

**ISDA/IIF Response to the BCBS-CPMI-IOSCO consultative report
“Transparency and responsiveness of initial margin in centrally cleared markets – review
and policy proposals”**

Executive Summary

- Members of the International Swaps and Derivatives Association (ISDA) and the Institute of International Finance (IIF, together the Associations) support enhancing transparency on cleared margin for all market participants. This will benefit intermediary and end-user preparedness for margin calls and increase the resilience of the system overall.
- Enhanced transparency should start with CCPs making fundamental disclosures about their margin models, including greater transparency of margin model documentation, access for both clearing members (CM) and clients to CCP margin simulators and tools which can be used to assess how margins may change and backward-looking disclosures that can be used to assess model performance over time. In this regard the Associations are supportive of Recommendations 1 – 8 in the report.
- Regarding Recommendation 9, we are supportive of clients having necessary transparency on CM margin requirements. Use of margin multipliers or buffers where relevant, is part of a dynamic and prudent risk management framework undertaken by CMs who underwrite the risk of end-users. Whilst CMs reserve the right, in the contractual relationship with their clients, to charge Additional Client Margin, in practice for the vast majority of activity, the CCP margin is passed to clients without alterations. CMs already provide transparency when they require clients to post margin incremental to CCP minimums in the minority of cases, and clients are able to negotiate ex-ante the circumstances including notice period under which they might be called for Additional Client Margin by their CM. While CMs welcome constructive discussions as to how existing transparency could be improved, members of the Associations do not believe that the information suggested under Recommendation 9 is proportionate to the need, given that most clients are on CCP minimums.
- As is recognized in the consultative report, enhanced transparency should not curtail the ability of CCPs or CMs to take risk management actions to respond to dynamic or idiosyncratic stress scenarios within the clearing ecosystem.
- Regarding Recommendation 10, we are generally supportive of the principle that CCPs should have visibility into the risk profile of their clearing participants. Indeed, CMs already provide extensive information to CCPs through the due diligence processes. Any standardized transparency framework required by CCPs of CMs

should be limited only to the information required for CCP risk management and should not raise legal, confidentiality, or competition concerns. The current information required under Recommendation 10 does not meet these criteria.

- One area where the consultative report should go further is on initial margin model responsiveness. Further work should be done on the fundamentals of CCP margin models, for example appropriateness of margin periods of risk (MPOR) and the calibration of anti-procyclicality (APC) tools, to ensure that margins do not fall too low during low volatility periods. Especially clients welcome more stable initial margin.

This response covers the positions of our members on the buy-side and sell-side. The paper does not reflect the views of many CCPs, and many of the CCPs are in disagreement with the views.

General comments

The 2020 COVID-19 crisis and the following dash-for-cash, the 2022 commodities crisis following the invasion of Ukraine and the 2022 LDI crisis all had a common theme: market participants struggled to source margin for cleared and uncleared positions, and their actions might have exacerbated the stress further.

We welcome the work done so far by global standard setters, especially FSB's "Holistic Review of the March Market Turmoil"¹ and the report "Review of margining practices"² (the Margin Practices Report) by BCBS, CPMI and IOSCO. We welcome the follow-up consultations and the opportunity to respond to this consultation. ISDA and IIF have also responded to the parallel consultation on "Streamlining variation margin in centrally cleared markets – examples of effective practices"³.

We believe that transparency helps market participants to prepare for margin requirements in stressed markets, enables better risk management through feedback and acts as an accountability mechanism for the CCPs risk decisions.

We strongly support many of the recommendations in the consultative report "Transparency and responsiveness of initial margin in centrally cleared markets: review and policy proposals"⁴ (the Consultation).

We also think the more specific the proposals are, the better they can foster consistency across CCPs and maximize the utility of the disclosures and tools.

We also believe that the more transparent CCPs are in their day-to-day interaction with their members and clients, the fewer prescriptive transparency requirements are necessary. In this spirit, we have also provided some proposals of additional quantitative disclosures that CCPs could make to their CMs. For instance, these disclosures could include the current working of APC tools or historical margin queries including all Additional CCP Margin Components.

As a general comment, clearing is an international business. CCP transparency should therefore also mean that the information is available in English.

We support providing sufficient transparency to clients, but emphasize that: a) in the first instance this should come from the CCPs directly in terms simulation tools being directly available to clients; b) any incremental CM-to-client transparency should recognize the exceptional nature of margin requirements for clients that are above CCP margin (in the following called "Additional Client Margin"); and c) confirm that the approach is not intended to be overly prescriptive, override CM discretion, or come at the expense of CM's ability to manage risk.

¹ <https://www.fsb.org/2020/11/holistic-review-of-the-march-market-turmoil/>

² <https://www.bis.org/bcbs/publ/d537.htm>

³ www.bis.org/cpmi/publ/d221.pdf

⁴ <https://www.bis.org/bcbs/publ/d568.htm>

We support the principle that CCPs have visibility into the profile of clearing participants. However, we believe that the recommendations on CM-to-CCP transparency are largely unnecessary given the ability of CCPs to request such information through due diligence.

In that regard, we note that any information provided in a regular disclosure should be:

- shared privately with CCPs
- should not raise legal or confidentiality concerns
- limited for the use by CCP risk management.

The Consultation does not ask questions in relation to all proposals. Please find below comments to these proposals.

Proposal 3 (Qualitative disclosures to participants)

CCPs should produce the information outlined in Proposal 3 in a form that provides sufficient information for CMs and clients to reproduce margin models, including calibration and other margin components (so-called add-ons, in the following called “Additional CCP Margin Components” to distinguish them from Additional Client Margin). This disclosure should also be the basis for clients to understand the CCP’s margin model.

We do not believe that sharing granular information about margin models would allow CMs or clients to engage in portfolio window dressing. Quite the opposite, if the margin model was susceptible to window dressing, transparency of the margin model would allow participants to flag these model weaknesses for remediation. Also, while we could understand the concern regarding window dressing at a conceptual level, this could be done without a detailed understanding of the model. In addition, with margin being a proxy for risk, adding transactions to a portfolio that reduce margin also means that risk would in turn be reduced. The onus should be on CCP models to react accordingly and appropriately margin such portfolios, which could very well be the result of a valid trading strategy.

We agree with the finding that some CCPs as compared to others are publicly disclosing too little information with a particular lack of transparency regarding their initial margin models (one member’s own analysis and client experience confirm the survey figures disclosed in Table 3, p.13).

From an EU standpoint, the EMIR 3.0 Regulation requires certain disclosures from CMs to clients regarding CCP margin. However, a more efficient and effective approach is to require CCPs to provide greater transparency to CMs and clients directly, both through public transparency in general as well as regarding margin simulation tools in particular.

Key parameters/components should be explained including, but not limited to:

- Overall model methodology/approach (historical, parametric, Monte Carlo...).
- Look back periods.
- Decay factors of exponentially weighted moving average (EWMA) models.
- Offsets, vols.

- Methodology for Additional CCP Margin Components and triggers.
- Cross-margining.
- Payment obligation deadlines and cut-off times.
- Scheduling of Intraday calls.
- Ability of CCPs to pay intraday calls.

