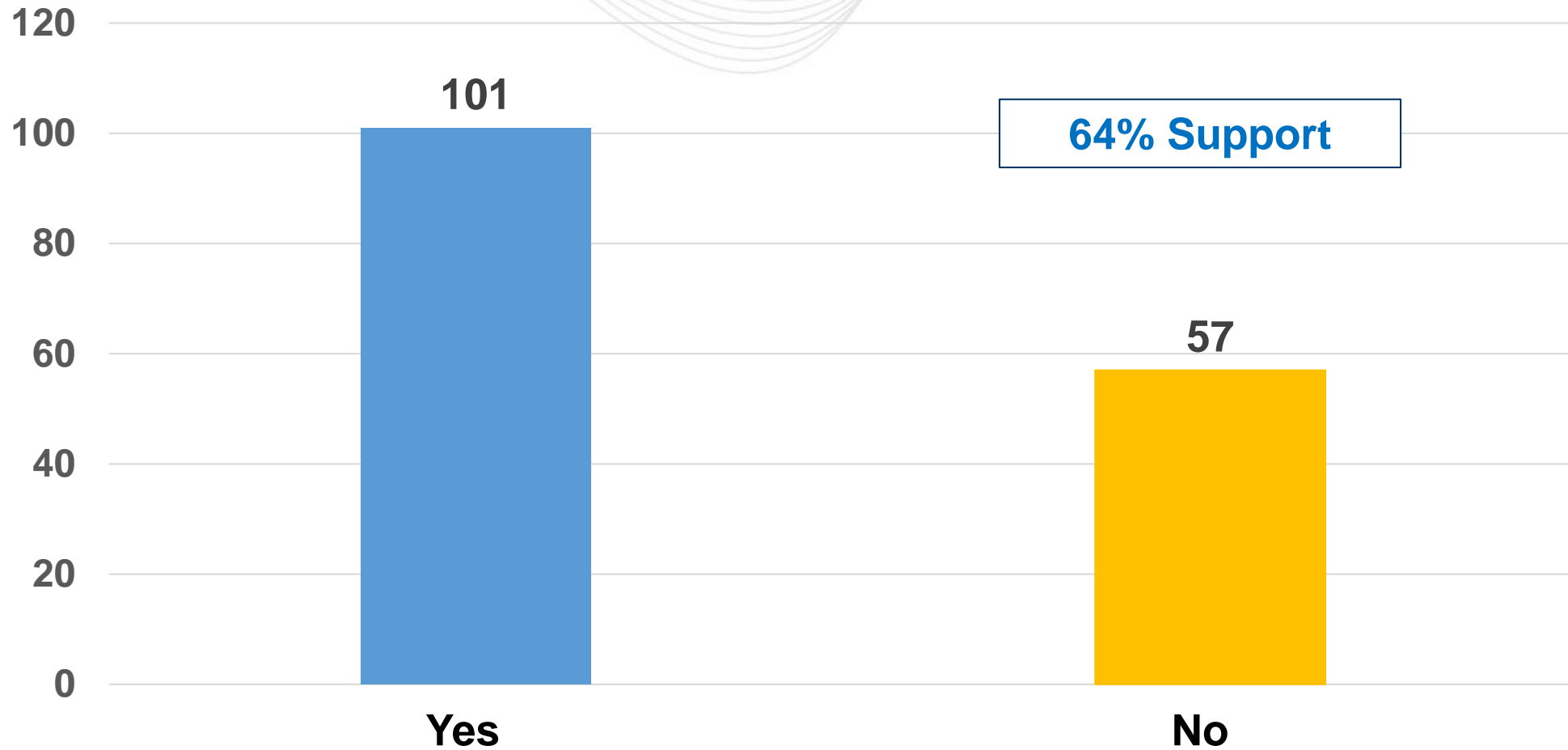


# Financial Risk Management Senior Task Force Update

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MRC

December 19, 2019

## Do you support the PJM package?





Enhance  
Credit Risk  
Policy



Clarification  
of PJM Role  
in RTO  
Market



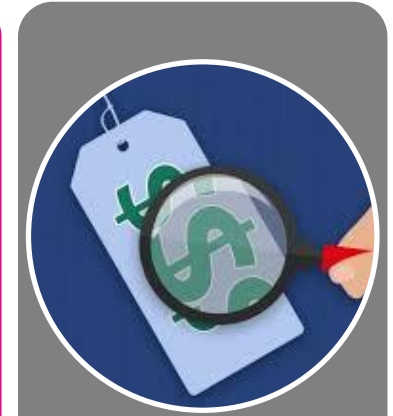
Know Your  
Customer



Establish  
Robust Risk  
Management  
Process



Onboard &  
Develop  
Expertise



Increase  
FTR Auction  
Frequency

Holistic risk management incorporating industry best practices

Extending task force to complete **historical simulation initial margining methodology** back-testing and parallel testing in time for the next annual auction **(April 2020)**

- Need to take time to do this right
- Resources are committed

## Initial risk evaluation

- Rating agency reports
- Audited financial statements
- References (new market participants)
- Default status and history of defaults
- Know your customer
- Internal credit score
- Determine unreasonable credit risk
- Enhanced collateral practices
- Position limits

**Ongoing:** Continue to assess market participant risk profiles