

Press release

Brussels,
21st May 2021

EACH General Assembly reviews the resilience of European CCPs

The EACH General Assembly met on Friday 21st May for its Annual General Meeting and stressed the crucial role played by CCPs in providing a resilient environment for participants in capital markets to manage risks through robust risk management.

The past year included three important milestones for European CCPs:

- **A robust response to the COVID-19 market stress**, an unprecedented market environment with historical volatility and market moves, which demonstrated the importance of CCPs through a real-life test.
- **A successful completion of the ESMA Stress Tests¹**, which represented another milestone in the confirmation that European CCPs are resilient and well equipped to withstand extreme market developments.
- **A positive result of Fire Drills in Business Continuity Planning (BCP) mode**, highlighting the resilience of CCPs' default management structure through a real case of BCP mode.

Looking ahead, the Members of the EACH General Assembly remain committed to providing robust and efficient risk management services to the markets.

The EACH Co-Chairs Julien Jardelot, Niels Brab and Tim Grange said: 'During the exceptional environment of the past year, the European CCP industry has largely demonstrated the way it adds value to its users and to the broader economy. We remain committed to working with our fellow Members of EACH to advocate the role of CCPs as providers of safer and more efficient markets. We look forward to continuing engaging with clearing members, clients and public authorities in our constant endeavour to make the CCP industry progress even further'.

The EACH Secretary General Rafael Plata said: 'The successful response of CCPs to last year's market environment makes me even more proud of working in this industry. While learning from the robust responses of CCPs, it is also important to look at the challenges ahead, be it market, regulatory or environmental ones, to name but a few. The EACH community stands ready for this.'

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

Background

During the second quarter of 2020, 16 European CCPs² Members of the European Association of CCP Clearing Houses (EACH) successfully performed Fire Drill Tests in Business Continuity Planning (BCP) mode.

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

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

On 13th July 2020, ESMA published the outcome of the 'EU-wide CCP Stress test 2019'³. This is the third exercise of this type that ESMA performs on CCPs. The previous ones were finalised in 2018 and 2016⁴.

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.

² The 16 CCPs that have performed the Fire Drill Tests in BCP mode are: ATHEX Clear, BME Clearing, CC&G, CCP Austria, ECC, Eurex Clearing, EuroCCP, ICE Clear Europe, KDPW_CCP, KELER CCP, LCH Ltd., LCH.SA, LME Clear, Nasdaq Clearing, OMIClear, SIX x-clear.

³ https://www.esma.europa.eu/sites/default/files/library/esma70-151-3186_3rd_eu-wide_ccp_stress_test_report.pdf

⁴ 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

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