In general, CCPs should provide sufficient detail for participants to be able to reproduce the margin model and to provide participants with tools to replicate margin results and produce accurate what-if margins.

This information should be clearly delineated for each segment and include step-by-step calculation for an outright and spread trade to explain overall calculation.

The proposal states “*Where legally permissible, CCPs should make margin model documentation available to CMs...*”. We are not aware of any legal barriers and if there are concerns, there can be explicit confidentiality agreements on the basis of which documentation can be provided. It would also be helpful if CCPs that believe that there are barriers to transparency would explain what these barriers are in detail so that the market, or regulators, could address such issues.

Level of disclosures on stress scenario suites also stands out as being particularly low in Table 3. Considering several CCPs have stress-based Additional CCP Margin Components, this is another area where disclosures should particularly be enhanced.

Proposal 4 (CCPs should publicly disclose and describe the anti-procyclicality (APC) tools used in their model)

In order to understand the effect of APC tools on responsiveness, CMs and clients should be able to understand a CCP’s APC tools as well as the rest of the CCP’s margin models. Model documentation as listed in recommendation 3 should therefore extend to APC tools, opposite to only a high-level description.

Proposal 8: CCP discretion

While risk managers, both at CCPs and CMs should use discretion only to address unforeseeable events, discretion is an indispensable tool in the toolbox of a risk manager.

For CCPs, a governance framework for exercising discretion is particularly important considering 42% of CCPs reported overriding models since 2020, with 6 CCPs overriding margin over 20 times (suggesting shortcomings in the margin framework).

While we believe that it is important for CCPs to have discretion, and there might be different reasons for applying discretion (for instance as a preventative measure or to rectify backtesting breaches), we believe there should be a clear disclosure on the use of discretion (reasons, steps taken and impact), made publicly available, as proposed in the Consultation. The Risk Committee should receive more detailed information.

We agree with the Consultation that it would be ideal for the CCP to define qualitative and or quantitative criteria when applying overrides so that changes are less discretionary. The rationale must be communicated well in advance along with expected impacts.

We also agree with the proposal to make the aggregate size and duration of manual margin overrides public. Material impacts in percentages or absolute dollar terms at product- or portfolio-level should also be discussed with the Risk Committee and other committees and groups where risk-related matters are discussed and consulted on with CMs and/or clients. There should be a provision for scaling down overrides in case of unanimous push-back from the Risk Committee.

Responses to questions

General questions

1. Collectively, if adopted, would the set of proposals likely result in increased transparency and a mitigation of destabilising changes in margin requirements in centrally cleared markets? Please identify within the set of proposals any which would be particularly beneficial and others which may be less beneficial (eg where the costs may substantially exceed the benefits). Please provide an explanation to your answer.

The Consultation contains a wide range of proposals. We are generally positive about the proposals for transparency, which are aligned with prior positions of the Associations.

We welcome very much, from a user point of view, that the Consultation does not restrict itself to base initial margin, but also includes Additional CCP Margin Components.

Clients strongly support this set of proposals and think that for them, they will significantly increase transparency and mitigate destabilizing changes in margin requirements in centrally cleared markets. A lack of transparency, both from CCPs or CMs might lead to reluctance by certain clients to embrace central clearing.

From a client perspective, there are however three crucial aspects in particular:

- As many CCPs already provide advanced tools and transparency as compared to other CCPs, clients think that improvements to bring those latter CCPs at par with the former CCPs should be obtained without additional costs for clients.
- While we agree that CCPs need flexibility to react to unforeseen circumstances in their margin requirements, consistent with recommendation 1, CCPs should provide margin simulation tools directly to CMs and clients that mirror the actual model used for their margin calculation. This will give participants confidence in predicting margin calls.
- Simulators need to have an API to avoid manual inputs for existing trades and future or potential trades to calculate and anticipate initial margin impacts.

For some recommendations, the costs may exceed the benefits, depending on how the recommendations are interpreted, for example in relation to some of the aspects of recommendation 9, regarding CM-to-client transparency, and recommendation 10, regarding CM-to-CCP transparency.

Regarding recommendation 9, in general, the vast majority of clients of CMs are on CCP margins, without any Additional Client Margin. This is industry practice. Additional Client Margin is used in exceptional cases where there are specific concerns related to concentrated positions, individual client creditworthiness, or even in relation to geopolitical issues, sanctions etc. Transparency should be provided to clients in these situations on a case-by-case basis, as each circumstance will be different and dynamic. The development of CM simulators is unnecessary in this situation. For the remainder of clients, Recommendation 1, regarding provision of CCP simulators to CMs and end-users, would address the majority of client transparency requirements.

Clients propose, in line with Recommendation 9 letter (d) in p. 31 of the BCBS-CPMI-IOSCO Consultative Report, that “(d) CMs should, without the need for a client request, inform the client with appropriate notice when they are adjusting their calibration of client margin additions (...)”. They believe that this would be a key element to optimize the anticipation additional liquidity requirements following those changes – to reduce the risk of market destabilization, potentially leading to systemic risks.

The length of an appropriate notice should be subject of contractual agreement between client and CM.

Regarding Recommendation 10, we support the principle that CCPs should have visibility into the risk profile of clearing participants. However, we believe that the recommendations on CM-to-CCP transparency are largely unnecessary given the ability of CCPs to request such information through due diligence. Producing this information on a regular cadence would be costly without any demonstrable benefit. Any information provided in a regular disclosure should be shared privately with CCPs, should not raise legal or confidentiality concerns and should be limited to the information that is required for CCP risk management.

2. Are there any aspects of margining practices in centrally cleared markets that have not been adequately covered by the set of proposals and which could positively contribute to achieving the Margin Group’s objectives?

One key omission is that CCPs are not required to make their risk appetite or risk tolerance for procyclicality public. Also, procyclicality should not just be seen from the CCPs’ point of view. Procyclicality is a risk for the users of the CCP. It should really be for users to decide their risk appetite/tolerance for procyclicality, and CCPs, as service providers to the market, should act accordingly. The determination of the appetite/tolerance should therefore be embedded in the CCP’s governance process, in a way that ensures that market participants are able to opine on the determination.

It would also be helpful to have a stated risk appetite as a yardstick for the actual level of procyclicality, as estimated by the proposed standardised measure.

As mentioned in the Executive Summary, clients would particularly welcome more stable initial margin. Making public a standardised procyclicality measure might trigger some market pressure for CCPs to restrict procyclicality in their margin models. Standard setters should consider whether requiring anti-procyclicality tools might be helpful.

We would also support a more explicit overarching aim to reduce procyclicality in margin practices. The more volatile initial margin requirements are, the more market participants have to put aside contingent liquidity, because of the added uncertainty that comes with excessive procyclicality. The objective should be to ensure that models deliver initial margin levels that are stable through the cycle.

We want to highlight that a CCP that takes measures to appropriately mitigate procyclicality will have higher margin level in benign times, potentially being less competitive than a CCP with a less conservative approach to APC and hence lower margin requirements⁵. A global target level or tolerance for procyclicality would be helpful to align incentives.

