

## Press release

Brussels,  
08<sup>th</sup> July 2022

### **ESMA fourth CCP Stress Test confirm the resilience of European CCPs**

The European Association of CCP Clearing Houses (EACH) acknowledges that the results of the fourth ESMA CCP Stress Test exercise<sup>1</sup> '*confirm the overall resilience of EU and third-country Tier-2 CCPs to credit, concentration and operational risks under the tested scenarios.*'

The ESMA CCP Stress Test complements the already rigorous standards to which European CCPs are held by their regulators, laid down in EMIR and UK EMIR. In accordance with the legislation, 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 country where the CCP is located, NCAs from other countries, the ECB and ESMA itself.

ESMA's analysis of CCPs' ability to address eventual credit risks (i.e. the potential of default of clearing members), arguably the main risk that CCPs are meant to withstand, confirm that '*ESMA did not detect any major systemic risk concerns under the tested credit scenarios.*' Furthermore, ESMA notes that this risk is addressed with minimal consumption of pre-funded default fund resources without a need to recourse to recovery resources such as assessment powers. Importantly, ESMA analysed the interconnection of CCPs due to the existence of common clearing members and concluded that '*the exercise did not highlight any pairs of (clearing member) groups that are at the same time and under the common tested scenario highly impactful at multiple CCPs.*'

ESMA notes that concentrated positions may represent a significant risk for some CCPs, and we remain fully committed to making European CCPs even more resilient and therefore look forward to considering how to ensure that concentration risk is appropriately taken into account across CCPs and asset classes.

We also acknowledge ESMA's first analysis of operational risk and the limitations to this first exercise. We look forward to further contributing to resilient capital markets from an operational point of view.

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<sup>1</sup> [https://www.esma.europa.eu/sites/default/files/library/esma91-372-2060\\_4th\\_esma\\_ccp\\_stress\\_test\\_report.pdf](https://www.esma.europa.eu/sites/default/files/library/esma91-372-2060_4th_esma_ccp_stress_test_report.pdf)

EACH welcomes ESMA's and NCAs' close monitoring of the impact on markets of the Russian invasion of Ukraine and notes ESMA's conclusion that *'overall, (...) CCPs remained resilient during the crisis, despite the extreme prices and increased market volatility'* and that *'CCPs' resilience was confirmed during the real-life market stress following Russia's invasion of Ukraine'*. We also particularly note ESMA's warning about the potential that *'the unpredictability of the evolution of the conflict may lead to additional extreme moves'*. In this context, EACH notes that a war situation and an artificial supply reduction on commodities is unprecedented and this may call, besides additional measures by the CCPs, upon European authorities to ensure political support via suitable measures, such as in relation to the support of market participants to reduce liquidity stress.

EACH and its Members acknowledge the amount of work done by authorities and CCPs in performing this exercise, especially during a challenging environment still within the context of the COVID-19 pandemic and the latest geopolitical events. We look forward to continuing dialogue with regulators, clearing members and clients in order to offer an even more safe and efficient risk management process for the benefit of the markets and the economy as a whole.

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## **Background**

On 7<sup>th</sup> July 2022, ESMA published the outcome of the '4th ESMA Stress Test Exercise for Central Counterparties'<sup>2</sup>. This is the fourth exercise of this type that ESMA performs on CCPs. The previous ones were finalised in 2020, 2018 and 2016<sup>3</sup>.

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

The four 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 18 CCPs incorporated in 14 European countries. EACH is registered in the European Union Transparency Register with number 36897011311-96.

EACH Members:

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

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<sup>2</sup> [https://www.esma.europa.eu/sites/default/files/library/esma91-372-2060\\_4th\\_esma\\_ccp\\_stress\\_test\\_report.pdf](https://www.esma.europa.eu/sites/default/files/library/esma91-372-2060_4th_esma_ccp_stress_test_report.pdf)

<sup>3</sup> Report of ESMA EU-wide CCP Stress test 2019 - [https://www.esma.europa.eu/sites/default/files/library/esma70-151-3186\\_3rd\\_eu-wide\\_ccp\\_stress\\_test\\_report.pdf](https://www.esma.europa.eu/sites/default/files/library/esma70-151-3186_3rd_eu-wide_ccp_stress_test_report.pdf)

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](https://www.esma.europa.eu/sites/default/files/library/2016-658_ccp_stress_test_report_2015.pdf)