

EU clearing landscape post EMIR 3.0

May 2026

This paper provides an overarching assessment of the EU clearing landscape as of Q1 2026 and sets out targeted recommendations to further enhance the attractiveness and competitiveness of clearing at EU CCPs.

1. Introduction

The primary objectives of EMIR 3.0 are to enhance the attractiveness of clearing at EU CCPs and reduce the perceived over-reliance on systemically important third country CCPs providing clearing services on interest rate derivatives denominated in euro and Polish zloty.

ISDA supports the objective of strengthening Europe’s clearing ecosystem and further developing the EU’s own financial market infrastructure. Achieving this requires making the EU a place where market participants *want* to clear—based on competitiveness and efficiency—rather than relying on measures that create barriers to accessing non-EU clearing services and increase burdens for EU firms.

Key implementation milestones:

- 24 December 2024: EMIR 3.0 entered into force.
- 25 June 2025: The Active Account Requirement (AAR) became applicable for EU entities subject to the clearing obligation and exceeding¹ the clearing threshold for any systemically important products (certain short-term interest rate derivatives (STIR) denominated in euro, and certain interest rate derivatives denominated in euro or Polish zloty). These entities must maintain an active clearing account with at least one authorised EU CCP².
- 26 February 2026: Entry into force of the AAR Regulatory Technical Standards (RTS) specifying how EU entities with more than €6 billion in clearing activity in systemically important products must demonstrate that a “representative” number of trades is cleared through authorised EU CCPs.

2. EMIR 3.0 AAR has already strengthened the operational resilience of EU counterparties and contributed to enhance clearing in the EU

The deadline for in-scope EU entities to open an account at an EU CCP was 25 June 2025, making it now possible to begin observing its impact.

The measure has provided firms with a fallback option and strong incentives for clearing IRS denominated in euro at EU authorised CCPs. According to Eurex³, it has 2,200 clients (based on Legal Entity Identifiers),

¹ The threshold could be exceeded in a particular product category or on an aggregate basis across all categories.

² https://www.esma.europa.eu/sites/default/files/library/ccps_authorized_under_emir.pdf

³ [Eurex Clearing OTC IRD momentum grows, with new participants and new currencies](#)

650 of which joined in 2025 (before October 2025). Larger firms and clearing members already maintained accounts at EU CCPs permitting clearing of euro-denominated IRS prior to EMIR 3.0.

The requirement has also resulted in both large and small firms establishing a fallback option and strong incentives for clearing Polish Zloty denominated IRS at EU CCPs. According to Eurex⁴, “Eurex develops EU-based PLN swap clearing market in response to EMIR 3.0 and rising client demand. Broad industry support achieved, with twelve leading banks and several end clients already executing trades”.

The AAR has been particularly helpful, including, in providing fallback accounts in two scenarios:

- If there is an operational incident (e.g. cyberattack) at a Tier 2 CCP, EU firms have an account at an EU CCP, through which they can immediately elect to clear all their new transactions.
- If a Tier 2 CCP enters recovery or resolution because of the default of a large number of clearing members or the occurrence of significant non-default losses, EU firms can elect to clear immediately a large proportion of new transactions at an EU CCP.

In scope clients only clearing euro denominated products – i.e. those who are not benefitting from cross-currency netting at Tier 2 CCPs – have similarly been incentivized to clear exclusively at EU CCPs.

The decision on where to clear is always made by the end-client. Whether to clear at EU CCPs beyond the minimum required to meet the representativeness requirement - or where the representativeness obligation does not apply due to the nature of the client’s derivatives activity - will depend on the specificities of each client, its operational capacities, the portfolios concerned (size, investment strategy etc.) and cost. Decisions are usually made at the fund level and will include fiduciary duty considerations.

3. The volume of clearing at EU CCPs is rising

Because the RTS specifying the representativeness conditions for the AAR were only published in the Official Journal on 6 February 2026, it is too early to assess the full impact of the requirement.

