
**EACH Response to the consultation paper
“The Bank of England’s fees
regime for incoming central
counterparties”**

September 2022

Introduction

The European Association of CCP Clearing Houses (EACH) represents the interests of Central Counterparties (CCPs) in Europe since 1992. CCPs are financial market infrastructures that significantly contribute to safer, more efficient and transparent global financial markets. EACH currently has 18 members from 14 different European countries. EACH is registered in the European Union Transparency Register with number 36897011311-96.

EACH appreciates the opportunity to provide feedback to the consultation paper “The Bank of England’s fees regime for incoming central counterparties”¹ (hereinafter called “The consultation”).

Introduction

EACH Members overall welcome the Bank’s approach to monitoring and/or supervising incoming CCPs based on their systemic importance, but most importantly on the co-operation arrangements in place between the Bank and the home authorities. We also believe that cross-border cooperation plays a key role in guaranteeing financial stability particularly in markets that operate on a cross-border basis.

However, we are of the opinion that the proposed fee structure could be revised in order to better align with global standards and practices and ensure that the level of fees do not add unjustifiably large costs to incoming CCPs wishing to continue accessing the UK market.

EACH feedback

1. Proposed recognition fees for incoming CCP

With regards to the recognition fees for incoming CCPs, we find that the increase in the base recognition fee from £35K to £50K was not fully justified in the consultation paper. Although we acknowledge that this is an entirely new process, we do not believe that the review of the documentation submitted by the incoming CCP alone would justify the £15K increase in recognition fees. In addition, we consider that the technical advice provided to HMT or the Bank’s up-to-date resource costs should not be funded by incoming CCPs.

2. Supplementary recognition fees – Tier 2 CCPs only

¹ <https://www.bankofengland.co.uk/paper/2022/the-bank-of-englands-fees-regime-for-incoming-central-counterparties>

Regarding the supplementary recognition fee for Tier 2 CCPs, EACH Members believe that the level seems excessive, especially if we consider that the information collected and shared with the Bank will be very similar or even the same as with the original assessment. Furthermore, it appears that the £150K supplementary fee could even exceed that amount, given the Bank's estimate that "*it will likely be in the order of around £150,000*". We would like to respectfully ask the Bank for additional clarity on this point and a greater level of certainty so that CCPs can correctly reflect those additional costs in their budgeting.

3. Proposed annual fee regime for incoming CCPs

Whereas the proposed flat fixed fee of £9K for the smallest CCPs for the 2022/23 fee year appears reasonable, the fees applicable in the case of Groups A, B and C amounting to £1.2m, £300K and £90K respectively seem very high. EACH Members would respectfully ask a clarification on the rationale for the fee scale. Taking into account the respective responsibilities, we believe that annual supervisory fees should not exceed the ones charged by home regulators, which in many cases are zero.

Finally, it would be important to have clarity on the supervisory fees for the coming year as soon as possible so that CCPs can include those costs in their budgeting which is done between August and September the year before.