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# **EACH Response to the ESMA consultation on EMIR 3 draft RTS on Margin Transparency requirements**

September 2025

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## 1. Introduction

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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 19 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 ESMA consultation on the EMIR 3 draft RTS on Margin Transparency requirements<sup>1</sup>. We emphasise that CCPs are **supportive of ESMA's efforts to increase transparency** that assists market participants to further develop their liquidity management strategies. EACH strongly welcomes ESMA's proposals on **visibility and predictability of margin through the value chain beyond the CCPs' sphere**, i.e. from clearing members to clients, and from clients to indirect clients. As emphasised by a recent Bank of England report, it is through these channels that many of the liquidity pressures observed in moments of stress occur.<sup>2</sup>

Notwithstanding the above, EACH believes that it is crucial that ESMA's proposals **avoid a potential negative impact on CCP competitiveness**, going against the principal aim of EMIR 3. CCPs already provide a large amount of information to clearing members and their clients, with further requirements potentially leading to higher costs of clearing. CCPs currently offer margin simulators, documentation, circulars to clearing members, due diligence questionnaires, meetings/risk advisory councils, the quarterly CPMI-IOSCO PQDs, etc. Additionally, it is **not clear the extent to which all this information is acknowledged and used by market participants**. CCP margin simulators show a generally very-low use across CCPs and, as illustrative examples, CCPs have reported more use by vendors for the purposes of testing their replication than by actual CMs or, in other instances, no use at all over the past year.

EACH therefore respectfully believes that **ESMA should take a more balanced approach**, asking **CCPs to disclose information only when it is not already available through other means** or that are, in fact, used by market participants. Disclosing detailed information could expose proprietary algorithms and intellectual property that CCPs have developed. Also, focusing on the usability of information should help market participants distil the benefits of aggregate information on key model characteristics rather than excessive technical details that may confuse clearing members and their clients. Simple ways of achieving the balance approach are:

- **Not including proposals in this RTS that are not required by EMIR Level 1** (e.g. sensitivity testing) or already provided by other means (e.g. backtesting already disclosed in the CPMI-IOSCO quarterly PQDs)<sup>3</sup>;

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<sup>1</sup> [https://www.esma.europa.eu/sites/default/files/2025-06/ESMA91-1505572268-4004\\_Consultation\\_Paper\\_Margin\\_Transparency\\_Article\\_38.pdf](https://www.esma.europa.eu/sites/default/files/2025-06/ESMA91-1505572268-4004_Consultation_Paper_Margin_Transparency_Article_38.pdf)

<sup>2</sup> Bank of England System-wide exploratory scenario. Final Report published in November 2024 and available at <https://www.bankofengland.co.uk/financial-stability/boe-system-wide-exploratory-scenario-exercise>.

<sup>3</sup> Available at <https://www.bis.org/bcbs/publ/d590.pdf>.

- **Not going beyond BCBS-CPMI-IOSCO guidelines on margin transparency** which only require main/material add-ons to be included in the simulators (while ESMA's proposal requires all margin add-ons) or stress scenarios (while ESMA's proposal prescribes the type and minimum quantity of scenarios);
- Noting that any technology development to support the new requirements will take time to implement and **CCPs would benefit from a transition period**, which should be agreed once the requirements are finalised and before the RTS becomes enforceable.

## 2. Questions and answers

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### 2.1. Article 1 – Initial Model Design and Operations (Article 38(7)(a) of EMIR)

#### **ESMA draft text**

A CCP shall provide its clearing members with information on the design and the functioning of its initial margin model, in a way that enables the clearing members to obtain an in-depth understanding of how the margin model works. This information shall cover all the elements of the initial margin model, including the following:

- a) the risk that each initial margin model element covers;
- b) the type of model used for the core margin;
- c) the methodology for the calculation of the margins, such as the logical steps, and the mathematical and statistical specifications;
- d) the model parameters, such as the confidence interval, the lookback periods, and the time horizon for the lookback period, with a description of their respective functions;
- e) the pricing and market data sources used by the CCP and the frequency of the updates;
- f) the operational arrangements, such as the deadlines for meeting initial margin calls, collateral posting cut-off times, collateral collection schedule; and
- g) the governance procedures related to the review of the initial margin model of the CCP, the involvement of clearing members in the governance process and the applicable notice period.

