



EUROPEAN COMMISSION

DIRECTORATE-GENERAL FOR FINANCIAL STABILITY, FINANCIAL SERVICES AND CAPITAL
MARKETS UNION

Financial markets
Financial markets infrastructure

CONSULTATION DOCUMENT

TARGETED CONSULTATION

ON THE REVIEW OF THE CENTRAL CLEARING FRAMEWORK IN THE EU

Disclaimer

This document is a working document of the Commission services for consultation and does not prejudge the final decision that the Commission may take.

The views reflected on this consultation paper provide an indication on the approach the Commission services may take but do not constitute a final policy position or a formal proposal by the European Commission.

You are invited to reply **by 8 March 2022** at the latest to the **online questionnaire** available on the following webpage:

https://ec.europa.eu/info/publications/finance-consultations-2022-central-clearing-review_en

Please note that in order to ensure a fair and transparent consultation process **only responses received through the online questionnaire will be taken into account and included in the report summarising the responses.**

This consultation follows the normal rules of the European Commission for public consultations. Responses will be published in accordance with the privacy options respondents will have opted for in the online questionnaire.

Responses authorised for publication will be published on the following webpage:
https://ec.europa.eu/info/publications/finance-consultations-2022-central-clearing-review_en

Any question on this consultation or issue encountered with the online questionnaire can be raised via email at fisma-central-clearing-review@ec.europa.eu.

INTRODUCTION

Rationale for launching the targeted consultation

The aim of this consultation is to seek feedback on possible measures, legislative and/or non-legislative, to improve the competitiveness of EU CCPs and clearing activities as well as ensure that their risks are appropriately managed and supervised.

[On 10 November 2021, Commissioner McGuinness announced an extension of the equivalence decision for the UK framework on central counterparties.](#) This extension will allow the Commission to come forward later in 2022 with proposals to:

- **Build domestic capacity** through measures to make the EU more attractive as a competitive and cost-efficient clearing hub, and thus incentivise an expansion of central clearing activities in the EU.
- **Strengthen supervision:** if the EU is to increase its capacity for central clearing, the risks resulting from an increased activity need to be appropriately managed. As such, there is a need to strengthen the EU's supervisory framework for CCPs, including a stronger role for EU-level supervision.

Against this background, this consultation seeks stakeholders' views as to how to achieve these objectives. It builds on Commission reflections in several respects.

First, the need to **mitigate potential risks to EU financial stability**. As highlighted by the European Commission in the [19 January 2021 Communication “The European economic and financial system: fostering openness, strength and resilience”](#), as well as in the [10 November statement by Commissioner McGuinness on the proposed way forward on central clearing, over-reliance on central counterparties \(CCPs\) located in the United Kingdom \(UK\) for some clearing activities](#) is a source of financial stability risk in the medium term. As such, exposures to UK CCPs need to be reduced to mitigate these risks.

In this context, in January 2021 the Commission set up a working group including senior staff from the European Central Bank (ECB), the European Supervisory Authorities and the European Systemic Risk Board (ESRB) to explore the opportunities and challenges involved in transferring derivatives clearing from the UK to the EU. The discussions in the group confirmed the risks for the EU stemming from the exposures to UK CCPs. Such risks were also highlighted in the [assessment of systemic third-country CCPs carried out by the European Securities and Markets Authority \(ESMA\)](#) under the framework of EMIR 2.2¹, which was finalised in December 2021². In preparation of the report, ESMA also consulted the ESRB and the central banks of issue.

While cooperation with third-country authorities where critical infrastructures are based will remain a key pillar of a sound supervisory approach, the extent of the exposures at hand requires EU institutions and stakeholders to work to reduce the level of risks, which can ultimately affect the stability of individual counterparties or even of the EU financial system.

¹ Regulation (EU) 2019/2099 of the European Parliament and of the Council of 23 October 2019 amending Regulation (EU) No 648/2012 as regards the procedures and authorities involved for the authorisation of CCPs and requirements for the recognition of third-country CCPs, OJ L 322, 12.12.2019.

² ESMA assessment report under Article 25(2c) of EMIR available at: <https://www.esma.europa.eu/press-news/esma-news/esma-publishes-results-its-assessment-systemically-important-uk-central>

Second, the need to **establish strong foundations on which to build the [capital markets union](#) (CMU)**, as set out in the [CMU action plan of September 2020](#)³ and in the [Communication from the Commission “Capital markets union - Delivering one year after the action plan” of November 2021](#)⁴. Efficient and competitive post-trade markets in general, and clearing in particular, will contribute to creating deeper, more liquid markets in the EU as post-trade infrastructures are the backbone of capital markets. A strong, competitive and integrated financial system is in turn the basis for a robust and vibrant economy. Thus, while remaining open to global financial markets, deep and liquid EU capital markets, underpinned by competitive and cost-efficient market infrastructures such as central counterparties, are key to reducing the EU’s overreliance on third-country providers for critical financial services. A more centralised approach to supervision is an integral part to these objectives, as it supports convergence and an EU-wide perspective. This was also highlighted in the [European Parliament Resolution on Further developing the CMU of October 2020](#)⁵.

Finally, the input received to this consultation will also contribute to an assessment of the current CCP supervisory framework, as provided for under Article 85(7) of the [European Market Infrastructure Regulation \(EMIR\)](#)⁶.

Background on the EMIR framework

In accordance with the [2009 G20 Pittsburgh agreement to reduce the systemic risk linked to the extensive use of Over-The-Counter \(OTC\) derivatives](#), the EU adopted EMIR in 2012. A key pillar of EMIR is the requirement for standardised OTC derivatives contracts to be cleared through a CCP⁷. Mandatory clearing for certain asset classes, as well as an increased voluntary use of central clearing amid growing awareness of its benefits among market participants, have led to a rapid growth of the volume of CCP activity since the adoption of EMIR – in the European Union (EU) and globally.

EMIR 2.2⁸ was adopted in October 2019 and entered into force on 1 January 2020. It introduced new rules that enhanced the supervisory role of ESMA and EU central banks, mainly over third-country CCPs. This was considered necessary to address the growing concentration risks for the EU in third-country CCPs, in particular against the backdrop of the departure of the UK from the EU, which significantly increased the proportion of

³ Communication from the Commission: A Capital Markets Union for people and businesses-new action plan, COM/2020/590 final. <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=COM:2020:590:FIN>

⁴ <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52021DC0720>

⁵ [European Parliament resolution of 8 October 2020 on further development of the Capital Markets Union \(CMU\): improving access to capital market finance, in particular by SMEs, and further enabling retail investor participation \(2020/2036\(INI\)\)](#)

⁶ [Regulation \(EU\) No 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories, OJ L 201, 27.7.2012, p. 1–59.](#)

⁷ [Commission Delegated Regulation \(EU\) 2015/2205 of 6 August 2015 supplementing Regulation \(EU\) No 648/2012 of the European Parliament and of the Council with regard to regulatory technical standards on the clearing obligation, OJ L 314, 1.12.2015, p. 13, sets out the classes of OTC derivatives that are subject to the clearing obligation and the dates of effect of that obligation.](#)

⁸ [Regulation \(EU\) No 2099/2019 of the European Parliament and of the Council of 23 October 2019 amending Regulation \(EU\) No 648/2012 as regards the procedures and authorities involved for the authorisation of CCPs and requirements for the recognition of third-country CCPs.](#)

euro and other Union currency-denominated transactions cleared outside the EU. According to the Bank for International Settlements, as of 31 December 2020 the outstanding notional amount of OTC derivatives was about EUR 477 trillion worldwide, of which interest rate derivatives represented about 80% and foreign exchange derivatives almost 17%. More than 30% of all OTC derivatives are denominated in euro and other Union currencies. The market for central clearing of OTC derivatives is highly concentrated, in particular the market for central clearing of euro-denominated OTC interest rate derivatives, of which more than 90% are cleared in one single CCP established in the UK.

For EU CCPs, EMIR 2.2 introduced a more pan-European approach, where the CCP Supervisory Committee established within ESMA plays a key role bringing together in a single forum the different EU CCP national competent authorities, central banks and three independent members. It also strengthened the role of colleges of supervisors and central banks.

For third-country CCPs, EMIR 2.2 introduced a new system where CCPs are tiered depending on their systemic importance to the financial stability of the EU and its Member States. While non-systemic CCPs (**Tier 1 CCPs**) are allowed to provide services in the EU under the supervision of their home supervisors after being recognised by ESMA, systemically important CCPs (**Tier 2 CCPs**) have to comply with certain EMIR requirements and are supervised by ESMA. According to EMIR 2.2 ESMA, in agreement with the relevant central banks of issue and after consulting the ESRB, can conclude that a CCP or some of its clearing services are of such substantial systemic importance that the CCP should not be recognised to provide certain clearing services or activities. Based on its assessment, ESMA can recommend that the European Commission adopt an implementing act confirming that that CCP should not be recognised to provide certain clearing services or activities, as compliance with the additional EMIR requirements would not be sufficient to safeguard the financial stability of the EU or one or more of its Member States.

