

---

**EACH Response to the EIOPA consultation  
on technical advice on standard formula  
capital requirements for direct exposures  
to qualifying central counterparties**

October 2024

---

## 1. 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 respond to the EIOPA consultation paper on technical advice on standard formula capital requirements for direct exposures to qualifying central counterparties<sup>1</sup>.

## 2. Questions

---

- 1. EIOPA is exploring to extend the proposed approach for derivatives to repurchase transactions and possibly other securities. Would you consider such an extension appropriate? If yes, should exposures to QCCPs for repurchase transactions and other securities be treated in the same way as exposures to QCCPs for derivatives? Do these exposures have specificities that need to be considered?**

EACH welcomes EIOPA's assessment and proposed technical advice to ensure that insurance undertakings are not penalized from a capital perspective when accessing a CCP directly. Members of EACH have developed access models targeted to the needs of the buy-side, including (re-)insurance undertakings, to facilitate their access to central clearing in addition to the traditional client clearing relationship. Several (re-)insurance undertakings are using the different models to access CCPs and centrally clear their derivatives and repo transactions, and EACH therefore agrees with extending these provisions beyond derivatives to repos. With insurances being key institutional investors that increasingly hedge their risk by using centrally cleared markets, ensuring both broad access to central clearing and efficiencies are essential.

In addition, we emphasise that Models under which buy-side firms access CCPs differ depending on asset classes (derivatives vs repos), and that the consultation should distinguish the impact/drivers for the use of direct vs indirect clearing arrangements.

For derivatives, insurance companies tend to use an indirect clearing access, while for repos they typically use sponsored models that CCPs have developed, whereby insurance companies directly face the CCP. It is important to note that the choice of access to a CCP for insurance companies relies mostly on the impact it has on the clearing member, whether they are acting as an intermediary for derivatives or as a sponsor for repos.

---

<sup>1</sup> [https://www.eiopa.europa.eu/document/download/4887266a-fcac-448f-9631-4d41022f5a05\\_en?filename=Consultation%20Paper%20on%20insurers%27%20direct%20exposures%20to%20qualifying%20central%20counterparties.pdf](https://www.eiopa.europa.eu/document/download/4887266a-fcac-448f-9631-4d41022f5a05_en?filename=Consultation%20Paper%20on%20insurers%27%20direct%20exposures%20to%20qualifying%20central%20counterparties.pdf)

**2. Do you have comments on the current treatment of direct exposures to QCCPs in Solvency II?**

EACH agrees with EIOPA's stocktaking that insurance legislation so far only reflects insurers' exposure to Clearing Members, i.e., indirect exposure towards the CCP, as Solvency II at the time of its adoption did not anticipate (re-)insurers' growing demand to access central clearing directly and the possibility that CCPs would offer tailored solutions to insurers to do so. As a result, insurance undertakings cannot benefit from a beneficial economic treatment of direct CCP exposure when they calculate counterparty default risk under Solvency II. EACH therefore strongly supports the EIOPA proposal to align the treatment of direct QCCP derivative exposures under Solvency II to the treatment under the CRR, as defined in option 3, using the "relative consistency" approach adopted for indirect QCCP derivative exposures.

Notwithstanding our general support, EACH would like to use the opportunity to highlight two points:

- **Firstly**, we would like to flag that EIOPA's proposals with regard to default fund contributions are not applicable to CCPs' current membership models. Nevertheless, we strongly welcome EIOPA's approach, should (re-)insurance undertakings choose and be permitted in the future to take on all the obligations of direct memberships, rather than using alternative models to access CCPs where such obligations are covered by the sponsor. Against this background, we pointed out the need for differentiation of the available membership models that allow direct access to CCPs in our response to the previous question.
- **Secondly**, EACH would recommend capturing direct members in a dedicated article rather than expanding Art. 192a(1), granting beneficial treatment automatically with regard to the exposure to a QCCP for the purpose of Article 192(3) by virtue of being a direct member. Article 192(3) should then refer to the new article to reflect the treatment of direct members of a QCCP accordingly.
- **Thirdly**, and linked to the above, we advise that the draft advice in the first point in section 2.7, should be amended to reflect both asset classes, as it is not clear that repo transactions are considered derivatives. To do this, we suggest amending the point on article 192a(1) as follows "to capture ~~derivative transactions involving~~ **all** direct exposures to QCCPs".

As (re-)insurance companies already use clearing models that allow direct access to CCPs not only for their derivatives business but also to manage their repo transactions, **EACH also strongly supports EIOPA's consideration to extend the proposed approach for derivatives to repo transactions, or more generally to securities financing transactions**, in particular:

- Extending it to both repo and reverse repo transactions (reverse repo are currently not recognised for Counterparty risk module)
- Recognising collateral for exposure measure for Loss Given Default and Exposure at Default, and;

**EACH Response – EIOPA consultation on technical advice on standard formula capital requirements for direct exposures to qualifying central counterparties – October 2024**

- Allowing netting between repo and reverse repo with same matching criteria as CRR.

Such an approach would not only ensure consistency in the treatment of different exposures of insurers towards CCPs, but also help facilitate (re-)insurers' use of the available access models and allow them to fully benefit from central clearing. Those elements appear essential in the current environment where the provision of client clearing services has been getting more scarce and concentrated, and at a time when the EU is eager to foster the efficiency and liquidity of EU financial markets as well as deepen the EU clearing ecosystem.

-END-