ESMA expects⁵ the first report on compliance with the AAR to be submitted on 31 July 2026, covering the reporting period between 25 June 2025 to 30 June 2026. As a result, the data will be received too late for ESMA to reflect it in its report on the effectiveness of the AAR, which is due by 25 June 2026.

We therefore fully support ESMA’s decision to conduct a comprehensive evaluation of the AAR’s effectiveness in the first half of 2027, by which time ESMA will have received data from two reporting cycles (July 2026 and January 2027).

According to Eurex⁶, volumes in IRS are already up significantly year on year (Oct 2024 to Oct 2025). Eurex states:

Interest rate swap (IRS) volumes are up by 90% year-on-year, and overnight indexed swap (OIS) activity has shown similar gains. Notional outstanding has increased by a further 25% in IRS and

⁴ [Eurex builds Polish Zloty swap market with major banks in response to EMIR 3.0](#)

⁵ [ESMA91-1505572268-4536 Public Statement on upcoming reporting obligations under EMIR 3.pdf](#)

⁶ [Eurex Clearing OTC IRD momentum grows, with new participants and new currencies](#)

50% in OIS. Average daily volume generated by hedge funds has increased by about 140% year-on-year.

According to Clarus⁷, comparing Q3 2025 market shares with Q3 2024: “Eurex took 5.1 percent of EUR from LCH SwapClear – helped by the June 2025 go-live of ESMA’s Active Account Requirement (AAR)”.

Now the AAR RTS has become effective as of 26 February 2026, we can reasonably anticipate this trend to strengthen.

4. Existing EU supervisory powers address any potential financial stability risk from clearing on third country CCPs

Following Brexit, the EU strengthened the framework for third country CCPs to ensure that it remained appropriate for EU market participants to continue clearing at UK CCPs. EMIR 2.2 introduced additional safeguards for UK CCPs that are considered systematically important (Tier 2 CCPs)⁸:

- Tier 2 CCPs are required to comply with EMIR CCP rules (Article 25(2b) (a)). This mitigates the risk of Tier 2 CCPs becoming subject to lower standards than EU CCPs in the future;
- ESMA has supervisory and enforcement powers over Tier 2 CCPs. Article 25(7) requires ESMA to have cooperation arrangements in place with the Bank of England that provide, among other things, for the coordination of supervisory activities (including on-site inspections) and sharing of information both in Business as Usual (BaU) and in emergency situations. ESMA also has general investigation powers (Article 25i) and powers to impose fines (Article 25j) over Tier 2 CCPs;
- The ECB has oversight powers over Tier 2 CCPs in BaU and crisis scenario (Article 25(2b) (b)). The ECB can and does require that Tier 2 CCPs open euro deposit accounts at the ECB. In exceptional circumstances the ECB can also impose additional requirements on Tier 2 CCPs to address any risk to the transmission of monetary policy for up to 12 months. Outside the EMIR framework, the Bank of England and ECB have agreed liquidity lines under which the ECB can provide the Bank of England with euro in exchange for some form of collateral based on predefined terms and vice versa.

By requiring Tier 2 CCPs to comply with EMIR high standards and by giving EU authorities powers over these CCPs, EMIR 2.2 already effectively mitigates any potential financial stability risks arising from EU participants accessing Tier 2 CCPs.

5. EU counterparties need continued and predictable access to global liquidity pools

The continued and repeated uncertainty around time-limited equivalence decision on UK CCPs since Brexit harms EU firms and runs counter to the development of the Savings and Investment Union. To provide markets and EU market participants with much-needed certainty, the European Commission should grant a non-time-limited equivalence decision in relation to UK CCPs. We note that the legal and

⁷ [Q3 2025 rates swaps CCP competition |](#)

⁸ For more details on EU authorities’ powers over Tier 2 CCP, please refer to this ISDA briefing note: [ISDA-Briefing-Paper-on-Clearing-at-UK-Tier-two-CCPs.pdf](#)

supervisory arrangements of the UK currently meet all the required conditions for a non-time limited equivalence decision as set out in Article 25 of EMIR. There are clear indications that the Bank of England will continue to require UK CCPs to comply with legally binding requirements equivalent to those in Title IV of EMIR, that it will continue to subject UK CCPs to effective supervision and enforcement and that it will continue to provide for an effective equivalent system for the recognition of third country CCPs, on an ongoing basis for the foreseeable future⁹. In addition, as noted previously, EU authorities' power vis-à-vis Tier 2 CCPs, suggests that there should be no justifiable financial stability concern from allowing EU market participant to access such CCPs. The Joint EU-UK Financial Regulatory Forum¹⁰ provides for sharing information on regulatory developments relevant to the UK CCP equivalence decision.