On 28 September 2020 ESMA recognised three UK CCPs from 1 January 2021, with LME Clear Limited being assessed as a Tier 1 CCP and **ICE Clear Europe and LCH Limited as Tier 2 CCPs**.⁹ In December 2021 ESMA came to the conclusion that, although certain services provided by the two identified Tier 2 CCPs, LCH Ltd and ICE Clear Europe Ltd, are of a substantial systemic importance, the cost of not recognising these services would be too high compared to its benefits at this point in time. The services concerned relate to interest rate derivatives in euro and Polish zloty, as well as credit default swaps and short-term interest rate derivatives in euro.

Responding to this consultation

The purpose of this document is to consult all stakeholders on their views on possible measures, legislative and/or non-legislative, impacting on the framework applicable to CCPs both within and outside the Union as well as the framework applicable to market participants using the services of these CCPs, either directly as clearing members or indirectly as clients. The responses to this consultation will provide important guidance to the Commission services in preparing legal proposals where appropriate. The Commission acknowledges that not all questions are relevant to all stakeholders and invite respondents to reply to those questions that are most relevant to them.

⁹ [ESMA to recognise three UK CCPS from 1 January 2021 \(europa.eu\)](https://europa.eu)

Responses to this consultation are expected to be most useful where issues raised in response to the questions are supported with A CLEAR AND DETAILED NARRATIVE, EVIDENCED BY DATA (WHERE POSSIBLE) AND QUALITATIVE EVIDENCE, and accompanied by SPECIFIC SUGGESTIONS FOR SOLUTIONS to address them in the Regulation.

All interested stakeholders are invited to respond to the questions set out below.

CONSULTATION QUESTIONS

Question 1. In the sections below, throughout this document, a range of possible options are presented which could support enhancing the attractiveness of clearing at EU CCPs, thus reducing reliance of EU participants on Tier 2 third-country CCPs, focussing on both the supply side and the demand side of clearing services.

Please indicate which ones are the most effective in your view in contributing to the objectives (from 1 = very effective to 5=not effective). In your answers please also take into account costs and benefits for the real economy.

	1 (very effective)	2 (rather effective)	3 (neutral)	4 (rather ineffective)	5 (not effective)	No opinion
Broadening the scope of clearing participants						
Broadening the scope of products cleared						
Higher capital requirements in CRR ¹⁰ for exposures to Tier 2 CCPs						
Exposure reduction targets toward specific Tier 2 CCPs						
Macroprudential tools						
Obligation to clear in the EU						
Active account with an EU CCP						
Hedge accounting rules						
Use of post-trade risk reduction						

¹⁰ [Regulation \(EU\) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation \(EU\) No 648/2012.](#)

services						
Fair, reasonable, non-discriminatory and transparent (FRANDT) commercial terms for clearing services)						
Measures to expand the services by EU CCPs						
Payment and settlement arrangements for central clearing						
Segregated default funds						
Enhancing funding and liquidity management conditions						
Interoperability						
Other, please state.						

Question 1.1 Please explain your response to Q1, setting out the reasons and providing an assessment of costs and benefits of each option.

1. SCOPE OF CLEARING PARTICIPANTS AND PRODUCTS CLEARED

The discussions that took place in 2021 in the working group set up by the Commission as well as in ad hoc outreach meetings with market participants showed that one way to enhance the attractiveness of EU CCPs could be to widen the scope of clearing members and clients accessing CCPs as well as the products offered for clearing or required to be cleared. Under appropriate conditions, broadening the clearing obligation can bring benefits in terms of financial stability.

Article 1 EMIR currently defines the list of entities subject to its requirements. A number of entities such as central banks and debt management offices are excluded from the

scope of EMIR. Article 89 also temporarily exempts Pension Scheme Arrangements ('PSAs') from the clearing obligation. This exemption will come to an end in June 2023 at the latest¹¹, after which PSAs will be required to clear.

In terms of products, point 7 of Article 2 EMIR gives a definition of the term OTC derivatives that is further on used throughout the text in particular in Articles 4 and 5 where the clearing obligation and the clearing obligation procedure are framed, delegating the task of defining the range of products subject to a clearing obligation to the European Commission, based on a draft to be developed by ESMA.

In order to enhance the liquidity in EU CCPs, which is perceived as a key factor by market participants, it is asked which additional products and entities could be subject to a clearing obligation and under what conditions, if any. The financial stability angle should also be kept in mind when answering to these questions. It should also be considered which potential measures could encourage PSAs to clear their transactions at EU CCPs¹².

Entities (such as funds) which have a similar profile to PSAs are also welcome to respond to the questions below.

a) Clearing obligation for PSAs

PSAs under EMIR are subject to a temporary exemption from the central clearing obligation. The Commission extended the exemption until June 2022¹³. The objective of this section is to gather further insights into potential initiatives which could make it easier for PSAs to clear their transactions at EU CCPs.

Question 1. What measures (legislative or non-legislative) do you think would be useful in order to make clearing in the EU more attractive for PSAs? [text box]

Question 2. How could the current offer by EU CCPs, including the direct/sponsored access models which were designed to also specifically address central clearing issues for PSAs, be further improved and/or facilitated?

[text box]

¹¹ Pursuant to Article 85(2) EMIR, the end date of the exemption laid down in Article 89(1) EMIR may be extended twice, each time by one year.

¹² In a [public letter to Commissioner McGuinness dated 19 October 2021, Pensions Europe](#) indicated that "PSAs are willing to continue actively reducing their exposures to UK CCPs, and open and hold active accounts within the EU based CCPs".

¹³ [Commission Delegated Regulation \(EU\) 2021/962 of 6 May 2021 extending the transitional period referred to in Article 89\(1\), first subparagraph, of Regulation \(EU\) No 648/2012 of the European Parliament and of the Council, OJ L 213, 16.6.2021, p. 1.](#)

Question 3. (For CCPs) Can you provide information as to the number of EU PSAs on-boarded over the last year?

- Yes
- No
- Don't know / No opinion

Question 3.1 If you answered yes to question 3, please indicate the number of EU PSAs on-boarded over the last year, for what type of asset classes (e.g. repos/IRSs...) and, if possible, from which countries they were.

[text box]

Question 3.2 How do you see these numbers evolving overtime? [text box]

Question 4. (For clearing members) Have you considered becoming a sponsor/clearing agent for a PSA or other buy-side entities in a direct/sponsored access model offered at EU CCPs?

- Yes
- No
- Don't know / No opinion

Please explain the reasons. [text box]

Question 4.1 What are the advantages of the model from a clearing member perspective? [text box]

Question 4.2 What are the features of the model which could be further improved from a clearing member perspective? [text box]

Question 5. (For banks/clearing members) How could your capacity to offer collateral transformation services to PSAs be improved? Have you identified any barriers or regulatory elements that would need to be improved to facilitate such offer? [text box]

Question 6. (For PSAs) Do you currently actively clear derivatives at more than one CCP?

- Yes
- No
- Don't know / No opinion

Question 7.1 If yes, at which CCPs? [text box]

Question 8. According to your estimation, what amount of Union currency-denominated OTC derivatives will be brought to clearing once PSAs become subject to the clearing obligation? What amounts could be brought to clearing in the EU? Please provide figures per EU currency if possible. [text box]

b) More clearing by private entities that do not access CCPs directly

The clearing obligation under EMIR applies to a broad range of entities, including insurance companies, real economy firms (corporates, energy firms) and investment funds, most of which access the services of CCPs through a clearing member. The aim of this section is to gather a better understanding of the clearing activity of such entities and explore possible initiatives to encourage them to clear in EU CCPs.

The questions in this section are meant to be answered by all types of clearing participants, unless otherwise specified. **In the case of asset managers, they are requested to distinguish in their answers between Undertakings for Collective Investment in Transferable Securities (UCITS), Alternative Investment Funds (AIFs) and Money Market Funds (MMFs).**

Question 1 How do you usually approach a CCP for clearing your cash, derivatives and/or repo contracts?

- As a client of a clearing member (directly or indirectly)
- Through a direct/sponsored access model.
- Other – please explain.

Question 2. Please describe your derivatives portfolio, providing both qualitative and quantitative information:

- interest rate derivatives
- credit derivatives
- foreign exchange derivatives
- equity derivatives
- commodity derivatives
- others.

Please describe in detail, specifying whether the derivatives are exchange traded or OTC.

Question 2.1. Please provide information on the overall nominal/notional amounts and relative amounts of your derivatives, differentiating by type of derivative and by currency of denomination if possible. [text box]

Question 3. Do you currently clear at a CCP only derivatives subject to the clearing obligation under EMIR or also other types of derivatives?

- Only derivatives subject to the clearing obligation under EMIR
- Both derivatives subject to the clearing obligation under EMIR and other derivatives (specify whether OTC or ETD)
- Other (specify whether OTC or ETD)
- Don't know / No opinion

Question 3.1. If you also clear other OTC derivatives (i.e. not subject to the clearing obligation under EMIR or within the scope of MiFIR article 29), please explain which ones and provide information/data as to the notional amounts.

