties.
	2. Credit risk mitigation Setup of margin agreements (VM and IM) and continuous monitoring of collateral as well as supplementary measures greatly reduce CCR.	<ul style="list-style-type: none">▶ Further clauses tailored to risk profile, guarantees – consistent haircut frameworks – margin backtesting – consideration of legal enforceability and delays.
	3. Exposure measurement Losses from CCR are strongly driven by tail events. Multiple metrics are required to cover the effects of all material risk drivers under regular and stressed market conditions including wrong-way risk (WWR).	<ul style="list-style-type: none">▶ Suitable metrics for pricing, limit utilization, and regulatory capital – stress tests – validation, backtesting, attention to model weaknesses.
	4. Governance Sound governance of CCR starts with competent teams and the right risk culture across all three lines of defence.	<ul style="list-style-type: none">▶ CCR strategy including risk appetite – clear processes, consistent limit framework, sound management reports.
	5. Infrastructure, data, and risk systems Complexity and data requirements of exposure calculations demand a powerful IT infrastructure and robust data concepts.	<ul style="list-style-type: none">▶ Compliance with BCBS 239, automated data checks, correction processes – regular IT monitoring – effortless analysis and reporting functionality.
	6. Closeout practices Efficient closeouts require quick action for replacement of transactions and collateral liquidation, based on all legal and contractual provisions.	<ul style="list-style-type: none">▶ Modelling of closeout costs – legal transparency – closeout playbook and regular test runs – rapid, up-to-date exposure analysis capabilities.

Important key facts and figures:

30/04/24 Basel Committee published BCBS 574

28/08/24 Deadline for provision of feedback

CCR Counterparty Credit Risk

 In view of rising supervisory expectations, it is advisable to thoroughly assess and understand the impact of BCBS 574 on CCR measurement, mitigation, limitation and reporting in your institution. With our comprehensive knowledge and experience, d-fine is dedicated to supporting you in the evaluation and enhancement of your CCR framework.

Get in touch with our expert:



Dr Holger Plank
Partner
d-fine AG, Zurich
holger.plank@d-fine.com