Preventing EU counterparties from accessing UK CCPs for a wide range of financial instruments, including for products available for clearing on UK CCPs only¹¹ (e.g. some commodity derivatives or interest rate swaps) and for products with very low liquidity on EU CCPs would lead to increased fragmentation of clearing across CCPs. This will increase total initial margin posted across the system because of loss of netting opportunities. More margin posted at the system-level means, by construction, that risk has increased. It also increases potential liquidity pressures arising from margin demands. In a crisis, such higher margin requirements and increased complexity for EU firms to estimate likely margin calls are likely to exacerbate "dash for cash" dynamics, leading to a downward spiral of fire sale liquidations of assets.

Due to the derivatives clearing obligation and the local distribution of market participants, EU clearing markets are very directional as the clearing obligation mostly affects banks and financial counterparties. Financial counterparties are mostly pension funds and investment funds. Due to the business model of many of such buy-side financial counterparties (holding mostly bonds that pay a fixed coupon), their portfolios are assumed to be mostly directional (fixed payers). Banks who sell hedges to these funds will be directional in the other direction. Currently, EU banks can also deal with counterparties with discretionary money (e.g., hedge funds) that often provide liquidity in the other direction. Hedge funds are however mostly located outside of the EU. EU corporates might provide some of the balance to portfolios on an overall market risk position point of view, but not in the cleared portfolio as corporates are mostly not subject to the clearing obligation. We expect that the market is currently only balanced because EU banks have access to global trade flow, particularly flow provided by non-EU hedge funds.

In 2022, 70% of the EUR IRD notional registered at LCH SwapClear originated outside the EU¹². EU firms represented only circa 30% of the EUR IRD notional registered at LCH SwapClear. In addition, we would observe that EU firms use LCH Swapclear to clear both euro and non-euro derivatives. In 2022, EU firms clearing EUR IRD represented 10% of LCH SwapClear's notional and EU firms clearing non-euro IRD represented 7% of SwapClear's notional¹³. We understand that these dynamics have not changed over

⁹ The UK regime provides for an effective equivalent system for the recognition of third country CCPs, on an ongoing basis. The Temporary Recognition Regime (TRR) allows eligible non-UK CCPs to continue to provide clearing services in the UK before recognition is granted, so long as they continue to be eligible for the TRR. Where non-UK CCPs are granted recognition by the Bank of England, the recognition is non-time limited.

¹⁰ [Regulatory dialogues with the United Kingdom - European Commission](#)

¹¹ Some products are only cleared at UK CCPs and, while EU counterparties could continue to (indirectly) clear those through UK CCPs, the regulatory capital costs of exposures to non-recognised UK CCPs will raise the cost of clearing for those products significantly and may even be prohibitive, thus reducing access to clearing facilities for EU clients even further. In this context we note that there is a 1250% risk weight for default fund contributions to non-qualifying CCPs, compared to a typical risk weight of a single digit / low double digit (with a floor of 2%) for QCCPs.

¹² [EMIR 3 and the importance of access to global markets | LSEG](#)

¹³ [EMIR 3 and the importance of access to global markets | LSEG](#)

time and that these figures remain very similar. The EUR IRD market structure illustrates that it is essential for EU Firms to be able to access global liquidity without constraints.

6. Additional measures to enhance attractiveness of EU CCPs

We support measures to enhance EU CCP capacity where such measures do not fragment markets and do not impede free CCP choice.