Please provide, where possible, this information per type of “other derivative”. [text box]

Question 4. If you do not currently clear other OTC derivatives at a CCP, are you considering/would you consider approaching a CCP to clear them?

- Yes
- No
- Don't know / no opinion

Question 4.1. What are the considerations that drive/would drive your decision? Please explain providing, where possible, quantitative evidence and examples. [text box]

Question 5. How would you describe your client clearing relationship with a clearing member:

(a) in terms of offer of client clearing services, is it easy for you to find a clearing member to access a CCP?

- Yes
- No
- Don't know / no opinion

(b) Is it expensive?

- Yes
- No
- Don't know / no opinion

(c) is it/would it be more difficult/expensive for you to find a clearing member to access an EU CCP?

- Yes
- No
- Don't know / no opinion

Question 5.1. Please explain your response to question 5 and provide, where possible, quantitative evidence and examples, including where possible an estimate of the costs under question 5 (b) and (c). [text box]

Question 5.2 If you answered Yes under question 5(b), please also provide a comparison with respect to the cost of bilateral trades and an estimate of how costs of client clearing have evolved over the last 5-10 years.

Question 6. Do you select where to clear or do you rely on the advice of your clearing member?

Question 6.1 If you do select, what considerations are relevant in your choices where to clear?

- have own preferences linked to specific elements (price/liquidity at a certain CCP, other),
- considerations around other elements of the ecosystem in which a CCP operates
- considerations on diversification/concentration of risks in relation to the CCP used
- Other

Question 6.2 Please explain in as much detail as possible your response to question 6.1 and provide, where possible, quantitative evidence and examples. [text box]

Question 7. (particularly for insurers) Do you think improvements are necessary in the regulatory framework (e.g. Solvency II/delegated regulations...) to incentivise clearing at a CCP?

- Yes
- No
- Don't know / no opinion

Question 7.1 What initiatives do you think could be taken, if relevant? Please explain your response providing, where possible, quantitative evidence and examples, including on the potential costs and benefits. [text box]

Question 8. Are you a direct member at a CCP in a direct/sponsored access model?

- Yes
- No
- No, but I am considering it
- Don't know / no opinion

Question 8.1 Please explain the key in influencing your choice providing, where possible, quantitative evidence and examples. [text box]

Question 8.2 (for insurers applying the Solvency II standard formula) In relation to question 8.1, are capital requirements related to derivatives exposures a key/important factor affecting your choice?

Question 9. How do you consider the offer of direct/sponsored access models in the EU relative to what is offered in other third countries? Please explain your answer providing, where possible, quantitative evidence and examples. [text box]

Question 10. Are there any regulatory incentives that could facilitate the use of such models by yourself?

Question 10.1 Please explain your answer to question 10, providing, where possible, quantitative evidence and examples including on the potential costs and benefits. [text box]

Question 11. Do you think further incentives to facilitate client clearing should be introduced?

- Yes
- No
- Don't know / no opinion

Question 11.1. If you answered yes in question 11, please indicate which incentives should be introduced

Question 11.2 Please explain your answer to question 11 and question 11.1, providing, where possible, quantitative evidence and examples including on the potential costs and benefits. [text box]

Question 12. Collateral transformation services provided by banks are often used by clients to meet liquidity needs related to margin calls. How do you consider the treatment of repos/reverse repos under the Capital Requirements Regulation¹⁴: do you think there is room for better encouraging banks to provide collateral transformation services to their clients which clear in the EU?

- Yes
- No
- Don't know / no opinion

Question 12.1. If you answered yes to question 12, how could that be achieved while at the same time properly catering for the risks of repo transactions? Please explain your answer providing, where possible, quantitative evidence and/or examples including on the potential costs and benefits. [text box]

Question 13. How could EMIR or other legal texts be amended so that direct access to CCPs is facilitated so that smaller banks or end users are less dependent on the limited number of client clearing service providers?

Question 14: Is there a need to adjust the trading rules to make it more attractive for private entities to trade on trading venues with central clearing arrangements?

Question 15: Is there a need to amend/recalibrate UCITS counterparty exposure limits (Articles 50(1)(g) (iii) and 52 and of Directive 2009/65/EC) to distinguish cleared versus non-cleared, cleared at a Tier 2 versus other CCPs?

Question 15.1 If your answer to question 15 is yes, please explain the reasons providing, where possible, quantitative evidence and examples. Please also consider/explain any impact on investor protection.

¹⁴ [Regulation \(EU\) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation \(EU\) No 648/2012, OJ L 176, 27.6.2013, p. 1–337.](#)

c) Encourage clearing by public entities

In the context of building domestic capacity and incentivising an expansion of central clearing activities in the EU, an issue identified relates to a lack of liquidity in EU-based CCPs and the possible role for public entities in addressing this problem. Market participants have suggested that the participation of national and supranational public bodies (e.g. multilateral banks, public banks managing state participations, debt management offices, central banks, other bodies) in EU-based CCPs could increase the liquidity pool available in those CCPs. The following questions aim at gaining a better understanding on how to achieve this goal.

Question 1. To what extent do you think that the participation of public entities would add to the attractiveness of central clearing in the EU? [text box]

Question 2. What are the benefits of public entities to centrally clear? What are the costs and other drawbacks? [2 text field: 1 text field benefits, 1 text field for costs/drawbacks]

Question 3. What would make it more attractive for public entities (as referred to in Article 1(4) and Article 1(5) EMIR) to centrally clear? Please explain your answer providing, where possible, quantitative evidence and examples, including on the potential costs and benefits. [text box]

Question 3.1 Starting from which volumes would it be attractive for public entities to consider to centrally clear? Please explain your answer providing, where possible, quantitative evidence and examples, including on the potential costs and benefits. [text box]

Question 3.2 Do you see any opportunities to facilitate central clearing for public entities with small clearable volume? Please explain your answer providing, where possible, quantitative evidence and examples, including on the potential costs and benefits. [text box]

Question 4. [Version 1 of the question to public entities] Are you a public sector entity (under point (8) of Article 4 (1) CRR) active in OTC Derivatives, Exchange Traded Derivatives, Securities Financing Transactions or other transactions that could be centrally cleared? [yes/no]

[Version 2 of the question to multilateral development banks] Are you a multilateral development bank under Art. 117 CRR active in OTC Derivatives, Exchange Traded Derivatives, Securities Financing Transactions or other transactions that could be centrally cleared? [yes/no]

[Version 3 of the question to Member States' public authorities] Are public sector entities in your jurisdiction active in OTC Derivatives, Exchange Traded Derivatives, Securities Financing Transactions or other transactions that could be centrally cleared? [yes/no]

[Version 4 of the question to: central banks] Are you a central bank active in OTC Derivatives, Exchange Traded Derivatives, Securities Financing Transactions or other transactions that could be centrally cleared? [yes/no]

[Version 5 of the question to CCPs] Do you clear for public sector entities active in OTC Derivatives, Exchange Traded Derivatives, Securities Financing Transactions or other transactions that could be centrally cleared? [yes/no]

Question 4.1 [For all] If yes, please describe your activity/the activity of these entities in terms of products, currency denomination and, if possible, average monthly volumes.[text box for each category: i.e. product, currency denomination, average monthly volumes]]

Question 4.2 [additionally for CCPs, Member States' public authorities] If yes, please provide more information regarding these entities (Type of entity? From which Member State?)

Question 5. Do these public entities / Do you already voluntarily clear some or all of these transactions via a CCP? [some/all]

a. [provide options to choose from for those who answered 'all' as well as for those who answered 'some':] Which transactions are these?

- Credit derivative contracts [Please indicated whether OTC/ETD] [two columns of check boxes]

- Equity derivative contracts [Please indicated whether OTC/ETD] [two columns of check boxes]

- Interest rate derivative contracts [Please indicated whether OTC/ETD] [two columns of check boxes]

- Foreign exchange derivative contracts [Please indicated whether OTC/ETD] [two columns of check boxes]

- Commodity derivative contracts and others [Please indicated whether OTC/ETD] [two columns of check boxes]

+ additional optional [text box]

b. [For stakeholders having answered 'some' to the previous questions:] Why do they/you only clear some transactions (and the mentioned ones in particular)? [text field]

c. Where they/you do clear voluntarily, please describe the activity in terms of products, currency denomination and, if possible, average monthly volumes and [if you are a CCP] the share of public entities clearing per CCP and product. .[text box for each category]

Question 6. Which CCP/CCPs do they / you use or would they / you consider using to clear these transactions? [text box]

Question 6.1 If you would not consider clearing these transactions in EU CCPs, please explain the reasons.

Question 7. In case they / you already clear in a third-country CCP, would they / you be willing to switch to EU-based CCPs, where possible?

- Yes

- No
- Don't know / no opinion

Question 7.1 If you answered yes, please explain under which circumstances providing, where possible, quantitative evidence and examples. If you answered no, please explain why providing, where possible, quantitative evidence and examples in support of your response. [text box]

Question 8. Would those public entities not accessing a CCP for some or all of their transactions / you consider voluntarily doing so in the future?