In conclusion, we would like to see at least a reference to further work and/or recommendations on responsiveness, which is fundamental to mitigating procyclicality. While transparency can aid with preparedness, provide a disciplining effect, and allow market participants to provide feedback on CCPs' approaches, fundamental model choices determine how far and fast margin can change.

Therefore, we believe further work should be done on the fundamentals of CCP margin models, such as the appropriateness of margin periods of risk (MPOR) and the calibration of anti-procyclicality (APC) tools, to ensure that margins do not fall too low during low volatility periods. Certain jurisdictional regulators⁶ have already made incremental progress on this topic, but it should be considered at a global level in light of the globally interconnected nature of clearing.

3. Many of the proposals recommend that a market participant group (eg all CCPs, all CMs etc) be required to provide enhanced disclosure or adopt a new practice. Should the principle of proportionality, with requirements dependent on participant size or type, be used in determining how different firms apply the proposals? If so, in what ways? Please specify the proposal(s) in your response.

We agree that the level of transparency provided by CMs relative to CCPs should be proportionate to the need for that transparency.

CCP margin should be subject to broader and more sophisticated transparency requirements than CMs, since CCP margin sets the minimum standard for the industry, is the basis on which most clients are margined, and is the foundation to which any Additional Client Margin CMs may add are applied, in certain limited circumstances. Hence why we believe that Recommendations 1 – 8 are fundamental to allowing the market to better understanding how margins may evolve over time.

In contrast, the application of Additional Client Margin by CMs to clients is the exception rather than the rule. Hence while transparency remains important, it would be disproportionate to require the same level of detail – for example through sophisticated

⁵ This is mitigated partly by the general lack of substitutability between CCPs, but there are contracts that are cleared by multiple CCPs.

⁶ See for instance the ESMA “Review of the RTS with respect to the procyclicality of CCP margin” at www.esma.europa.eu/sites/default/files/2023-07/ESMA91-1505572268-3217_Final_Report_Review_of_RTS_No_153-2013_with_respect_to_procyclicality_of_CCP_margin.pdf

simulators – for a tool which is used infrequently, on a case-by-case basis and can be discussed directly with clients.

In relation to CCP margin requirements, we note that all issues at CCPs in the recent past happened at smaller CCPs. Allowing their participants (CMs and their clients) to understand their risk management framework and eliciting feedback could be helpful for such CCPs. Also, users of smaller CCPs might themselves be smaller and simulators could still be helpful for their liquidity planning.

We propose that even small CCPs should provide simulators with a minimum functionality, which should include a projection of margin requirements based on the current portfolio of a CM or a client under a minimum number of scenarios (which could be the COVID-19 crisis and the Great Financial Crisis plus market specific stresses if larger, e.g. the 2022 commodity crisis for affected CCPs). Many small CCPs do use SPAN, which is fairly straightforward. These CCPs could potentially pool development efforts.

CCPs could also provide simulator functionality in stages:

- Basic requirements, like next days VM, Business-as-Usual (BAU) and under stress.
- Integrate initial margin and Additional CCP Margin Components.
- Existing data and scenarios should be integrated first.
- Standardised scenarios.
- User-defined scenarios.

These developments should be benchmarked, as proposed under question 5.

4. Are there cases in the proposals where there could be an effect on bilateral market margining? If so, what are the factors or instances that should be taken into consideration to ensure that proposals for cleared markets do not negatively affect dynamics within other markets?

One example where there was an effect on bilateral markets was that during the 2022 energy crisis, firms clearing certain energy products moved from cleared transactions to OTC transactions⁷ as the margin requirements for cleared transactions increased significantly and became too punitive, especially compared to more stable margin requirements for uncleared transactions. More flexible collateral eligibility rules, including the possibility of using non-cash collateral for VM will also have played a role. However, less procyclical CCP margin models with a lower increase in margin might have helped in this regard.

⁷ See for instance the ESMA Market Report “EU Derivatives Markets 2023” (at www.esma.europa.eu/sites/default/files/2023-12/ESMA50-524821-2930_EU_Derivatives_Markets_2023.pdf from page 26)

We also note the regulatory focus on uncleared margin and incremental improvements being made to ISDA SIMM® in this regard.

Proposal-specific questions

5. Proposals 1 and 2 recommend that margin simulation tools be made available by all CCPs to all CMs and clients, with enhanced functionality.

We welcome that simulators are required to include Additional CCP Margin Components. This would for instance show how Additional CCP Margin Components behave under stress. For instance, if an Additional CCP Margin Component for concentration is not triggered often, simulators could identify stress scenarios where such Additional CCP Margin Components are triggered.

Regulators should ensure that simulators are provided to both CMs and clients, are user-friendly and can be easily accessed directly by clients, otherwise their use by clients might be too limited if they imply high costs or technical barriers to entry.

Consistency of simulators across CCPs will help ensure ease of use for CMs and clients and reduce the need for clients to rely on CM interpretation. Client feedback at the industry workshop last year was that simulators are too cumbersome and complicated, such that this client asks their CMs to run simulations. Complicated user interfaces could be a reason why current simulators are not used as much as they could be. This could also explain why CCPs do not see as many clients using their simulators as expected.

Simulators added-value could be enhanced if they integrated margin transparency points in explanations as an integrated solution.

Any proposed tool should also have a forecasting capability for indicative EOD margin based on any large intraday moves and when any parameter is tweaked by the CCP.

Ideally, simulators could also help members assess impact of changing any of the quantitative parameters like MPOR, lookback, confidence level, etc concurrently.

Margin calls for intraday risk (e.g. day traders) affect liquidity requirements, but are difficult to simulate. While some default fund calculations incorporate volume metrics to allocate default fund capacity for day trading or market making behaviour, it would be helpful if this component of liquidity requirements would be included in margin simulators or transparency.

In terms of functionality, in doubt, CCPs should run polls of CMs and clients. Another proposal would be for collaborative working groups including CCPs, CMs and clients to review and benchmark existing simulators. This would for instance also provide more clarity and understanding of margin models that would be less suitable to simulators.

While it would be useful if simulators not only simulate margin, but also changes in default fund sizing, we appreciate that this is likely very complex to do. Also, as default funds are usually sized at fixed intervals (often monthly), the assumption that the default fund would not be resized during the stress period could be a valid one. However, where the sizing of the default fund affects some Additional CCP Margin Components, like margin add-ons for CMs which drive the default fund (“Stress Loss over Initial Margin”), the CCP should disclose the assumptions on default fund sizing that feed into related Additional CCP Margin Components. Should the CCP simulate changed default fund sized internally, these changes should be added to the simulation output.

a. Are there certain modes of access to CCP simulation tools which are less costly or more effective?

Although we recognize cost implications for CCPs of providing a simulator, given the broad-based benefit for participants and financial stability and the fact that volatility can happen in any asset class/any market, we think it should be offered by all CCPs, irrespective of size of cleared asset classes.

Probably the most cost-effective tool for participants is for the CCP to host the tool and provide an interface (API) for users to enter and modify cleared positions.