#### **Q1 related to Article 1**

**Do you agree with the proposed information to be provided by the CCP on its margin model design and operations? Do you have other proposals as to which information could be provided under point (a) of Article 38(7) of EMIR?**

EACH supports EMIR 3's ambition to enhance EU CCP's competitiveness, and equally supports fostering market resilience through greater transparency towards end clients and

their preparedness. CCPs operating in the EU are already facilitating this by providing model information as well as margin simulation tools to participants, in addition to the variety of other means listed in the introduction. It is important for EACH that supporting **greater transparency should not come at the expense of introducing unnecessary burdens that hinder EU CCPs' competitiveness**, going against the primary objective of EMIR 3.

First, for the RTS on margin transparency to be effective while avoiding such unnecessary burden, it should ensure that **CCPs must only provide such information to Clearing Service Providers (CSPs), which the CSPs in turn provide their clients**. Some unnecessary details would only serve a purpose for clearing members, and would not support margin preparedness of end clients. In this context, we appreciate that, as already established in the Level 1 text of EMIR 3, ESMA respected that CCPs alone cannot enhance transparency. As **CCPs have no contractual relationship with end clients**, some information can only be provided by the clearing member to its client (**e.g. additional add-ons charged by clearing members**).

Second, it should be ensured that **CCPs are not mandated to reveal proprietary information**. Disclosing detailed information about the margin model's methodology, mathematical specifications, and parameters could expose proprietary algorithms and intellectual property (IP) that CCPs have developed to maintain a competitive edge. Competitors or third parties could reverse-engineer these models, undermining the CCP's market position. Furthermore, sharing detailed information about pricing and market data sources, as well as governance procedures (points (e) and (g)), could expose sensitive commercial or operational data to unauthorized parties if not properly safeguarded. Clearing members, or third parties they share the information with, may inadvertently or deliberately leak sensitive data. Consequently, CCPs may be disincentivised from innovating or refining their margin models if they fear losing their competitive advantage. This could stifle advancements in risk management practices, potentially harming market stability. **ESMA could allow flexibility in the level of detail disclosed** (e.g., high-level summaries rather than granular specifications) to balance transparency with IP protection. It also needs to be clear to market participants that **CCPs must still have discretion when it comes to initial margin requirements**. Not every add-on can be formulaic and pre-determined. To preserve market stability, CCPs need to have the ability to call for one-off add-on margin if needed to deal with special situations in the market or in reaction to the deterioration of the credit worthiness of certain counterparties.

Third, on the information to provide, we believe that **CCPs should only be requested to provide information that is required and useful** to enhance margin preparedness. For this purpose, we deem **aggregate documents, which focus on key model characteristics, as the most useful**. While we acknowledge that the provided information should be detailed enough for clearing members to understand the calculation, highly detailed technical documentation, on the other hand, might raise more questions than they answer, as the technical complexity of the information could make it difficult for some members to process and utilise effectively. For example, the requirement for CCPs to involve clearing members in governance processes and provide notice periods for model changes (point (g)) could create tensions if clearing members expect significant influence over the CCP's margin

model design or operations. In particular, **CCPs must retain ultimate control to ensure robust risk management and compliance with regulatory standards**. Additionally, frequent consultations or lengthy notice periods could delay necessary model updates, reducing the CCP's ability to respond swiftly to market changes.

We therefore recommend that:

- **General:** Paragraph 13 of the consultation paper states that CCPs should provide a "detailed description of the model". The focus should, however, be on the readability and useability of the model description for clearing members. This should allow meeting the objective of the article while avoiding unnecessary burden;
- **Remove governance aspects requirement (point (g)):** Sharing governance aspects (point (g)) with clearing members is not currently required in EMIR. Furthermore, CCPs already provide high-level information on governance processes as part of their CPMI-IOSCO PFMI Self-Assessments<sup>4</sup>. In the interest of removing unnecessary burden, we therefore suggest removing point (g).

ESMA could also consider **aligning EU and UK requirements** to minimize cross-border challenges and conducting impact assessments to ensure that the rules do not undermine the competitiveness of EU CCPs.

It should be considered that CCPs and CSPs alike will need time to implement the requirements, in particular the required margin simulation tool. Therefore, the **RTS should only go into effect at least 18 months after final publication** as an absolute minimum.