- Yes
- No
- Don't know / no opinion

Question 8.1 If you answered "yes" under which conditions? If you answered "no", why is that the case? Please also provide, where possible, quantitative evidence and examples in support of your response. [text box]

Question 9. Do those public entities which access CCPs for some or all of their transactions / you, do so:

- directly
- as a client of a general clearing member
- through indirect clearing arrangements

Question 10. Where these public entities / you are a clearing member of CCPs,

Question 10.1 do they / you post initial and/or variation margin,

- Yes
- No
- + additional optional [text box]

Optional: Please provide further quantitative and qualitative information. [text box]

Question 10.2 do they/you contribute to the CCP's default fund or any recovery or resolution measures,

- Yes
- No

+ [additional optional [text field]

Optional: Please provide further quantitative and qualitative information. [text box]

Question 10.3 do they / you use any form of a sponsored model to fulfil their/your obligations vis-a-vis the CCP

- Yes
- No
- + additional optional [text box]

Question 10.4 does the CCP's rulebook contain any specific provisions regarding the participation of these entities?

- Yes
- No
- + additional optional [text box]

Question 11 Where these public entities access CCPs through a general clearing member, Question 11.1 is that clearing member:

- another public entity
- a profit oriented entity
- other

If you answered other, please specify what type of entity. [text box]

Question 11.2 do the contractual arrangements of the CCP, the general clearing member and the public entity contain special provisions reflecting the public entity's status?

- Yes
- No

Question 11.3 If you answered yes to question 11.2, please explain. [text box]

Question 12 Have you encountered any issues regarding the post-trade reporting of transactions to which public entities are counterparties?

- Yes
- No

Question 12.1 If you answered yes to question 12, please explain [text box]

Question 13. Should there be a differentiation between types of public entities?

- Yes
- No
- Don't know / no opinion

Question 13.1 Please explain your answer to question 13 providing, where possible, quantitative evidence and examples.

Question 14. Are there characteristics of different types of public entities that require specific considerations in your opinion? Please explain and mention – where appropriate - the Member State concerned. [text box]

Question 15. Which public entities should centrally clear in your opinion? Why? [text box]

Question 16 Please provide your views on the following options.

The determination of which public entities should centrally clear should be linked to:

	1 (strongly agree)	2 (rather agree)	3 (neutral)	4 (rather disagree)	5 (strongly disagree)	No opinion
The type of public entity (i.e. multilateral development banks, public banks managing state participations, debt management offices, central banks, other public (sector) entities)						
The assessment /rating of the public entity						
The size of the public entity						
The mission of the public entity						
The ownership structure of the public entity (fully owned by a public owner? (Partially) private investors ok)						
Other						
<p>Question 16.1 Please explain your answer to question 16 providing, where possible, quantitative evidence and examples including on the potential costs and benefits. [text box]</p> <p>Question 17. Which public entities should not centrally clear in your opinion? Why? [text box]</p>						

Question 18. Which type of central clearing do you consider most suited for public entities?

- directly
- as a client of a general clearing member
- through indirect clearing arrangements

Question 18.1 Please explain your answer to question 18 providing, where possible, quantitative evidence and examples, including on the potential costs and benefits. [text box]

Question 19. Which type of transactions should be centrally cleared by public entities in your opinion? Why?

Question 20. Which type of transactions should not be centrally cleared by public entities in your opinion? Why?

Question 21 What are the reasons not to centrally clear for those public entities that are active in OTC Derivatives, Securities Financing Transactions or other transactions that could be centrally cleared? [1 agree/ 2 rather agree/ 3 neutral 4/ rather disagree 5/ strongly disagree/ no opinion]

	1 (strongly agree)	2 (rather agree)	3 (neutral)	4 (rather disagree)	5 (strongly disagree)	No opinion
a) Too small/not enough transactions for central clearing (costs too high per transaction)						
b) No in-house expertise in the field/not enough volume in order to employ staff with expertise (too expensive)						
c) Reporting costs too high						
d) Costs too high						
i) On-boarding costs too high						

(preparing necessary IT infrastructure adjustments, defining processes, clarify on treatment regarding accounting etc.)						
ii)Recurring costs (other than reporting) too high (potential margin requirements, maintenance of IT infrastructure, employment of qualified staff, regulatory monitoring, possible posting and handling of margins etc.)						
e)Operational burdens too high (too complicated from an IT point of view, no qualified IT staff etc.)						
f)Relevant counterparties don't do central clearing either						
g)Conflict of interest						
h)Legal restrictions to						

participation in CCPs (e.g. to participation in loss-sharing arrangements such as default funds)						
Other						

Question 21.1 Please explain your answer to question 21 providing, where possible, quantitative evidence and examples. [text box]

Question 22. In what way do public entities make use of European trading venues, either Regulated Markets, MTFs or OTFs in order to trade OTC and ETD derivatives and other products?

Question 23. Is there a need to adjust the trading rules to make it more attractive for public bodies to trade on trading venues with central clearing arrangements?

d) Broaden the product scope of the clearing obligation

In order for EU CCPs to remain competitive internationally, the range of clearing services they provide should be as broad as possible. The range of products available for clearing is not however a guarantee of their liquidity. Imposing a clearing obligation on certain products has proven to be a key driver to their liquidity, ensuring best execution and lower prices. We will look further on in this consultation as to how EU CCPs could more easily list additional products for clearing but in this section we will focus on which existing products could be given consideration for an extension of the clearing obligation. The procedure to determine which products should be subject to this obligation is currently specified in EMIR Article 5 and involves the European Commission, ESMA and the ESRB.

Question 1: Is the range of products currently subject to the clearing obligation wide enough while safeguarding financial stability?

- Yes
- No
- Don't know / no opinion

Question 1.1. Please explain your answer to question 1 providing, where possible, quantitative evidence and examples. [text box]

Question 2: Could additional products be subject to the clearing obligation? [text box]

	Yes	No	Don't know / no opinion
Equity derivatives			

Repos			
Other Interest Rate Derivatives (e.g. referring the new risk free rates)			
Other credit derivatives			
Foreign Exchange Derivatives			
Other			

Question 2.1: Please explain your answer to question 2 providing, where possible, quantitative evidence and examples including on potential costs and benefits. In particular, if you answered “yes” in question 2, please specify which types of derivatives you are referring to (i.e. what types of equity derivatives, e.g. 1 to 5 year Total Return Swaps on CAC40 vs. Euribor 3M). Please also provide an estimate of the typical flows that would be brought to clearing on a monthly basis. [text box]

Question 3: Does EMIR allow enough products to be subject to the clearing obligation?

- Yes
- No
- Don't know / no opinion

Question 3.1 Please explain your answer to question 3 providing, where possible, quantitative evidence and examples. [text box]

Question 4: If a product is available for clearing but not subject to an obligation are there instances where you would still choose to trade bilaterally?

- Yes
- No
- Don't know / no opinion

Question 4.1 If you answered yes to question 4, please specify in which cases providing, where possible, quantitative evidence and examples, and explain the rationale to do so. [text box]

Question 5. In light of the EMIR framework for the clearing obligation, is the definition of OTC derivatives in EMIR clear enough?

- Yes
- No
- Don't know / no opinion

Question 5.1 If you answered yes to question 5, do you see any situation where it could have undue consequences, for example with regards to the determination of the thresholds for the clearing obligation?

- Yes
- No
- Don't know / no opinion

Question 5.2. If you answered yes to question 5.1, please specify the possible situations it could have undue consequences providing, where possible, quantitative evidence and examples. [text box]

Question 6. Is the procedure to determine whether a non-financial counterparty should be subject to the clearing obligation under Article 10 clear enough?

- Yes
- No
- Don't know / no opinion

Question 6.1 If you answered no to question 6, please explain how it should be clarified providing, where possible, quantitative evidence and examples [text box]

Question 6.2 How should intragroup transactions be taken into account in the procedure?

Question 6.3 Should the clearing thresholds be recalibrated based on cleared versus non-cleared rather than OTC versus ETD?

Question 7. Should the thresholds for the clearing obligation continue to be linked to the application of margin requirements?

- Yes
- No
- Don't know / no opinion

Question 7.1 Please explain your answer to question 7 providing, where possible, quantitative evidence and examples including on potential costs and benefits. [text box]

2. MEASURES TOWARDS MARKET PARTICIPANTS

a) Broaden the product scope of the clearing obligation

EMIR was amended in recent years to incorporate a new framework for third-country CCPs. The new framework acknowledges that there are differences among third-country CCPs in terms of their systemic importance to the EU and its Member States. CCPs which are classified as ‘Tier 1’ are not of systemic importance, while CCPs which are ‘Tier 2’ are of systemic importance. The framework also envisages, as a measure of last resort, that a third-country CCP or some of its clearing services could not be recognised by ESMA as they are of substantial systemic importance to the financial stability of the EU or of one or more of its Member States and this cannot be mitigated by complying with the requirements applicable to Tier 2 CCPs. The CRR provides for the prudential treatment of banks’ exposures to CCPs. The CRR distinguishes between CCPs which are authorised or recognised in the EU (‘qualifying CCPs’) and CCPs which are not (‘non-qualifying CCPs’). Exposures to the former benefit from preferential capital treatment. Capital requirements can be an incentive to influence banks’ behaviour, to complement banks’ own efforts to reduce exposures.