Simulators should ideally have both a Web-based GUI for simulations on few positions and APIs for large portfolios.

b. Are there any impediments to making simulators available to clients? To what extent could these impediments be mitigated or resolved, eg by changing the mode of providing access to tools, or how clients request access to tools? Does this depend on the format of CCP tool (eg the use of cloud technology, the use of APIs, etc)?

Direct access by the client to the CCP simulation tools would be most the efficient method of providing this transparency. Intermediation by CMs would prove complex and inefficient in contrast to these tools being provided directly by CCPs. While we agree that some CCPs do not know the identity of all clients using their services, this should not be an impediment to providing margin simulators to clients. CCPs could for instance pass access details, including usernames and passwords to their CMs for them to distribute those to their clients.

When clients use the simulator, they should only see their portfolio, i.e., not portfolios of other clients or the CM’s portfolio.

As mentioned above, ease of use is important. Overly complex simulators, or simulators with a poor user interface could be an issue for clients. Regulators have to make sure that tools provided by CCPs can easily be accessed by clients. Otherwise, their use by clients might be too limited if they imply high costs for users for being used.

The design of simulators should also take into account that simulators will be used by different functions/departments. Different departments will have different requirements. For instance, the Operations department wants to see payments, the Treasury wants to anticipate liquidity requirements and Risk Management is interested in stress results. We however believe that a functionality to anticipate liquidity requirements is relevant for all the above departments and therefore absolute key.

User friendliness is paramount. Explanations within the tool of the different components of Margin (at close of business and Intraday), including Additional CCP Margin Components and their triggers. The simulator has a key purpose to help prediction of possible outcomes liquidity-wise and to help the user understand margining (COB and Intraday). Video tutorials would be helpful for first-time users and should be in English.

Simulators should also be provided via APIs, as this would allow firms to generate a fuller picture of shocks stemming from several CCPs and be able to combine these simulators with their collateral simulators.

Access requirements should allow smaller clients to use external parties to run simulations.

We do not believe that the use of simulators would limit a CCP's ability to respond to a crisis, because CCP judgement/discretion would result in different margin outputs compared with the ex-ante estimates provided by a simulator tool. Participants should be made aware that no future crisis will be the same as previous crises, and simulator results based on historical scenarios will not be able to foretell a future crisis.

c. Are there any reasons why the proposed historical and hypothetical scenarios to be provided as part of the simulator tool suite should differ from the CCP's current set of extreme but plausible stress test scenarios? In addition, would there be additional value in allowing users to customise their own scenarios within the simulator tool? If so, what types of customisation would be of most value?

It will be helpful to simulate margin under varying conditions to enable clients and CMs to prepare for a variety of different stress scenarios. We recognise the trade-off between fully CCP-defined scenarios vs. member-defined scenarios.

Scenarios designed for stress testing and default fund sizing are specific to the CCP. While such scenarios could be used as part of the overall suite of stress scenarios in the simulator, there should be a set of standardised scenarios to make results comparable. These standardised scenarios could be the Great Financial Crisis and the COVID-19 shock. Users being able to customise their own scenarios within the simulator tool would be a nice-to-have.

As the focus on CCP stress scenarios are calculation of extreme but plausible stress losses or liquidity requirements, these stress scenarios are usually a one-step shock and do not include a timeseries of how the stress develops. Margin will react very differently

depending on how a stress develops. For example, one extreme market move might not change the result of a value at risk (VaR) calculation if it is outside of the confidence interval, and also not affect volatility scaling compared to a stress event that develops over several days.

One-step scenarios might however gain useful results in relation to Additional CCP Margin Components.

Also, if the same scenarios are used for stress testing, default fund sizing and margin simulation, CCPs might be incentivised to select less extreme stress scenarios for their default fund sizing to show less procyclicality in their simulators.

In terms of implementation, we propose a phased approach:

- CCPs could start with their own scenarios.
- Implementation of standardised scenarios.
- User-defined (by CMs or clients) scenarios (these could even be developed by CMs or clients).

d. [Are there any elements of the initial margin calculation \(eg add-ons\) which would be difficult to incorporate into a standardised simulation tool? If so, what are the relevant challenges?](#)

All Additional CCP Margin Components should be included in the margin simulator. However, for many CCPs, some Additional CCP Margin Components are calculated at the level of a CM and are difficult to allocate to clients. CMs have asked for a long time for all Additional CCP Margin Components to be calculated so they can be allocated to client accounts. For simulators to show the full picture for the client, Additional CCP Margin Components need to be calculated in a way that they can be easily allocated.

On incorporating Additional CCP Margin Components for the credit quality of CMs, we believe it would be difficult not to include this. While the CM might be able to add this at their side, clients of the CM might not have the required information to do so, while they still would be called margin based on this Additional CCP Margin Component.

6. [Proposal 5 recommends a set of changes to the PQDs, further detailed in Table 5 of the report.](#)

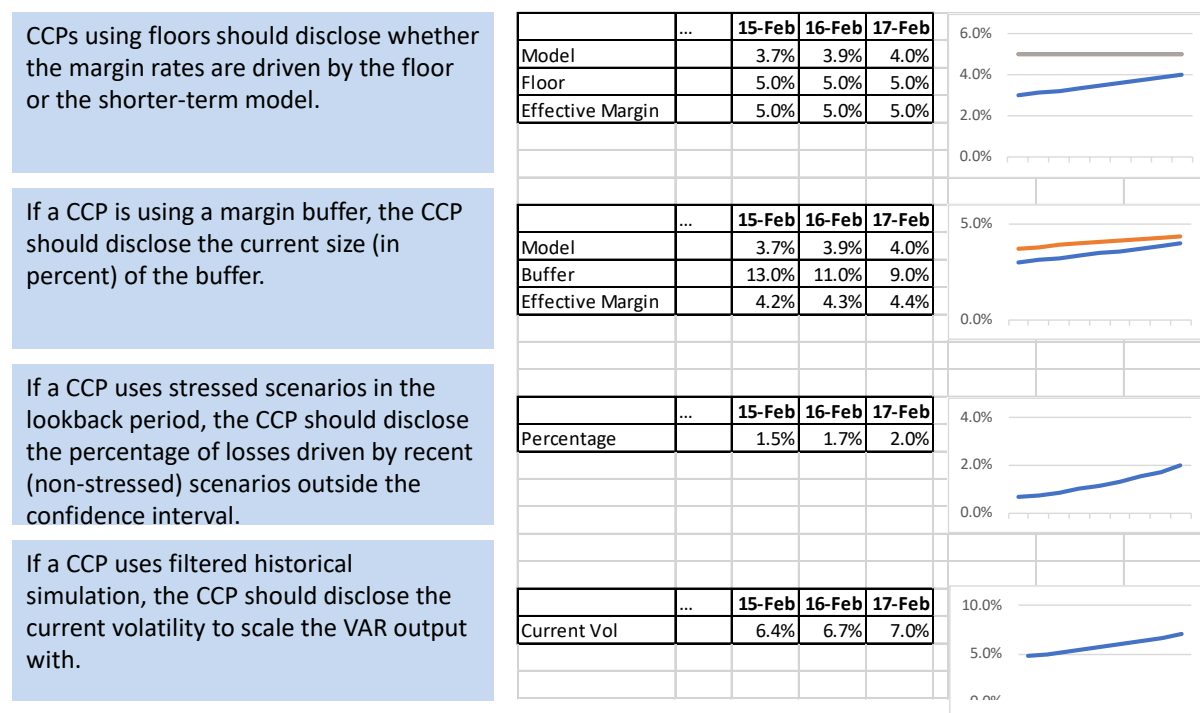
Overall, enhancements to the public quantitative disclosures (PQDs) would not be as necessary if CCPs would provide better regular information to CMs and clients.