To conclude, the proposed regulatory solutions should also take into account those **CCPs with more limited resources**. The scope of required changes to IT systems should be proportionate to the scale of a given CCP's operations. Alternatively, adopting a suitable phase-in approach could spread the implementation of new features, such as incorporating initial margin add-ons over a longer period, rather than requiring full implementation in one step. Therefore, we suggest having more proportionate documentation requirements, an appropriate phase-in of the implementation, and flexibility to accommodate the diversity of CCPs and clearing members.

## 2.2. Article 2 – Model Assumptions and Limitations (Article 38(7)(b) of EMIR)

### ESMA draft text

1. A CCP shall provide its clearing members with a list of the key assumptions and limitations of the initial margin model, including a description of the events that could lead to a breach of the assumptions, and qualitative and quantitative information on the potential impact on margin requirements.

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<sup>4</sup> [https://www.iosco.org/v2/about/?subSection=cpmi\\_iosco&subSection1=monitoring](https://www.iosco.org/v2/about/?subSection=cpmi_iosco&subSection1=monitoring)

2. A CCP shall provide its clearing members with qualitative and quantitative information on the performance of its initial margin model and on the behaviour of that model during stressed market conditions. This information shall include the following:
  - a) the backtesting results, as provided in accordance with Article 49(5) of the Commission Delegated Regulation 153/2013; and
  - b) relevant sensitivity testing results, allowing the clearing members to understand how the initial margin model reacts to the evolution of parameters or assumptions.
3. A CCP shall also provide its clearing members with information on:
  - a) the processes to monitor and revise the level of its margins to reflect the current market conditions;
  - b) the conditions under which the assumptions of the model may no longer apply, and which would result in an override of the initial margin model, including during a market stress event; and
  - c) how extraordinary margins are calculated and called in accordance with Article 56 of the Commission Delegated Regulation 153/2013.

## **Q2 related to Article 2**

**Do you agree with the proposed information to be provided by the CCP on the margin model assumptions and limitations? Do you have other proposals as to which information could be provided under point (b) of Article 38(7) of EMIR?**

As outlined previously, EACH is in general supportive of making information available that support clearing members to prepare for stressed market conditions. However, excessive level of detail could reduce the practical value of the information for clearing members and constrain CCPs in their ability to adapt margin models or introduce improvements in a timely manner. **A certain degree of flexibility should be preserved** to ensure responsiveness to market developments.

Overall, EACH believes that the **requirements proposed under RTS Article 2** (i.e. a comprehensive list of key assumptions, limitations, potential breach events, and qualitative/quantitative impacts, performance data, backtesting, and sensitivity testing results) may place a **significant additional operational and analytical burden on CCPs without the expected benefit**. This may be exacerbated for smaller CCPs where the materiality and complexity of models may limit the broader impact to the market. Specifically:

### **Paragraph 1**

- **Assumptions and limitations:** While most CCPs list assumptions and limitations in their model documentation, these documents are typically not shared with clearing members, and it is unclear how such information would be used for liquidity preparedness. It should be noted that many participants are also focused on margin optimisation, i.e. how they can limit the amount of margin they post. In this context, providing details of model assumptions and limits, which could be used to aggressively minimise the margin posted, will be to the detriment of CCP risk

management and wider market stability. Additionally, providing quantitative information on the potential impact of assumption breaches on margin requirements requires complex modelling and scenario analysis. These analyses may be subject to significant uncertainty, as market conditions and breach events are inherently unpredictable. Such information on model limitations would help clearing members when it comes to margin preparedness. This requirement seems to place unnecessary burdens on CCPs to ensure the list of limitations and assumptions are complete and up-to-date, whilst not adding clear benefits. To avoid unnecessary regulatory burden, we therefore suggest deleting such requirement.