Question 1. EMIR 2.2 introduced a difference between third-country CCPs which are Tier 1 and those that are Tier 2. How could the greater systemic importance (and associated risks) of Tier 2 third-country CCPs be reflected in the context of banking rules and supervision?

Question 2. What changes in the legal framework could translate in banks increasing their clearing activities in EU CCPs?

Question 2.1 Please explain your response to answer question 2, providing where possible quantitative evidence or examples, including on potential costs and benefits.

Question 3. How could a higher risk weight for excessive exposures to a Tier 2 CCP be designed given their systemic imprint:

	1 (Strongly agree)	2 (rather agree)	3 (neutral)	4 (rather disagree)	5 (strongly disagree)	6 (No opinion)
a higher risk weight for the portion of the exposure which is above a certain threshold						
a higher risk weight for the overall exposure to the CCP concerned						

a higher risk weight if there is evidence that no meaningful efforts are made to reduce the exposure						
Other						

Question 3.1 Please explain your answer to question 3 providing, where possible quantitative evidence and examples, including on potential costs and benefits. [text box]

Question 4. In light of the Commission strategy to reduce excessive reliance on Tier 2 third-country CCPs, what level could be appropriate in your view for the risk weight, to incentivise clearing members to consider other options than a Tier 2 CCP for clearing their derivatives? [text box]

Question 5. How do you assess the risk that participants would relocate clearing to other third-country jurisdictions in case a higher capital requirement on excessive exposures to T2 CCPs is imposed?

Question 6. Do you include in your operational risk framework scenarios including limitation of access/non-recognition of a third-country CCP, or activation of the EMIR 2.2 process under Article 25.2c (i.e. possibility of de-recognition of a third-country CCP or certain clearing services)?

- Yes
- No
- Don't know, no opinion

Question 6.1 If you answered yes to question 6, could you explain how, also providing information if possible on the related cost of capital? [text box]

Question 7. When would you consider that a clearing member's exposure (initial margin and default fund contributions) to a CCP be "excessive"? [text box]

Question 8. Could you provide information as to the way the clearing location interplays with the booking location in your case? What are the considerations which influence/would influence your choices in this regard? Please explain.

b) Macroprudential tools

Question 1. The over-reliance on Tier 2 CCPs presents risks for the financial stability of the Union. Do you think macroprudential tools should be considered to achieve the desired policy objectives, alongside or as a substitute for the use of micro-prudential tools? Please explain your reply in as much detail as possible.

Question 2. Do you think a macroprudential buffer should be considered in light of this reliance/exposure?

- Yes
- No
- Don't know / no opinion

Question 2.1. Please explain your answer to question 2 providing, where possible, evidence and examples, including on potential costs and benefits. [text box]

c) Set exposure reduction targets

One option suggested by some stakeholders for reducing excessive reliance on Tier 2 CCPs could be to set targets for reducing the level of exposures.

For this section's questions, the sum of initial margins and default fund contributions could be considered as a metric for the level of exposures (please specify under each question if you use other metrics, which ones and why).

Question 1. If targets were to be set in some form or another, what do you think could be a reasonable target to achieve in terms of reduction of **overall** euro-denominated exposures of EU participants to Tier 2 third-country CCPs? Should exposures to systemic non-EU CCPs somehow be capped?

Question 1.1 Please explain your answer to question 1 providing, where possible, quantitative evidence and examples. Please also indicate over what timeframe such reduction can be achieved. [text box]

Question 1.2 Please explain whether in your view the targets should be set by law or in another form (e.g. supervisory guidance), also assessing the pros and cons.

Question 2. What do you think could be a reasonable target **for you** to achieve in terms of reduction of euro-denominated exposure to Tier 2 third-country CCPs and over what timeframe? If you are a clearing member, please consider both house and client-related exposures. Please explain. [text box]

Question 3. Please indicate whether the targets should be set:

- at a global level (all EU clearing members)- at clearing members' level
- at clearing member and client levels
- other

Question 3.1: Please explain your answer to question 3 providing, where possible, quantitative evidence or examples, including on potential costs and benefits. [text box]

Question 4. What could be the targets for the services identified by ESMA¹⁵ as being of a substantial systemic importance:

- Swapclear by LCH Ltd, for both euro and Polish Zloty-denominated products.

¹⁵ [ESMA Assessment Report under Art. 25\(2c\) EMIR, available at https://www.esma.europa.eu/press-news/esma-news/esma-publishes-results-its-assessment-systemically-important-uk-central](https://www.esma.europa.eu/press-news/esma-news/esma-publishes-results-its-assessment-systemically-important-uk-central)

- The STIR futures by ICE Clear EU for euro-denominated products.
- The CDS Service by ICE Clear EU for euro-denominated products.

Please explain your answer providing, where possible, quantitative evidence and examples, including on potential costs and benefits. [text box]

Question 5. What factors should be taken into account in your view when sizing the target and setting the timeline for meeting it?

	1 (Strongly agree)	2 (rather agree)	3 (neutral)	4 (rather disagree)	5 (strongly disagree)	No opinion
Need to have a gradual process overtime						
Need to achieve the target rather quickly to address the financial stability risks related to the over-reliance on tier 2 third-country CCPs						
Need to proceed in parallel with steps to build capacity in the EU						
Other						

Question 5.1 Please explain your answer to question 5 providing, where possible, quantitative evidence and examples including on potential costs and benefits. [text box]

Question 6. How could cooperation of all market participants be fostered to move towards the target? Please explain your answer providing, where possible, examples. [text box]

Question 7. What should happen at the end of the phase leading to reaching the target levels if targets are not met? What incentives/measures could be set? Please explain your answer providing, where possible, quantitative evidence and examples including on potential costs and benefits. [text box]

d) Level playing field

EMIR applies to entities established and authorised in the EU. As a consequence any requirement to clear partially or totally in EU CCPs could create an un-level playing field where non-EU market participants would continue to have access to third-country CCPs for all of their transactions, e.g. for the clearing of euro-denominated OTC derivatives while EU market participants would be restricted to using EU CCPs. Some stakeholders argue that this could lead to two pools of liquidity serving different interests, one being very local inside the Union and a more international and potentially more liquid one abroad. Furthermore, they argue that those EU market participants that would not be subject to specific requirements to clear inside the Union could choose to continue clearing outside.

Question 1. How in your view could this issue be avoided? Please explain your answer providing, where possible, quantitative evidence and examples including on potential costs and benefits. [text box]

Question 2. In what ways can the clearing of Union currency-denominated derivatives be made obligatory or incentivised to take place in EU CCPs? Please explain your answer providing, where possible, quantitative evidence and examples including on potential costs and benefits. [text box]

Question 3. With specific reference to question 2, how could end clients which are not subject to the CRR be incentivised? Please explain your answer providing, where possible, quantitative evidence and examples including on potential costs and benefits. [text box]

e) Facilitate transfer of contracts from outside the EU

Transactions entered into with UK counterparties before the entry into force of EMIR (legacy trades), are currently exempt from the clearing obligation¹⁶. Any amendment to those transactions would trigger either the clearing obligation or margin requirements, depending on whether they fall under the clearing obligation or not. Though it would not *per se* immediately increase the amount cleared in the EU (as these transactions would likely remain uncleared and un-margined) a permanent waiver for these contracts allowing a repatriation without condition would lower the exposure to third countries in general.

Question 1. Should a permanent exemption be granted allowing for a novation of legacy trades without triggering any EMIR requirements?

¹⁶ [Commission Delegated Regulation \(EU\) 2021/236 of 21 December 2020 amending technical standards laid down in Delegated Regulation \(EU\) 2016/2251 as regards to the timing of when certain risk management procedures will start to apply for the purpose of the exchange of collateral](#); and [Commission Delegated Regulation \(EU\) 2021/237 of 21 December 2020 amending regulatory technical standards laid down in Delegated Regulations \(EU\) 2015/2205, \(EU\) 2016/592 and \(EU\) 2016/1178 as regards the date at which the clearing obligation takes effect for certain types of contracts](#).

- Yes
- No
- Don't know / no opinion

Question 1.1 Please explain your answer to question 1 providing, where possible, quantitative evidence and examples, including on potential costs and benefits. [text box]

Question 2. Should the legacy trades be made subject to the clearing obligation to be complied with by clearing in EU CCPs where available?

- Yes
- No
- Don't know / no opinion

Question 2.1 Please explain your answer to question 2 providing, where possible, quantitative evidence and examples, including on potential costs and benefits. [text box]

Question 3. Should compression exercises be made obligatory on these legacy trades?

- Yes
- No
- Don't know / no opinion

Question 3.1 Please explain your answer to question 3 providing, where possible, quantitative evidence and examples, including on potential costs and benefits.

Please specify the characteristics of your legacy trades (product type, remaining maturity, notional amount).[text box]

Question 4. Could intragroup transactions be used to facilitate a reduction of exposures towards Tier 2 CCPs?

