

Press release

Brussels,
8th September 2020

Resilience of European CCPs confirmed by Fire Drill Tests in BCP mode

During the second quarter of 2020, 16 European CCPs Members of the European Association of CCP Clearing Houses (EACH) successfully performed Fire Drill Tests in Business Continuity Planning (BCP) mode.

Fire Drill Tests are regularly performed by CCPs to confirm the readiness of a CCP's default management structure. During a Fire Drill Test, CCPs usually test the operational readiness of the CCP's staff, procedures, IT Systems and clearing members throughout the different layers of the default waterfall.

Performing Fire Drill Tests in BCP mode represented an additional challenge that CCPs have successfully met, as the default management structure has been tested with some or all of the CCP and clearing members staff working remotely.

The successful results of these tests represent another milestone in the confirmation that European CCPs are resilient and well equipped to withstand extreme market developments. Earlier this year, the results of the ESMA EU-wide CCP Stress Tests '*confirm(ed) the overall resilience of EU CCPs to common shocks and multiple defaults for credit, liquidity and concentration stress risks.*'¹

The positive results of the Fire Drill Tests in BCP mode and the ESMA EU-CCP Stress Tests add to the robust performance of CCPs during the COVID-19 extreme market environment. ESMA has acknowledged this in their Stress Tests report by stating that '*EU CCPs remained resilient through the (COVID-19) crisis, despite the increased market volatility and operational risk.*

European CCPs are subject to rigorous standards laid down in both regional and EU legislation as well as in international guidance.

European CCPs stand ready to continue providing safe and efficient markets and contributing to financial stability.

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¹ https://www.esma.europa.eu/sites/default/files/library/esma70-151-3186_3rd_eu-wide_ccp_stress_test_report.pdf

Background

The 16 CCPs that have performed the Fire Drill Tests in BCP mode are: ATHEX Clear, BME Clearing, CC&G, CCP Austria, ECC, Eurex Clearing, EuroCCP, ICE Clear Europe, KDPW_CCP, KELER CCP, LCH Ltd., LCH.SA, LME Clear, Nasdaq Clearing, OMIClear, SIX x-clear.

On 13th July 2020, ESMA published the outcome of the 'EU-wide CCP Stress test 2019'². This is the third exercise of this type that ESMA performs on CCPs. The previous ones were finalised in 2018 and 2016³.

While the first exercise looked at the credit aspects of CCPs' risk management and the second one looked in addition into the liquidity aspects of risk management, the latest exercise has further expanded the scope of the exercise to also include an analysis of concentration risk.

The three exercises have demonstrated that European CCPs were resilient and well equipped to withstand extreme market developments.

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	IRGiT S.A.
BME Clearing	KDPW_CCP
CC&G	KELER CCP
CCP Austria	LCH Ltd
CCP NCC	LCH S.A.
ECC	LME Clear
Eurex Clearing	Nasdaq Clearing
EuroCCP	OMIClear
ICE Clear Europe	Takasbank
	SIX x-clear

² https://www.esma.europa.eu/sites/default/files/library/esma70-151-3186_3rd_eu-wide_ccp_stress_test_report.pdf

³ Report of ESMA EU-wide CCP Stress test 2017 - <http://firds.esma.europa.eu/webst/ESMA70-151-1154%20EU-wide%20CCP%20Stress%20Test%202017%20Report.pdf>

Report of ESMA EU-wide CCP Stress test 2015 - https://www.esma.europa.eu/sites/default/files/library/2016-658_ccp_stress_test_report_2015.pdf