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## Abstract

We study how crises affect Central Clearing Counterparties (CCPs). We focus on a large and safe segment of the CCP-cleared repo market during the Eurozone sovereign debt crisis. We develop a simple model to infer CCP stress, which is measured as repo rates' sensitivity to sovereign credit default swaps (CDS) spreads and jointly captures (1) the effectiveness of haircut policies, (2) CCP-member default risk (conditional on sovereign default), and (3) CCP default risk (conditional on both sovereign and CCP-member default). During 2011, repo rates strongly respond to sovereign risk, particularly for Greece, Italy, Ireland, Portugal and Spain (GIIPS); repo investors behaved as if the conditional probability of CCP default was substantial.

JEL classifications

E58, E43, G01, G21

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