- Yes
- No
- Don't know / no opinion

Question 4.1 Please explain your answer to question 4 providing, where possible, quantitative evidence and examples, including on potential costs and benefits. If you replied yes to question 4, please also explain how this could work in your particular case.

Question 5. What are in your view/experience the difficulties around legacy portfolio transfers?

f) Obligation to clear in EU

EMIR 2.2 introduces a new category of third-country CCPs, 'Tier 2 CCPs'. Those CCPs are deemed systemically important to the financial stability of the Union or of its Member States. One could argue that adding more risk to those CCPs is by definition something that should be avoided. Currently Article 5 of EMIR states that the clearing obligation should be fulfilled through authorised EU CCPs or recognised third-country

CCPs. Some stakeholders have suggested that a requirement should be imposed on EU participants to fulfil the clearing obligation only at EU CCPs and/or Tier 1 third-country CCPs. While such a requirement could be effective in promoting clearing at EU CCPs, it may also restrict market choice.

Question 1. In your view should Article 5 be amended?

- Yes, so that for new contracts the clearing obligation can only be fulfilled through authorised EU CCPs and/or recognised ‘Tier 1 CCPs’
- No.
- Don’t know.

If you answered Yes what do you think would be the pros and cons and costs and benefits of your preferred approach? Please also specify for what asset classes and currencies. [text box]

Question 1.2 Please explain your answer to question 1 providing, where possible, quantitative evidence or examples, including on potential costs and benefits. If you answered yes to question 1, please indicate what could be an appropriate period to move towards this new regime. [text box]

g) Active account

In order to foster an increased usage of EU CCPs, market participants have showed an interest in the idea of maintaining an active account with an EU CCP for the products that are available inside and outside the EU.

Question 1. How would you define an active account? Please explain your answer providing, where possible, quantitative evidence or examples, including on potential costs and benefits.

Question 2. Should the level of activity be quantified?

- Yes, on annual basis
- Yes, more frequently than on an annual basis
- No
- Other
- Don’t know/ no opinion

Question 2.1 Please explain your answer to question 2 providing, where possible, quantitative evidence and examples, including on potential costs and benefits. [text box]

Question 3. Should the set level of activity evolve overtime, and based on what criteria?

Question 4. How would an active account work for omnibus client accounts? Please explain your answer providing, where possible, quantitative evidence or examples, including on potential costs and benefits. [text box]

Question 5. How can client clearing service providers ensure that clients maintain an activity in EU CCPs? Please explain your answer providing, where possible, quantitative evidence or examples, including on potential costs and benefits. [text box]

Question 6. What would be the pros and cons, the costs and benefits of imposing an obligation to open an active account and setting a regulatory level of activity in it? [text box]

Question 7. In your view, would it be useful to impose requirements (e.g. having an active account at an EU CCP) on international banks having a subsidiary in the EU for retail activities?

h) Hedge accounting

Some market participants have mentioned that an obstacle to the rebooking of transactions between the UK and the Union is the different accounting treatment of the rebooking operation within Member States. Some Member States have modified their accounting rules so that any unrealised profits and losses are not considered realised when a rebooking is conducted, in particular with regard to the transaction hedging the original transaction.

Question 1. Should a harmonisation of the hedge accounting rules be considered across Member States in order to reduce the exposure to Tier 2 third-country CCPs?

- Yes
- No
- Don't know / no opinion

Question 1.2 Please explain your answer providing, where possible, quantitative evidence or examples, including on potential costs and benefits. [text box]

Question 2. Would other accounting rules need to be harmonised within the Union to facilitate the rebooking of transaction currently cleared in tier 2 third-country CCPs?

- Yes
- No
- Don't know / no opinion

Question 2.1 Please explain your answer providing, where possible, quantitative evidence or examples, including on potential costs and benefits.

Question 3. What would be the pros and cons, the costs and benefits of harmonising the hedge accounting rules across Member States?

i) Transactions resulting from Post Trade Risk Reduction

A vast quantity of transactions currently cleared in Tier 2 CCPs could benefit from multilateral compression exercises that in themselves could lower the notional exposure to those CCPs. Additionally a vast number of legacy transactions could also benefit from compression and rebalancing exercises, the treatment of the risk replacement trade resulting from these exercises could have an impact on the overall exposure to third-country entities and CCPs in particular.

Question 1. In your opinion, to what extent could the current outstanding notional amount be reduced? Could greater use of compression be done in CCPs and/or the bilateral space? Please explain your answer providing, where possible, quantitative evidence or examples, including on potential costs and benefits. [text box]

Question 2. How should risk replacement trades resulting from Post Trade Risk Reduction services be treated with regard to the clearing obligation? Please explain your answer providing, where possible, quantitative evidence or examples, including on potential costs and benefits. [text box]

Question 3. What would be the pros and cons, the costs and benefits of subjecting the risk replacement trades to the clearing obligation? In EU CCPs? [text box]

Question 4. Are there measures that should be considered to facilitate the use of Post Trade Risk Reduction services to transfer trades to the EU, including cleared trades from Tier 2 third-country CCPs to EU CCPs? [text box]

j) Fair, reasonable, non-discriminatory and transparent (FRANDT) commercial terms for clearing services

In order to ensure liquidity in EU CCPs, the framework must allow for clients and indirect clients to have the possibility to choose among different competitive offers which clearing member or client clearing service providers may want to use to clear some or all of their portfolios. [EMIR Refit](#)¹⁷ introduced the FRANDT principles but evidence shows that the range of clearing services on offer is limited.

Question 1. Should the provision of client clearing services be further regulated so that clients are consistently offered the option to clear also at one EU CCP or incentivised to do so?

- Yes
- No
- Don't know/ no opinion

¹⁷ [Regulation \(EU\) 2019/834 of the European Parliament and of the Council of 20 May 2019 amending Regulation \(EU\) No 648/2012 as regards the clearing obligation, the suspension of the clearing obligation, the reporting requirements, the risk-mitigation techniques for OTC derivative contracts not cleared by a central counterparty, the registration and supervision of trade repositories and the requirements for trade repositories, OJ L 141, 28.5.2019, p. 42–63](#)

Question 1.1. Please explain your answer to question 1 providing, where possible, quantitative evidence and examples. [text box]

Question 1.2. If you answered yes to question 1, do you think this aspect should be regulated:

- in EMIR?
- in regulations and directives applicable to specific types of clients?
- Other

Question 1.3. Please explain your answer to question 1.2 providing, where possible, quantitative evidence and examples. [text box]

3. MEASURES TOWARDS CCPs

a) Measures to expand the offer by EU CCPs

Market participants and CCPs have expressed concerns that the time needed for an EU CCP to expand its product offering or make changes to its risk models, e.g. to accommodate for new products or currencies, is too long and hampers their capacity to compete internationally.

Question 1. How are EU CCPs impeded or slowed down, compared to their international peers, in bringing new products to clearing? In which ways could EU CCPs be supported in expanding their range of clearing services?

Question 2. Would it be appropriate to envisage a faster approval process for certain types of initiatives which could support the objective of promoting clearing in the EU, such as expanding the range of currencies cleared? What would be the pros and cons of a quicker approval process? What other activities/services could be considered? Please explain.

Question 3. Could in your view significant changes to models and parameters (Art. 49 EMIR) as well as approval of extension of activities (Art. 15 EMIR) be handled at the EU level only? For example, could ESMA be involved at an earlier stage? What other avenues would you consider to accelerate the procedures?

Question 4. How could an ex-post approval process for extension of services, similar to other jurisdictions, be designed in your view, so as to balance the need for a smooth process and for ensuring adequate supervisory checks and control of risks?

Question 5. If the criteria for extension of authorisation and significant changes to models and parameters were to be introduced in the level 1 (i.e. in EMIR), so as to be objective and clear for everybody, what could the criteria be?

b) Payment/settlement arrangements for central clearing

Some margin calls of CCPs can only be processed at a late hour, sometimes necessitating payments in USD, when EUR payments may not be processed anymore. This puts EU banks at a considerable disadvantage, since it makes them dependent on USD liquidity, even for satisfying margin calls by European CCPs (even for euro-denominated products).

Question 1. What problems do EU CCPs and clearing participants encounter with the current setup of payment and settlement arrangements available to them in the EU?

Question 1.2. What changes to the current payment and settlement options could be envisaged that would enhance attractiveness of EU CCPs and support the growth of EU-based clearing?

c) **Require segregated default funds**

Under EMIR, CCPs can have a single or multiple default funds. Some market participants argue that multiple default funds are an attractive feature, as they can contribute to avoiding contagion and thus reduce financial stability risks.

Question 1. If EMIR were to impose the establishment of segregated default funds to certain EU CCPs to improve their attractiveness, what should be the criteria for establishing which CCPs would need to have this segregated model?

- Number of asset classes cleared – what number?
- All CCPs clearing derivatives alongside other products.
- Other.

Question 1.1 Please explain your reply to question 1, also assessing the costs related to such a requirement.

Question 2 If EMIR or other pieces of EU legislation (e.g. the CRR) were to incentivise the establishment of segregated default funds by CCPs, how could that be achieved?

