

Press release

Brussels,
13th July 2020

ESMA CCP Stress Tests confirm the resilience of European CCPs

The European Association of CCP Clearing Houses (EACH) acknowledges the outcome of the ESMA EU-wide CCP Stress Test 2019¹, which has been made more comprehensive than the previous iteration of 2017 because of its extension to assess the impact of liquidation costs derived from clearing members and clients' concentrated positions, in addition to credit and liquidity risks.

The ESMA report demonstrates that **European CCPs are resilient and well equipped to withstand extreme market developments**. EACH is pleased that this year's exercise for credit, liquidity and concentration risks *'confirm(s) the overall resilience of EU CCPs to common shocks and multiple defaults for credit, liquidity and concentration stress risks.'* and **no systemic risks concerns are identified** in either the credit, liquidity or concentration scenarios. This is even more proven by CCPs' and authorities' ability to perform this exercise despite the challenging circumstances linked to the COVID-19 pandemic, including CCPs and authorities operating under their business continuity planning (BCPs).

EACH is also pleased to note ESMA's acknowledgement that *'EU CCPs remained resilient through the (COVID-19) crisis, despite the increased market volatility and operational risk'* and that the stress scenarios included in this ESMA CCP Stress Test exercise *'were found to be overall of comparable severity with the most recent stress events'*.

The **ESMA CCP Stress Tests complement the already rigorous standards to which European CCPs are held by their regulators**, laid down in EMIR. In accordance with EMIR, CCPs themselves also perform daily stress tests on their systems and models to ensure that they are fit to perform in situations of extreme but plausible market stress and default. The outcomes of these internal stress tests are scrutinised by clearing members and regulators to ensure their continued validity. A broad number of authorities are included in the ongoing CCP supervision through the CCP Supervisory Colleges which include National Competent Authorities (NCAs) of the Member State where the CCP is located, NCAs from other Member States, the ECB and ESMA itself.

EACH and its Members acknowledge the amount of work done by authorities and CCPs in performing this exercise, especially during a challenging environment linked to the COVID-19

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

pandemic, and will continue collaborating with their regulators, clearing members and clients to continue offering a safe and efficient risk management process for the benefit of the markets and the economy as a whole.

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Background

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
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CCP Austria	LCH Ltd
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Eurex Clearing	Nasdaq Clearing
EuroCCP	OMIClear
ICE Clear Europe	Takasbank
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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