



EACH note on the role of the Central Bank of Issue in the context of EMIR review

May 2018

1. Opening remarks and context

This note¹ aims to highlight **EACH views on the role of the Central Bank of Issue (CBI)** in the context of the European Commission proposal on EMIR review on CCP Supervision.

In the experience of EACH Members, the current system of supervision of EU CCPs through the EMIR college architecture functions generally quite well matching the benefits of regulatory convergence and local knowledge. It is important to underline that EACH also does not believe that the case has been made for an increased role for ESMA in the way that the Commission proposes. Nevertheless, EACH Members have discussed what might be the appropriate role of the CBI because the subject has been extensively debated both in the Council and the Parliament, and such a discussion within EACH was therefore considered timely.

2. The role of the Central Bank of Issue in CCP Supervision

EACH believes that the Commission proposal does not adequately address the division of responsibility and powers in particular between CBIs and the proposed supervisory structure. As currently drafted in the Commission proposal, CBIs will have an effective veto over decisions related to prudential matters for CCPs. This is likely to lead to imbalances compared to the role of the national competent authorities (NCAs), ESMA and the CCP supervisory colleges and will complicate decision-making.

The need for CCPs to obtain approvals from four different supervisory bodies (NCA, ESMA, CCP supervisory college and CBIs) following four separate decision-making processes in respect to prudential aspects of CCPs and/or issues linked to monetary policy is likely to lead to increased divergence and inability to make required changes in a responsive manner to market and risk developments². Furthermore, in case there are more CBIs involved in the approval process (e.g. for multi-currency CCPs), the process becomes even more complex assuming that each CBI has a veto.

We understand that the rationale for including CBIs in the decision-making process and oversight of CCPs is to allow them to perform their role in relation to the application of monetary policy and not create a duplicative supervisory role. However, in order to fulfil this objective, EACH believes that CBIs should have a consultative role and no veto right. This would allow for a full involvement of CBIs in respect of any aspects of the decisions relating to the

¹ One EACH Member disagrees with the content of this note.

² For clarity, EACH members agree that CBIs should maintain their role as it is in the current EMIR college system and supervisory structure, where the CBI may be the NCA, a member of the Eurosystem, or has a national arrangement to be included.

carrying out of their monetary policy tasks while allowing a streamlined supervision of EU CCPs allowing CCPs to adopt risk management decisions in a safe and effective way. This consultation could be fulfilled via the CBIs current role in CCP supervisory colleges, where CBIs should continue to have voting rights. For specific areas, a reinforced role for the CBI in the existing CCP supervisory colleges stronger than the current vote may be explored.

With regard to the areas where CBIs should be consulted within their role in colleges, EACH agrees that CBIs should be particularly consulted in respect of any aspects of the following decisions relating to the carrying out of their monetary policy tasks:

- liquidity risk controls (Article 44)
- settlement (Article 50)
- collateral requirements (Article 46)
- approval of interoperability arrangements (Article 54)
- default fund and procedures (Article 42 and Article 48)
- investment policy (Article 47).

- END -