Question 3. In your view, could a segregated default fund be established for interest rate swap/interest rate derivatives clearing only? Would that be attractive? What could be the costs and benefits of such an approach?

d) **Enhancing funding and liquidity management conditions**

EU CCPs can use a range of options for their liquidity management, investment purposes and custody/collateral management, with many options available to them in the EU.

Question 1. Is the current range of options for funding, liquidity, collateral safekeeping/management, investment sufficient to support the growth of EU-based clearing?

- Yes
- No
- Don't know/no opinion

Question 1.1 Please explain your answer to question 1 providing examples and, where possible and relevant, quantitative evidence. [text box]

Question 2. What enhancements to the existing options could be envisaged, and what would be the rationale?

e) **Interoperability**

Interoperability arrangements contribute to market integration, market liquidity and can lower the cost of clearing for market participants. Under EMIR, explicit provisions for

interoperability links concern the case of transferable securities and money market instruments.

Question 1. Do you think EMIR should explicitly cover interoperability arrangements for derivatives? Only for Exchange Traded Derivatives or also OTCs? Please explain your answer to question 1 providing, where possible, quantitative evidence and examples. [text box]

Question 2. In light of efforts to enhance the clearing capacity in the EU and the overall attractiveness of EU CCPs, do you think there would be benefits of developing interoperability links between EU CCPs? If yes, which ones? What do you think would be the costs?

Question 3. Do you think interoperability arrangements for derivatives between EU CCPs could contribute to enhancing the overall liquidity at EU CCPs? Why?

Question 4. How would you assess a situation in which Interest Rate Swap clearing happens at more than one EU CCP (e.g. at 2 CCPs) and there is an interoperability link between the two concerning such products? Would this be more convenient for market participants?

Question 5. In the situation described under question 4, how should the risks related to the arrangement be properly dealt with? What kind of safeguards should be there in terms of proper risk management?

Question 6. In the context of CCP links, what are in your view the costs and benefits of cross-margining arrangements?

Question 7. Would allowing for cross-margining arrangements in the EU be useful/desirable?

- Yes
- No
- Don't know, no opinion

Question 7.1. Please explain your answer to question 7 providing, where possible, quantitative evidence and examples. [text box]

f) Other measures

Question 1. Are there other measures which could potentially help improve the competitiveness of EU CCPs both in terms of the products they offer and the services they provide?

- Yes
- No

Question 1.1 If your answer to question 1 is yes, please explain and provide supporting evidence of the potential costs and benefits [text box]

4. MONITORING PROGRESS TOWARDS REDUCED RELIANCE OF EU PARTICIPANTS ON TIER 2 CCPs

An appropriate monitoring process could enable to measure the progress made by EU market participants towards a reduction of exposures to Tier2 CCPs. In this context, it would be important to be able to establish a risk picture as complete as possible in order to have a broad enough overview of exposures to Tier 2 CCPs, of how they are reduced overtime and potentially transferred to the EU, while limiting the burden for EU market participants that such regular data collection would entail.

The data collection exercise would be particularly useful with respect to the services identified by ESMA¹⁸ as being of a substantial systemic importance:

- Swapclear by LCH Ltd, for both Euro and Polish Zloty-denominated products
- The STIR futures by ICE Clear EU for euro-denominated products
- The CDS Service by ICE Clear EU for euro-denominated products.

Question 1. Which EU market participants should be primarily targeted in a central data collection exercise to ensure a risk picture as complete as possible?

- It would be sufficient to focus on EU clearing members
- It would be necessary to cover EU clearing members and specific clients
- Other
- Don't know/no opinion

Question 1.1 Please explain your answer to question 1 providing, where possible, quantitative evidence and examples. In particular, if you believe clients should be included, please specify which ones (e.g. only banks/other) and why. [text box]

Question 2. What would be the adequate frequency for this data collection?

- Quarterly
- Semi-annually
- Yearly

Question 2.1 Please explain your answer to question 2 providing, where possible, quantitative evidence and examples. [text box]

Question 3. Which measures should be used in your view to monitor such progress, beyond notional amounts, initial margins, default fund contributions and capital requirements where applicable? Please explain your answer.

¹⁸ [ESMA Assessment Report under Art. 25\(2c\) EMIR, available at https://www.esma.europa.eu/press-news/esma-news/esma-publishes-results-its-assessment-systemically-important-uk-central](https://www.esma.europa.eu/press-news/esma-news/esma-publishes-results-its-assessment-systemically-important-uk-central)

5. SUPERVISION OF CCPs

Today, supervision of EU CCPs' compliance with EMIR is the responsibility of the national competent authorities of the Member States where the CCPs are established, with the involvement of the supervisory colleges, ESMA (including the CCP Supervisory Committee) and the European Central Bank and the central banks of issue of the Member States. If the EU is to increase its capacity for central clearing and as a consequence receive significant additional flow in the future, the related risks should be appropriately managed. The supervisory framework for EU CCPs should be strengthened and EU-level supervision should be given a stronger role, to better address risks involved in increased cross-border clearing activity, simplify and accelerate procedures, remove legal uncertainties and possible dual or conflicting instructions, as well as facilitate the coordination with third country supervisory authorities. Because of these and other aspects, supervisory settings are a key element to consider in developing a true Capital markets union.

a) Identifying costs related to current supervisory framework and benefits with a stronger role for EU-level supervision

Question 1. Please identify the regulatory compliance costs involved in today's supervisory framework for EU CCPs (high – medium – low – don't know / no opinion):

- a. Procedures for applications for authorisation to provide central clearing services and to perform activities;
- b. Procedure to notify the national competent authority and apply for relevant additional authorisations (e.g. to extend the scope of services or products offered or activities performed in the EU);
- c. Validations of risk models and parameters;
- d. Supervisory approvals, e.g. with regard to outsourcing;
- e. Involvement and consultations of different bodies (e.g. colleges), supervisors, central banks, and further authorities in supervisory decisions;
- f. Ongoing compliance with Regulation (EU) No 648/2012, including reports and contacts with bodies (e.g. colleges), supervisors and authorities;
- g. Lack of consistent processes (e.g. different actors involved) across different supervisory procedures;
- h. Legal uncertainties arising from different implementation or interpretations of EU Regulations in different Member States or between Member State authorities and ESMA;
- i. Duplicative or conflicting instructions from national supervisory authorities and ESMA;
- j. Other (please specify in reply to the next question).

For each of the points, options to choose from:

High – medium – low – don't know / no opinion

Question 1.1. Please explain your answer providing, where possible, quantitative evidence or examples. If you indicated 'Other', please specify what was intended. [text box]

Question .2 In your view, what would be the benefits of a stronger role for EU-level supervision?

- a. It would reduce EU CCPs' regulatory costs;
- b. It would enhance the quality of supervision over EU CCPs;
- c. It would simplify and accelerate the procedure to apply for authorisation to provide clearing services in the EU;
- d. It would simplify and accelerate the procedure for additional authorisations (e.g. to extend the scope of services or activities offered in the EU);
- e. It would simplify and accelerate validation procedures for risk models and parameters;
- f. It would simplify and accelerate the procedures for obtaining supervisory approvals, e.g. with regard to outsourcing;
- g. It would lead to more efficient use of resources by supervisors at national and EU level;
- h. It would decrease uncertainties that currently arise from different implementation or interpretations of EU Regulations in different Member States or by Member States and ESMA;
- i. It would remove the need for market actors to deal with duplicative instructions from more than one supervisory authority;
- j. It would create a level playing field between EU CCPs;
- k. It would create a level playing field between EU CCPs on the one hand and third-country CCPs on the other hand;
- l. It would improve EU capacity to deal with the cross-border risks arising from greater amounts of clearing in the EU;
- m. It would improve the resilience of EU CCPs;
- n. Other (please specify in reply to the next question).

For each point, options to choose from:

1 (strongly agree), 2 (rather agree), 3 (neutral), 4 (rather disagree), 5 (strongly disagree), 6 (no opinion)

Question 2.1. Please explain your answer providing, where possible, quantitative evidence or examples. If you indicated 'Other', please specify what was intended. [text box]

Question 2.2. Please indicate whether a stronger role for EU-level supervision could also produce negative side-effects. [text box]

Question 2.3. Do you have other comments? [text box]

b) How should EU-level supervision be given a stronger role?

Question 1. Do you agree that giving a stronger role to EU-level supervision could simplify and accelerate procedures, remove legal uncertainties and possible dual or conflicting instructions, ensure coherent application of EU Regulations, facilitate the coordination with third country supervisory authorities and create a level playing field between EU CCPs.