But generally, we welcome such measures that increase transparency, especially the enhanced disclosures and greater frequency of reporting of metrics. We particularly welcome the product level backtesting that has been recommended.

As we noted in our whitepaper “COVID-19 and CCP Risk Management Frameworks”⁸, market participants had to wait in 2020 until June or early July to obtain information on backtesting breaches during the COVID crisis. More frequent information would be especially helpful.

In addition to more details and earlier reporting of backtesting results, we also ask for more details about margin and default funds (see below under sub question a).

In our response to the Margin Practices Report, we proposed for CCPs to also provide information to their clearing participants (either directly or via public quantitative disclosures) whether current margin rates are driven by the model or by APC tools and to what extent. This information will differ for each CCP, depending on their APC tool, or mix thereof. More details on how this could look like can be taken from the below mock-up:



a. With reference to Table 5, would the proposed additional data breakdowns and increased frequency of reporting facilitate market participants’ understanding of the margin system?

We have asked since the COVID shock for certain elements of the PQDs to be reported more frequently. We welcome very much that this has been now proposed. It would be also helpful if these breakdowns include Additional CCP Margin Components.

Margin breaches should be disclosed not just at portfolio but contract level as well and included in PQDs.

⁸ <https://www.isda.org/2021/01/06/covid-19-and-ccp-risk-management-frameworks/>

The following metrics should be reported:

- Margin requirements (split between Base, Concentration, Additional CCP Margin Components etc)
 - Average, Max, Min and end of quarter numbers
- Margin requirements split by member types (Direct, FCM, Direct Retail)
 - Average, Max, Min and end of quarter numbers
- Margins collected by collateral type
 - Average, Max, Min and end of quarter numbers
- Margin breaches by product and product class.
 - Number of daily breaches for the quarter
 - Size of breaches (Max and Avg)
- Default Funds
 - Transparency (how is it calculated, how is it distributed, SITG)
 - Product class drivers for default fund size

In line with proposal 8, there should also be some metrics in place that would allow CMs and clients to view margins that have been manually adjusted. Key metrics like size, duration, how many CM accounts affected, peak number over a given period, Top 5 etc. should be included.

b. Would there be any challenges in providing the additional data breakdowns or higher reporting frequencies? If so, are there alternatives that would be equally effective? For instance, are there alternative modes of more frequent public disclosures that would achieve a similar goal but result in reduced burdens on CCPs?

The additional information that is proposed to be shared on a more frequent basis is already shared by some CCPs on the proposed frequency.

In general, we would hope that risk managers at every CCP have access to this information daily. Therefore, the question would be to find an easy way to share this information, for instance on the CCP's website.

CCPs' could also run periodic margin estimates, hourly for example. This could allow participants to plan for liquidity or prompt hedging or risk reduction trades without having to run margin simulations themselves. This information could be shared with members outside of the PQDs.

c. Are there any additional amendments to the PQDs, beyond those set out in Table 5, that would help market participants and stakeholders understand or anticipate changes in margin requirements? What would this information be, and how could this information be effectively incorporated into the PQD framework? For instance, would there be value in including additional non-quantitative information in the PQDs related to margin changes?

We also would propose to add the result of the standardised measure of procyclicality and the risk appetite/tolerance of the CCP. This should be also complemented with the risk appetite of the CCP, potentially split by asset class.

As mentioned above, we would also welcome more information about the internal workings of any APC tool the CCP utilises.

While this is not linked to PQDs, but would require quantitative disclosure to CMs, it would also be helpful for CMs to have access to historical margin requirements and calls, including the base margin plus all Additional CCP Margin Components. It would also be helpful to show to what extent excess margin at the CCP affect the actual margin calls by the CCP (i.e. the CCP might call less margin because of the excess margin already at the CCP – excess margin playing the role of a member-specific APC tool).

Similar to information about the relationship between margin and APC tools, it would be helpful to show how far a member or client is from any threshold, for instance before concentration margin would be charged.

d. Are there any examples of current public disclosures by one or more CCPs which could be used as a guide for improved transparency?

One example are the Reserve Bank of Australia's annual assessments, which include more information than ASX's PFMI disclosure.

Another example is Eurex' disclosure⁹, which for instance includes product level backtesting and forward-looking margin simulations.

⁹ See <https://www.eurex.com/ec-en/services/risk-management/ccp-transparency> , especially part 7 and part 8.

7. Please review the analytical annex detailing the proposed design of a margin responsiveness metric, as described in Proposal 6.

We support a standardised, backward-looking measure of procyclicality, which is in line with our previous proposals. We believe that it is important to make this measure as simple as possible.

Such a measure would be helpful to compare the levels of procyclicality between CCPs. As the Consultation does not cover anti-procyclicality tools, it would be helpful to at least make public the levels for procyclicality on a standardised basis. This could lead to outlier CCPs changing their models if their procyclicality, as shown with a standardised measure, is particularly high.

- a. Is the proposed method for measuring margin responsiveness (ie a large call metric), alongside the associated change in volatility, an informative way of measuring responsiveness? If not, what alternative approach or methodology should be used, and why would that alternate approach better aid market participants in their liquidity planning?

This backward-looking data would be helpful for providing all market participants with a view of how procyclical the current margin model would have been in the past. While not perfect, this measure would also be a simple measurement to be compared against the risk appetite for procyclicality of a CCP.

The highest margin increase shown by the measure could be an important input into a market participants' liquidity planning. This could be complemented by also using market simulators to determine how the market participant's current portfolio would change under defined stress scenarios.

In our response to the Margin Practices Report, we proposed to look at largest one day and largest 30-day margin move over a long lookback period.

We support the combination of the largest margin move with a volatility measure for context. It would also be interesting to show the time lag between the volatility peak and the initial margin peak. We however note that the provision of volatility spike linked to a margin spike is providing context, but not necessarily sufficient information: looking at margin spikes and volatility spikes together will, other than illustrating the impact of anti-procyclicality tools, mostly show different decay factors in a CCP's filtering of historical VaR.

It would also be helpful to share not only the maximum changes, but also the actual values of margin rates and volatility as a timeline. If the measure is applied to one product, or a standard portfolio, the CCP could also share the price chart (if the measure is at product level) or the valuation of the portfolio. CCPs would have to calculate the timeline anyway, and sharing this would be helpful for clearing participants to better understand the margin dynamics.