EMIR 3.0 introduced positive supply-side measures to increase the attractiveness of EU CCPs by allowing for a quicker adoption of margin-model changes at CCPs and facilitating the launching of new products and services.

Further positive measures should be introduced to improve the competitiveness of EU CCPs.

Continue promoting voluntary clearing by public entities

While several public entities already choose to clear, increasing the number of public entities that do so would add to liquidity in the European clearing market, increase domestic capacity and EU attractiveness domestically and internationally. The European Commission should continue to recommend that public entities voluntarily clear. While European CCPs would likely be the natural home for clearing by EU public entities, ISDA does not believe it should be mandated. Clearing by European public entities, as illustrated by the recent decision made by the ECB to clear repos at EU CCPs, would send a strong message of confidence in European CCPs and attract liquidity from non-EU market participants. It would reduce overall risk for public entities, reflecting the benefits that central clearing brings in terms of market resilience. To avoid concerns about public entities contributing to the default fund or participating in mutualization, these entities could clear as clients or via new direct or sponsored access models.

Explore enabling cross margining between different EU CCPs

To further enhance the competitiveness of EU CCPs, the EU should explore enabling cross-margining between cleared OTC, cash, repo and futures markets between different EU CCPs, including at the client level. This should be combined with a review of the capital rules to recognize the risk reduction that netting between repos and future delivers.

Address hurdles to more voluntary central clearing of repos

Facilitating access to central clearing of repos, for example through sponsored access, could improve the overall attractiveness of central clearing. This relies on addressing the impact for banks of providing client clearing services on capital, leverage ratio, balance-sheet usage and GSIB indicators. The treatment of cleared repos in the Net Stable Funding Ratio (NSFR) should also be revisited, given that currently, exposures to CCPs receive the same required stable funding factor as any other financial institution. Providing a preferential stable funding treatment for cleared repos would make clearing more attractive. Ways to facilitate access to direct clearing for firms that meet applicable membership requirements should also be considered.

NBFIs face specific other obstacles when accessing centrally cleared repo markets. In particular, in regard to fund regulation, counterparty limits should not apply to centrally cleared exposures, collateral concentration rules should reflect the lower risk of clearing¹⁴ and funds should be allowed to re-use repo-received collateral to meet CCP margin requirements. Central clearing enables NBFIs to transform collateral into cash, reducing liquidity bottlenecks and strengthening the resilience of both derivatives and funding market. Addressing funds' restrictions on reuse and pledge back collateral generated on the cleared repo market would also further incentivise voluntary clearing of repos.

Facilitate adoption of DLT by EU CCPs

We encourage the EU to explore ways to test the use of tokenised assets as eligible collateral for CCPs. Working towards tokenized collateral would require the Commission to clarify that tokenised versions ("digital twins") of instruments already eligible in their non-digital form are also recognized as eligible collateral under EMIR. The widespread use of tokenised assets as collateral would also require a review of capital rules, which at present would make the use of tokenised assets very expensive.

We recommend adopting a phased approach to implementing a 'sandbox' or other methods for trialing these assets as collateral, such as introducing volume caps. For testing purposes, members could initially post a small notional amount; upon successful completion and validation of the testing phase, participation could then be extended to larger volumes. Additionally, we suggest testing with the most liquid product(s) in a first phase.

Strengthen the EU porting regime

To strengthen the resilience and competitiveness of the EU clearing ecosystem, a more effective porting framework to enhance portability in clearing member default scenarios, would help ensure the continuity of client positions and collateral, reducing the risk of disruptive spillover effects and reinforcing market stability. The porting regime could be strengthened by allowing CCPs to interact directly with clients during a porting event, share essential portfolio and collateral information with potential replacement clearing members, and distinguish between portable and nonportable account structures.

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¹⁴ The exemption for centrally cleared Securities Financing Transactions (SFT) from funds' concentration limits in the Money Market Fund Regulation (MMFR) should be extended to the UCITS Directive to consistently exempt centrally cleared SFTs from relevant concentration and diversification requirements for funds and ensure consistent treatment in the two frameworks.