

Press release

Brussels
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ESMA CCP Stress Tests confirm resilience of EU CCPs

The European Association of CCP Clearing Houses (EACH) acknowledges the outcome of the ESMA EU-wide CCP Stress Test 2017¹. EACH members supplied data on a confidential basis to ESMA in the development of this report. ESMA has extended the scope of this exercise compared to last year both by including liquidity stress tests and by including parameters which go beyond what is plausible.

The ESMA report demonstrates that **European CCPs are resilient and well equipped to withstand extreme market developments**. EACH is pleased that this year's exercise, for both credit and liquidity risks *'confirms the results of last year, i.e. that EU CCPs are overall resilient to common shocks and multiple shocks and multiple defaults'* and **no systemic risks concerns are identified** in either the credit or the liquidity scenarios. EACH wants to point out the need to be cautious when choosing what to highlight, in order to avoid creating a concern that is not comprehensively justified by the analysis in the report.

The **ESMA CCP Stress Tests complement the already rigorous standards to which European CCPs are held by their regulators**, laid down in EMIR. In accordance with EMIR, CCPs themselves also perform exacting internal stress tests on their systems and models to ensure that they are fit to perform in situations of extreme but plausible market stress and default. The outcomes of these internal stress tests are scrutinised by members and regulators to ensure their continued validity. A broad number of authorities are included in the ongoing CCP supervision through the CCP Supervisory Colleges which include National Competent Authorities (NCAs) of the Member State where the CCP is located, NCAs from other Member States, the ECB and ESMA itself.

In line with EMIR and as approved by the CCP Supervisory Colleges, **all European CCPs are able to sustain a default of their two largest clearing members** ('Cover 2') and continue to function effectively. The **ESMA CCP Stress Tests extend the boundaries of what could be considered extreme but plausible** as identified by the College, and in the case of reverse stress tests, as ESMA itself notes the assumptions go *'beyond what was considered as possible'*. The ESMA Stress test exercise tests the potential for the *'implausible'* event of absence to

¹ <http://firds.esma.europa.eu/webst/ESMA70-151-1154%20EU-wide%20CCP%20Stress%20Test%202017%20Report.pdf>

central bank repo. As stated by ESMA, '***this by no means puts into question the availability of this tool*** and the fact that '***access to central bank liquidity (...) is highly reliable.***'

EACH and its members will continue collaborating with their regulators, clearing members and clients to continue offering a safe and efficient risk management process for the benefit of the markets and the economy as a whole.

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Background

On 2nd February 2018, ESMA published its the outcome of the 'EU-wide CCP Stress test 2017'². This is the second exercise of this type that ESMA performs on CCPs. The first one was finalised in 2016³.

While the first exercise looked at the credit aspects of CCPs' risk management, this second one expands on the first one by looking at both credit and liquidity aspects. The latest exercise also uses a different methodology than the first one.

The first exercise demonstrated that European CCPs were resilient and well equipped to withstand extreme market developments as *'the results indicate that for the reporting dates the system of European CCPs can overall be assessed as resilient to the scenarios used to model extreme and plausible market developments', 'no scenarios have been identified that are expected to be plausible and have at the same time a destabilising systemic impact on an EU-wide level' and that the 'analysis of the concentration of exposures in CCPs does not suggest emerging systemic risks at the CCP or EU-wide level.*

About EACH

The European Association of CCP Clearing Houses (EACH) is a Belgian not-for-profit organisation (AISBL) founded in 1992 which represents the interests of central counterparty clearing houses (CCPs) in Europe. The membership is open to CCPs based in the European Union and in other European countries. The membership of EACH comprises 19 CCPs incorporated in 15 European countries. EACH is registered in the European Union Transparency Register with number 36897011311-96.

EACH Members:

AthexClear S.A.	KELER CCP Ltd
BME Clearing S.A.	LCH.Clearnet Ltd
CC&G (Cassa di Compensazione e Garanzia S.p.A.)	LCH.Clearnet SA
CCP Austria	LME Clear
ECC (European Commodity Clearing AG)	Nasdaq Clearing
Eurex Clearing AG	National Clearing Centre (NCC)
EuroCCP	OMIClear
ICE Clear Europe	SIX x-clear AG
IRGiT S.A. (Warsaw Commodity Clearing House)	Takasbank
KDPW_CCP S.A.	

² <http://firds.esma.europa.eu/webst/ESMA70-151-1154%20EU-wide%20CCP%20Stress%20Test%202017%20Report.pdf>

³ https://www.esma.europa.eu/sites/default/files/library/2016-658_ccp_stress_test_report_2015.pdf