Similarly, disclosures on variability of margin and peak-to-trough ratios or instances of sudden material increases in margin would also be helpful to participants.

Finally, this measure might also be helpful for the CCP to analyse how their liquidity framework would react to large payment variations.

b. For each parameter input for the responsiveness and volatility risk metrics, please select your preferred choice from the list below or provide an alternative option. Please provide an explanation and any supporting evidence for your choice.

i. Large call window: five or 20 days.

We proposed to look at two windows: one-day to provide insight into the largest liquidity requirement on any given day, and 30-day for an estimate of the total margin increase over a crisis.

A one-day window could for instance directly flow into liquidity preparedness planning, as an estimate of liquidity that a client should be able to generate within one day.

We do not believe that there is a benefit to link the length of the large call window to the liquidation period of the CCP. The information required by clearing participants is about liquidity requirements in BAU and is not linked to management of a default¹⁰.

ii. Observation period: one quarter or one year.

If the measure is meant to give an indication of model procyclicality in one number, the observation period needs to be very long. With a shorter observation period, as proposed in the question, the measure might return low procyclicality observations just because the market might have been benign during the short observation window. A one-year window would have shown little procyclicality before the COVID crisis, potentially providing a false sense of security to market participants who rely on this measure.

If the idea is that measurements with a shorter observation window will over time build a timeline, shorter observation windows could work. One quarter might fit with the reporting frequency of public quantitative disclosure. There is

¹⁰ There could be an exception if the CCP has the right to adjust margin in stress situations by adjusting the assigned liquidation period or through a proxy that is similar to such measure. For instance, holiday margins often an adjustment linked to the liquidation period or at least factors it. There could also be an interplay with Concentration Risk levels.

however the danger that if a crisis happens at quarter-end, the quarterly observation window would only catch part of a crisis and therefore provides a wrong picture.

If timelines consisting of shorter observation windows are used, it needs to be clear that older observations are based on the model calibration at the time, and not be based on the current model.

With a short observation window, CCPs would also have to backfill the observations for the last 15 years, as it would otherwise take a long time (until the next extreme crisis) for the measure to be meaningful.

iii. **Product vs portfolio reporting: Product, static portfolio or dynamic portfolio.** If supporting product-level reporting, please provide information on which products should be reported by the CCPs. If supporting static and/or dynamic portfolio reporting, please provide information on how the portfolios should be determined and an explanation for how that one portfolio would be representative of clearing activity at the CCP.

We propose that the rules require several levels at which all CCPs have to report numbers:

- Procyclicality of the whole portfolio of the CCP (legal entity).
- Procyclicality of all products under one default fund, if not the same as the above.
- Procyclicality of the products with the top 5 highest volume.

We also propose for CCPs to be able to add other aggregation levels, for instance by product class. If a CCP for instance clears rates products and equity products in one clearing service under one default fund, it might be interesting to see which asset class drives the procyclicality measure. It might also be fairer to this CCP in comparison with CCPs that do not clear several asset classes.

Measuring procyclicality at product level would not require the choice between dynamic or static portfolios. Measuring procyclicality at the CCP or default fund level would require choosing between dynamic or static portfolios.

For simplicity's sake, and to avoid additional burden on CCPs, we propose to use actual portfolios, as it would be too complicated to otherwise define representative portfolios. Also, representative portfolios might advantage some and disadvantage other CCPs.

However, this would mean that the procyclicality measure would change not only with the margin model, but also with changes in sensitivity in CMs' and clients' portfolios.

On the other hand, representative/constant portfolios could be more useful to analyse tail events.

iv. Volatility risk metric: Standard deviation or VaR (99%).

We propose to use standard deviation, because even most VaR models used by CCPs are modulated by volatility-based filtering.

v. Volatility risk metric lookback period: 90 days or two years.

We propose to use 90-day as lookback period for the volatility risk metric. A two-year lookback period might be too sluggish to pinpoint a period of heightened volatility. Potentially, the risk metric lookback period could be linked to a typical lambda factor of EWMA models driving volatility scaling at many CCPs.

Another proposal would be to use two lookback periods, for instance 30- and 90-day.

c. Are there other parameters where calibration decisions are necessary for consistent disclosure of either margin responsiveness or market volatility?

The measure could also report on how these changes would affect correlations and in models where these are not taken into account implicitly, like SPAN, might also affect inter-commodity credits. Analysis on these effects could be helpful.

d. Do you foresee any challenges in the development and use of the proposed metric? For instance, are there challenges in applying a harmonised choice of parameter inputs across all CCPs and all products?

We don't foresee any challenges, other than this measure needs to be implemented. In order to facilitate implementation, standard setters could start with a pilot phase where CCPs would have to calculate the measure only for flagship products.

8. Proposal 7 recommends that CCPs identify and define an analytical framework for assessing margin responsiveness within the broader context of margin coverage and cost.

We agree that metrics of margin coverage, responsiveness and costs should all be evaluated holistically, however, cost should not be prioritized at the expense of margin coverage as it increases financial stability risks. We welcome the proposal that CCPs identify and define an

analytical framework for assessing margin responsiveness within the broader context of margin coverage and cost, and their relevant authorities to monitor the performance of initial margin models.

We are however surprised that market participants, who bear the consequences of any decisions taken by the CCP on the balance of coverage, cost and procyclicality, do not have a voice. We recommend setting an expectation that at least the CCP Risk Committee is consulted when defining the analytical framework and in the evaluation of the performance of initial margin models. At least parts of this framework should be made public.

We appreciate that supervisors, especially those that supervise CCPs global in some shape or form (etc registration or recognition) can work towards convergence of procyclicality among CCPs. However, the voice of market participants, who have to live with the resulting margin framework, should be heard too.

a. Are there other important balancing factors which should be taken into consideration when evaluating the performance of initial margin models?

We agree with the three factors – procyclicality, margin coverage and cost.

b. What elements of the “trade-off” framework would most help regulators to better understand how a CCP balances between important risk management factors? In what ways would this framework be useful in identifying cases where a review of the model by the CCP and/or the authority would be beneficial?

While we agree that there is a trade-off between these three dimensions, there should not be any compromises on coverage, at least not in the sense that the model does not achieve the required coverage.

Nobody wants a margin model with a very short lookback period (fully procyclical) or using only stressed scenarios (not procyclical at all). Every CCP is aiming for something in between these two extremes, regardless of whether they employ formal anti-procyclicality tools or not. We are however not aware of any proposals in literature on what the best trade-off would be.

For instance, if a CCP utilises a margin floor, coverage might improve and procyclicality reduce, but cost will be higher compared to the same model without a floor. The question would be what price to assign to common goods like lower procyclicality and better coverage. We fear that this ultimately will be a judgment call, the result of which will differ between CCPs, regulators and jurisdictions.

9. Proposal 9 recommends a number of enhancements to CM-to-client transparency.

CMs agree that it is important for their clients to have transparency on CCP margin, including in instances when a CM charges Additional Client Margin on top of the CCP margin requirements. While CMs already provide significant transparency to their clients, they welcome constructive discussions with their clients, global standard setters and regulators as to how this could be improved and provided in the most efficient and effective way.