Please choose from:

1 (strongly agree), 2 (rather agree), 3 (neutral), 4 (rather disagree), 5 (strongly disagree), 6 (no opinion)

Question 1.1. Please explain your answer providing, where possible, quantitative evidence or examples, including on potential costs and benefits. [text box]

Question 2. Please indicate how to give a stronger role to EU-level supervision:

- a. A single EU supervisor, responsible for the supervision of all EU CCPs, would be the best option. All EU CCPs are systemic to the financial stability of the EU or one or more of its Member States, and should be treated and supervised in the same way.
- b. A single EU supervisor, responsible for the supervision of certain EU CCPs, which warrant stronger supervisory arrangements, would be the best option. Other EU CCPs should remain under the supervision of national competent authorities.
- c. Stronger EU-level supervision of certain or all EU CCPs could be ensured by joint supervisory teams (one per CCP) composed of ESMA and (some or all) national competent authorities responsible for CCP supervision. National competent authorities should continue to carry the primary responsibility for supervision of CCPs, but the involvement of other authorities in daily and ongoing supervisory work would ensure information sharing, coherent application of EU Regulations and could improve the level playing field between EU CCPs.
- d. Stronger EU-level supervision and a strengthened supervision could be ensured through the closer/stronger involvement of ESMA, for example by introducing a stronger mechanism to ensure compliance with its opinions and recommendations and in a wider set of areas;
- e. Stronger EU-level supervision and a strengthened supervision could be ensured through closer/stronger involvement of the central banks, in particular in areas relevant to the transmission of monetary policy or the smooth operation of payment systems (liquidity risk control, margin requirements, collateral, settlement arrangements or interoperability arrangements);
- f. Other (please specify, in reply to the next question).

For each point, options to choose from:

1 (strongly agree), 2 (rather agree), 3 (neutral), 4 (rather disagree), 5 (strongly disagree), 6 (no opinion)

Question 2.1. Please explain your answer providing, where possible, quantitative evidence or examples, including on potential costs and benefits. If you replied 'Other', please indicate what was intended. [text box]

Question 3. To ensure stronger EU-level supervision, which of the following authorities or bodies should be more closely involved in supervision?

- a. ESMA;
- b. European Central Bank and the relevant central banks of issue of Member States;
- c. Single Supervisory Mechanism and other bank supervisors for non-Banking Union Member States;
- d. Competent authorities of other Member States e.g. in joint supervisory teams as referred to in point (c) of question 2;
- e. Colleges;
- f. Other (please specify, in reply to the next question).

For each point, options to choose from:

1 (strongly agree), 2 (rather agree), 3 (neutral), 4 (rather disagree), 5 (strongly disagree), 6 (no opinion)

Question 3.1. Please explain your answer providing, where possible, quantitative evidence and examples. If you replied 'Other', please indicate what was intended. [text box]

Question 4. If a distinction between EU CCPs were to be made under the EU supervisory framework as per point (b) of question 2, please indicate if you agree that the following criteria are relevant:

- a. Volume and value of central clearing activity;
- b. Interconnectedness with other CCPs;
- c. Scope of products centrally cleared;
- d. Geographical scope of trading venues connected;
- e. Geographical scope of clearing members and clients;
- f. Other (please specify, in reply to the next question).

For each point, options to choose from:

1 (strongly agree), 2 (rather agree), 3 (neutral), 4 (rather disagree), 5 (strongly disagree), 6 (no opinion)

Question 4.1 Please explain your answer providing, where possible, quantitative evidence and examples. If you replied 'Other', please indicate what was intended. [text box]

c) Areas for a stronger role of EU-level supervision

Question 1. Please identify the most important areas where EU-level supervision should have a stronger role:

1. Access to CCPs (Article 7 of EMIR);
2. Access to a trading venue (Article 8 of EMIR);
3. Reporting obligation (Article 9 of EMIR);
4. Authorisation of a CCP (Article 14 of EMIR);
5. Extension of activities and services (Article 15 of EMIR);
6. Capital requirements (Article 16 of EMIR);
7. Withdrawal of authorisation (Article 20 of EMIR);
8. Review and evaluation (Article 21 of EMIR);
9. Emergency situations (Article 24 of EMIR);
10. Senior management of the board (Article 27 of EMIR);
11. Risk committee (Article 28 of EMIR);
12. Record keeping (Article 29 of EMIR);
13. Shareholders and members with qualifying holdings (Articles 30-32 of EMIR);
14. Conflicts of interest (Article 33 of EMIR);
15. Business continuity – general provisions (Article 34 of EMIR);
16. Outsourcing (Article 35 of EMIR);
17. General conduct of business rules (Article 36 of EMIR);
18. Participation requirements (Article 37 of EMIR);

19. Transparency (Article 38 of EMIR);
20. Segregation and portability (Article 39 of EMIR);
21. Prudential requirements (Entire Chapter 3 of Title IV of EMIR);
22. Margin requirements (Article 41 of EMIR);
23. Default fund (Article 42 of EMIR);
24. Other financial resources (Article 43 of EMIR);
25. Liquidity risk controls (Article 44 of EMIR);
26. Default waterfall (Article 45 of EMIR);
27. Collateral requirements (Article 46 of EMIR);
28. Investment policy (Article 47 of EMIR);
29. Default procedures (Article 48 of EMIR);
30. Review of models, stress testing and back testing (Article 49 of EMIR);
31. Settlement (Article 50 of EMIR);
32. Calculations and reporting for the purposes of Regulation (EU) No 575/2013 (Chapter 4 of Title IV of EMIR);
33. Interoperability arrangements (Article 51 of EMIR);
34. Risk management (Article 52 of EMIR);
35. Provisions of margins among CCPs (Article 53 of EMIR);
36. Approval of interoperability arrangements (Article 54 of EMIR);
37. Investigations into infringements of Title IV of EMIR;
38. Imposition of supervisory measures for infringements of EMIR;
39. Other (please specify, in reply to the next question).

For each point; options to choose from:

1 = Current situation satisfactory; 2 = Stronger EU-level supervision is needed/desirable;
3 = Supervision by a single EU supervisor is needed/desirable); 4 = No opinion.

Question 2.1 Please explain your answers providing, where possible, quantitative evidence and examples. If you replied 'Other', please indicate what was intended. [text box]

d) ESMA's role in fostering a coherent application of EMIR

Question 1. In your view, how could ESMA's role in fostering convergence and coherence of the application of EMIR in the EU (e.g. among national competent authorities and CCP supervisory colleges) be improved?

- a. Coordination of direct contacts between Member State authorities responsible for CCP supervision;
- b. Coordination of direct contacts between Member State authorities responsible for supervision of a wider set of financial market actors (CCPs, banks, investment firms etc.) or policies (e.g. central banks);
- c. Coordination of discussions in CCP colleges;
- d. Strengthening of the ESMA CCP Supervisory Committee and the areas where it should be consulted by national competent authorities;

- e. Widening the scope for opinions by the ESMA CCP Supervisory Committee to the ESMA Board of Supervisors;
- f. Increased use of obligation for national competent authorities to comply or explain deviations from opinions issued by ESMA or CCP colleges;
- g. Increased use of ESMA regulatory technical standards and implementing technical standards;
- h. Increased use of ESMA recommendations;
- i. Increased use of ESMA guidelines;
- j. Increased use of ESMA Questions & Answers;
- k. Other (please specify in reply to the net question).

For each point, options to choose from:

1 (strongly agree), 2 (rather agree), 3 (neutral), 4 (rather disagree), 5 (strongly disagree), 6 (no opinion)

Question 1.1. Please explain your answer and provide, where possible, examples to illustrate your views. If you indicated 'Other', please specify what was intended. [text box]

6. EMIR AND OTHER REGULATIONS/DIRECTIVES

The proper functioning of EMIR also requires clarity regarding its interaction with other relevant legislation. The Commission's services are interested in possible other legislation where provisions may not be sufficiently clear in their interaction with EMIR or vice versa. Additionally the framework applicable to non-centrally cleared OTC derivatives has an impact on that of the centrally cleared ones, any undue friction between those two frameworks could impede the proper functioning of the EU clearing infrastructure.

Question 1. Should amendments be introduced to the following legal instruments to better harmonise the requirements applicable to entities active in OTC derivatives

	1 (strongly agree)	2 (rather agree)	3 (neutral)	4 (rather disagree)	5 (strongly disagree)	6 no opinion
Link between EMIR and MiFID with regards to the definition of OTC derivatives, central clearing requirement, DTO determination						
CRR and CRD						
UCITSD						
AIFMD						
MMFR						
Solvency						
Other amendments to EMIR in relation to non-centrally cleared derivatives						

Question 1.2 Please explain you answer to question 1. If you think that amendments are required, please clearly indicate which amendments should be introduced, their rationale as well as their potential costs and benefits.

7. EMIR AND OTHER REGULATIONS/DIRECTIVES

The Commission's services are interested in possible other matters that could potentially contribute to enhancing the attractiveness and efficiency of EU CCPs and clearing services that you may have encountered in the context of EMIR that might be important for the review.

a) Blockchain and Distributed Ledger Technology (DLT)

Question 1. Could blockchain and DLT be used in the field of clearing to improve the attractiveness and efficiency of EU CCPs and clearing markets?

- Yes
- No
- Don't know / no opinion

Question 1.2. If you answered yes to question 1, please detail your response. [text box]

b) Other issues

Please provide any further suggestions to improve the attractiveness and competitiveness of EU CCPs and clearing markets, as well as the robustness of EU supervisory arrangements in order of impact and priority. Please provide supporting evidence.

[text box]