



European Association of CCP Clearing Houses

EACH Statement

Brussels

28th March 2019

EACH welcomes the European Parliament's vote on CCP Recovery and Resolution and warns about unsubstantiated capital increase proposal

The European Association of CCP Clearing Houses (EACH) welcomes the adoption of the ECON Committee report on CCP Recovery and Resolution by the European Parliament's Plenary on Wednesday 27th March 2019. Building on international work and the initial Commission proposal, the work lead by MEPs Swinburne and von Weizsäcker, together with shadow MEPs Hübner, Nagtegaal/van Nieuwenhuizen, Scott-Cato, Viegas and the rest of their colleagues, has resulted in additional safeguards for financial stability. EACH is particularly pleased that the European Parliament has:

- **Limited the potential use of public resources.** EACH firmly believes that an adequate CCP Recovery and Resolution regime should focus on the continuity of the CCPs' critical services without having recourse to public funds. EACH supports the proposal of the European Parliament to strengthen the language in this regard and include a recoupment mechanism from all CCP stakeholders in the legislation in order to avoid the use of taxpayers' money.
- **Limited the potential to weaken the CCPs' incentive structure by deleting the original** Art 27.5 with regard to providing compensation to non-defaulting clearing members. Compensation would break the incentives structure on which the functioning of a CCP is based, representing a weakening of the existing risk management framework of CCPs and therefore directly opposing the objectives of the G20 reforms.
- **Ensured the balance between the protection of the resolution authority** and that of clearing members and clients through a board No-creditor-worse-off (NCWO) counterfactual. This maximises the possibilities for resolution authorities to effectively perform their resolution tasks.

EACH is however **concerned about the proposal for the European Parliament to effectively double the CCP's capital** as included in the European Parliament report's Article 9 (7f) and (7g). Such a substantial proposal is not backed by any quantitative or qualitative evidence and was not included in any form in the European Commission's impact assessment.

We look forward to the Council finalising its work on this file and to contributing to the eventual Level 2 work of EU authorities with the objective of ensuring safer and more efficient EU capital markets.

Contact

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Notes to the editors

Background

On Wednesday 27th March 2019, the European Parliament's Plenary agreed its position on the European Commission proposal on CCP Recovery and Resolution.

Once the Council of the EU finalises its position on the file, negotiations should start to put together the views of the Council and Parliament with the objective of agreeing the final text of the framework legislation.

A framework for CCP Recovery and Resolution is required in order to ensure that in a situation beyond extreme but plausible (e.g. the default of more than two of the largest clearing members in a CCP) in which the resources available at CCPs in line with existing legislation are not enough, there is an orderly course of action that ensures the continuation of critical services without an impact on public funds.

About EACH

The European Association of CCP Clearing Houses (EACH) represents the interests of CCPs in Europe since 1992. EACH currently has 19 members from 15 different European countries. Its Membership is open to European and non-European CCPs. EACH is registered in the European Union Transparency Register with number 36897011311-96.

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