Use of margin multipliers or buffers where relevant, is part of a dynamic and prudent risk management framework undertaken by CMs who underwrite the risk of end-users. Whilst CMs reserve the right to charge Additional Client Margin, in practice, for the vast majority of activity, the CCP margin is passed to clients without alterations. Factors considered when applying Additional Client Margin beyond the CCP requirement include (but not limited to): position concentration, CCP margin levels, liquidity levels, client credit factors, country risk factors and market volatility. Such buffers or multipliers also allow CMs to take on clients that would be outside their risk appetite were they only allowed to charge CCP margin. We also note the focus of regulators on more robust risk management processes following the Archegos event¹¹.

As stated above, enhanced transparency should not curtail the ability of CMs to take prudent risk management actions to respond to dynamic or idiosyncratic stress scenarios. In other words, while it may be reasonable for a CM to disclose ex-ante to clients the factors that it considers in deciding whether to apply an add-on; it would not be desirable to limit a CM to taking only a mechanistic approach in all circumstances.

When CMs apply a multiplier to a client account, they comply with their contractual margin provisions agreed with the client and documented in the client agreement. As such, clients have a say, in the relationship that links them with the CM, on the way in which margin may be passed on to them by the CM. Clients should therefore be encouraged to consider what the contractual provisions that they have agreed with the CM mean in terms of any Additional Client Margin that the CM may call for. Notification of changes in Additional Client Margin is always provided through a written margin notice to the client when required.

We appreciate that clients that are subject to Additional Client Margin require visibility of their margin requirements. We do not believe that simulators are the right tools for client to understand how margin multipliers could behave under stress, as the reasons for margin multipliers are usually idiosyncratic, for instance dependent on the credit quality of the client, or the riskiness and/or leverage of the client's portfolio. In addition, the vast majority

¹¹ See for instance:

www.bankofengland.co.uk/-/media/boe/files/prudential-regulation/letter/2021/december/supervisory-review-global-equity-finance-businesses.pdf
<https://www.federalreserve.gov/supervisionreg/srletters/SR2119.htm>
<https://www.federalreserve.gov/newsevents/speech/barr20240227a.htm>
<https://www.bankingsupervision.europa.eu/press/speeches/date/2024/html/ssm.sp240228~a9397948a8.en.html>

of clients are on CCP minimums, for which simulators would be provided under recommendation 1, such that further transparency in the form of CM simulators would be unnecessary.

Regarding recommendation 9a, disclosures on CCP margin requirements should come directly from the CCPs themselves. They should not be intermediated or interpreted by CMs. CMs can only provide to their clients what they receive from the CCP. Ideally there would be a standardized document CMs can pass through to their clients (see also format of CCP disclosures). In many circumstances, it may be inappropriate for CMs to provide disclosures given they may receive details from CCPs under confidentiality agreements. Especially for clients that are charged CCP margin requirements without Additional Client Margin, passing through model description of a CCP and access to a margin simulator would already provide the required transparency to a very large extent.

We also believe that a CM can provide or pass through information to their clients, but cannot ensure the client understands the margin model of a CCP. It would for instance be difficult for CMs to evidence that client understanding is sufficient. Clients should be encouraged to carefully consider the implications of the contract that they have agreed with the CM in terms of how they might be called for margin by them.

We also note that many CMs are also clients in other markets.

In the detailed questions, we make the following key suggestions in relation to Recommendation 9:

9a:

- Ideally CCPs would provide direct access for clients to margin simulators. Where this is not possible, CCPs should provide CMs with access to portal with the relevant documentation and simulators, which CMs can provide to clients.
- While CMs can facilitate access to relevant documentation from CCPs, they cannot and should not be responsible for “ensuring” that clients have a sufficient understanding of CCP margin requirements. The onus for developing such understanding is on the client.

9b:

- Further clarity is required on what is meant by an “analytical framework”. We agree that CMs should have a framework for analysing client IM. However, the requirements for such a framework should not be so rigid and prescriptive as to limit the ability for a CM to respond dynamically to an evolving risk situation. We understand it was not the intention of the regulators to limit this discretion in any way, which should be made clear in any final report.

9c:

- While it may be reasonable for a CM to disclose ex-ante to clients the factors that it considers in deciding whether to apply an add-on; it would not be desirable to limit a CM to taking only a mechanistic approach in all circumstances.
- Any such disclosures from CMs to clients regarding Additional Margin should be proportionate, given that the use of Additional Margin is exceptional. The provision of simulators or detailed documentation should not be required. Nor should the calibration of triggers or thresholds.

9d:

- CMs already provide a legal notice to clients when charging Additional Margin, as required under the clearing agreement. While CMs agree that “appropriate notice” should be given to clients, such notice cannot be at the expense of prudent risk management, given that CMs underwrite the risk of the clients to the CCP, by guaranteeing performance.

9e:

- CMs do not believe that such backward looking information will be meaningful for clients, given that the use of Additional Margin is exceptional and highly idiosyncratic.

a. Are there aspects of the proposal that would be particularly valuable for clients, and are there aspects of the proposal that would be particularly challenging for CMs to meet?

As stated above, CCP margin should be subject to broader and more sophisticated transparency requirements than CMs, since CCP margin sets the minimum standard for the industry; is the basis on which most clients are margined; and is the foundation to which any client multipliers CMs may add are applied. Hence why we believe that Recommendations 1 – 8 are fundamental to allowing the market to better understanding how margins may evolve over time.

In contrast, the application of add-ons by CMs to clients is the exception rather than the rule. Hence while transparency remains important, it would be disproportionate to require the same level of detail – for example through sophisticated simulators – for a tool which is used infrequently and on a case-by-case basis and can be discussed directly with clients. To this end, we believe that recommendation 9c should be re-assessed to be less prescriptive.

Clients in our membership believe that sufficient notice periods of change to Additional Client Margin levels would be helpful. With sufficient notice, they believe that they would be in a better position to manage liquidity requirements and to be able to provide collateral in due time. Otherwise, insufficient notice periods in advance for changes to Additional Client Margin by CMs towards clients may act as a stress amplifier.

Given that the relationship between client and CMs is negotiated between both parties, this notice period should be, and usually is, part of the negotiated agreement between the CM and the client. It is important for clients to carefully consider how provisions for notice periods are defined in their client clearing agreement.

b. Do CMs currently provide any form of simulation tool, in addition to the tools provided by CCPs? For those who currently do not, what is the feasibility of CMs developing such tools? What functionality would be of most use to clients in CM-designed simulators?

CCP simulation tools would already be made available to clients under Recommendation 1, hence Recommendation 9a becomes redundant.

Most clients are on CCP margin without Additional Client Margin, hence the CCP margin simulator is the most relevant tool for them to have access to. This should be provided directly by the CCP to the client.

As mentioned above, other than when a CM uses its own model for margining a client, simulators are not suitable for clients to understand the conditions under which multipliers of buffers could be changed.

Requiring CMs to provide client access to simulator tools for Additional Client Margin is unnecessary and disproportionate.

c. On the proposed quantitative disclosure described in 9e), do you have supportive or alternate views on the information that should be provided and the format in which the information should be disclosed?

The proposal calls for disclosure to clients of *“backward-looking information on the maximum, minimum and average differences between client margin requirements set by the CM and the margin requirements of the CCP over a defined period of time.”*

It is not clear whether this information is meant to be provided on an aggregate basis across all clients, or all clients that are subject to Additional Client Margin.

This information may not be meaningful to clients, as it assumes that Additional Client Margin is standard for all clients. However, this is less relevant where Additional Client Margin levels are idiosyncratic and charged more on an exceptional basis based on client profile at specific time period.

d. Do you agree that CMs should adopt an analytical framework for measuring the responsiveness of initial margin requirements for their clients, similar in nature to the proposed framework for CCPs described in Proposal 7? If so, in what ways might that framework need to differ from that used by CCPs, and in what ways might this depend on the type of CM covered?

CMs appreciate the need for clients to understand when Additional Client Margin requirements above the CCP margin requirements could change. CMs already provide notification and private disclosures, where requested, in line with agreements with clients and any superseding notices.

Further clarity is required on what is meant by an “analytical framework”. We agree that CMs should have a framework for analysing client initial margin. However, the requirements for such a framework should not be so rigid and prescriptive as to limit the ability for a CM to respond dynamically to an evolving risk situation. We understand it was not the intention of the regulators to limit this discretion in any way, which should be made clear in any final report.

The report also suggests that CMs should consider trade-off of responsiveness and cost in setting Additional Client Margin: *“it is important that CMs account for responsiveness, alongside other key factors such as counterparty credit risk (“margin coverage” in the CCP space) and margin costs, when adjusting client margin requirements”*. We would disagree with these requirements as effectively this could prevent CMs from imposing Additional Client Margin and shift the cost to individual CMs instead. In line with the point below, it also contradicts expectations from CM regulators around prudent risk management.

We also note that the requirements around disclosing analytical frameworks or calibrations protect sensitivity of information related to credit risk assessments.

This proposal for analysing a trade-off between factors like cost, responsiveness and margin coverage is copied over from a similar proposal for CCPs. CCP margin models, however, drive liquidity requirements for the whole market.

Also, for CCP margin, cost of higher margin and lower procyclicality and better margin coverage is a trade-off. In contrast, there is no such trade-off in the case of Additional Client Margin that is added by CMs in terms of cost and procyclicality. This Additional Client Margin will always be more costly for the client and might add to procyclicality (in case of a multiplier). It however increases margin coverage and therefore reduces the risk for the CM when guaranteeing the performance of the client to the CCP.

Contrary to the relationship between clearing participants and CCPs, Additional Client Margin is bilaterally negotiated, together with other elements that affect cost, like clearing fees.

Also, contrary to using a particular CCPs, where there is often no alternative, the client can reduce risk and or port activity to another clearer. They do not have to hold their activity with the CM applying the Additional Client Margin. The provision of clearing services is a competitive market and clients are able to change providers.

e. Do you foresee any barriers or challenges to CMs implementing the proposed disclosures, such as cost, negative effects on risk management, or any potential overlap with traditionally proprietary information?

While we support transparency by CMs to clients, rules need to avoid restricting discretion of CMs when reacting to unforeseen circumstances (as the CCP has when setting margin requirements) and to restrict the information that CMs would share, or already share with their members.

Any disclosures on what the drivers of Additional Client Margin are could only be indicative and scenario-based. If a CM was to provide a legally binding granular line-by-line explanations including trigger points or other drivers of changes in Additional Client Margin requirements, its CMs' risk management ability would be constrained. However, an overview of factors that would drive a review of buffers or multipliers could be provided.

10. Please review the list of example CM-to-CCP disclosures provided at the end of Section 4.3.2.

CCP rulebooks already give most CCPs access to a wide range of information they can request from their CMs.

We are generally supportive of the principle that CCPs need visibility into the profile of clearing participants and have been supporting their due diligence/ provide disclosures to them. We see the benefit in a standardized request for due diligence across CCPs. However, we would want to ensure that disclosures provided can be shared privately with the CCPs and is appropriate and does not raise any legal, confidentiality or competition concerns.

The information being collected should only cover what is required for CCP risk management, given the costs associated with providing it.

The information requirements raised in Recommendation 10 does not meet the above principles, as it is unclear how it would be used for a risk assessment of the CM, is not commonly required by CCPs today as part of their due diligence, and in some cases is commercially sensitive or anti-competitive.

In addition, the proposal is unclear about whether the information is asked for the actual CM, or the group the CM belongs to. To make the information tangible, if proposal 10 was to move forward, we propose to provide this information at the level of the actual CM.

For membership information, it would be helpful if CCPs publish this in a standardised format as part of their PQDs. Other CCPs could then query this information directly, opposite to going through CMs. Similar with the number of assessments, which is not always very clear, and CMs would only be able to pass extracts of CCPs they are member to other CCPs.

Our key comments on Recommendation 10 are as follows:

- Some information is highly commercially sensitive and could reveal competitive information about CMs and/or CCPs' competitor CCPs. This is particularly concerning in the context of growing presence of vertically integrated CCPs. For example:
 - percentage of total IM required by Top 1, Top 2 and Top 3 CCPs
 - percentage of total default fund required by Top 1, Top 2 and Top 3 CCPs
- Some information does not appear pertinent to CCP risk management, for example:
 - Total IM required across all CCPs, split by gross and net customer margining.
 - Split by collateral type of total IM deposited across all CCPs.
- Some information could be better sourced. For example, the CMs' list of memberships of other CCPs could be sourced from the CCPs themselves rather than from each individual CM.
- Some information would be subjective and subject to a range of assumptions which would limit its comparability and utility. For example, calculating the non-prefunded resources committed across all CCPs would require significant assumptions by the CM.
- More generally, if the purpose of Recommendation 10 is to understand liquidity preparedness / systemic exposure, regulators may be better placed to undertake this analysis, in the context of their existing oversight of CMs as registered entities, rather than the CCPs.

a. Would the information included in the proposed disclosures aid the CCP's own risk management processes? If not, is there alternative information which would be useful for CCPs to receive from members?

See above, most CCPs already have the right to ask for information that is required for their due diligence process.

b. Is any of the information included in the proposal description either redundant or duplicative of information already available to the CCP, and thus of minimal value? Does any of the information included in the proposed disclosures differ by institution type?

As the report states, for many CMs which are banks, the information is available in pillar 3 disclosures, accounts and other public information (like memberships).

c. Would collection of the information impinge upon current legal disclosure frameworks?

There might be some duplication, but we are not aware that such a new requirement would impinge on any legal disclosure framework, especially if the information is not shared publicly.

d. Do any of the example disclosures potentially overlap with traditionally proprietary information?

We believe that the information proposed in the report, should be restricted to the CCP risk management department, opposite to for instance business development or marketing departments.

This is similar to the information collected by CMs in their due diligence on CCPs is usually restricted to the risk management department that conducts the due diligence.

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