#### Paragraph 2

- **Backtesting:** Backtesting is already required by regulation (as outlined in the text of the Article this is already codified in Article 49(5) of the RTS No 153/2013<sup>5</sup>), and provided in the quarterly PQD disclosures. Furthermore, Articles 49(4) and (5) of EMIR RTS No 648/2012<sup>6</sup> do not give mandate to CCPs to disclose such detailed information, by stating that a CCP shall periodically report to the risk committee its back testing results and analysis *"in a form that does not breach confidentiality [...]"* and, regarding clearing members and clients, *"such information shall be aggregated in a form that does not breach confidentiality"*. As such, we do not fully understand the intent of repeating the requirement and suggest removing point 2(a).
- **Sensitivity results:** Sensitivity result disclosure to clearing members may not be useful as a margin preparedness tool. Model re-parameterisation performed as part of sensitivity test may focus on understanding the behaviour of the model in ways that may not represent a crisis mitigation element. In addition, the interpretation of sensitivity results entails substantial knowledge of the model, potentially being misinterpreted by clearing members and their clients. Similarly to what pointed out under bullet point "Assumptions and limitations" in paragraph 1, such requirement would result in additional and unnecessary burden for CCPs while not being clearly beneficial for clearing members. We also note that a similar requirement exists under Article 50(6) of the EMIR RTS No 153/2013, which establishes that such information shall periodically be reported by the CCP *"in a form that does not breach confidentiality to the risk committee in order to seek its advice in the review of its margin model"*. As such, we do not fully understand the intent of repeating the requirement. We therefore propose wither the removal point 2(b) or a clarification that it is not to be mandatory but rather voluntary.

#### Paragraph 3

- **Deletion of point (a):** The requirement for CCPs to provide information on the processes to monitor and revise the level of its margins to reflect the current market conditions should be deleted, as it is redundant with what CCPs already disclose under the CPMI-IOSCO PFMI Self-Assessments.
- **Assumptions and limitations:** The requirement to disclose conditions under which model assumptions may no longer apply and result in overrides could create expectations among clearing members that they will have significant influence over,

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<sup>5</sup> <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32013R0153>

<sup>6</sup> <https://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32012R0648>

or advance warning, of such overrides. CCPs cannot fully predict and exhaustively outline the conditions and nature of extraordinary margins, and must retain autonomy to act swiftly during market stress events to ensure financial stability. We therefore suggest deleting such requirement.

- **Deletion of point (c):** When it comes to margin model overrides and information on how extraordinary margin calls are calculated and called, these are not processes that a CCP would expect to use in the normal course of business, but rather are processes in place to protect the CCP (and thus its members/clients) in case of extreme (and potentially unforeseen) scenarios. It is therefore important for CCPs to retain a level of flexibility in this regard, and thus we do not believe it is appropriate to provide such detail to CMs and clients.

### 2.3. Article 3 - Model Documentation (Article 38(7)(c) of EMIR)

#### ESMA draft text

A CCP shall provide its clearing members with all the documents covering the information referred to in Article 1, Article 2 and Article 5(3) of this Regulation. These documents shall be written in a clear and comprehensive manner and in a way that enables the clearing member to obtain an in-depth understanding of how the margin model works.

#### Q3 related to Article 3

**Do you agree with the proposal with regard to the model documentation? Do you have other proposals as to which documents could be provided under point (c) of Article 38(7) of EMIR?**

EACH understands that the Level 1 requirement foresees that CCPs provide the margin transparency information in writing. In this sense, the **reference to “all documents” in the draft RTS sounds excessive**, as it may give the clearing members the assumption that they can request **internal information from the CCP, which should be treated as proprietary**. As previously outlined, overly technical and comprehensive documentation may also not prove as useful to clients as concise aggregate documentation explaining key model characteristics.

The draft Article should therefore be rephrased to more specifically make clear that the information outlined in Articles 1 and 2 of the draft RTS is **provided in a documented form, rather than providing “all documents”**. This could be included in the Articles themselves making draft Article 3 obsolete. As alluded to above, the requirement to consolidate all information from Articles 1, 2, and 5(3) into comprehensive documentation

could increase the risk of exposing proprietary aspects of the CCP's margin model (e.g., methodologies, parameters, or stress testing approaches).

Furthermore, the requirement for documentation to be ***"written in a clear and comprehensive manner"*** is **subjective and challenging to implement**, given the diverse needs and expertise levels of clearing members. This requirement does not take into consideration that model details are already shared with Risk Committees to ensure robustness of the model, which have clearing member representation. This is a much more appropriate, already in place approach. **We therefore suggest deleting this requirement.**

In addition, we re-emphasise that the **governance analysis disclosure requirements are absent from EMIR.**

## **2.4. ESMA draft:**

### **2.4.1. Article 4 – Output of the simulation tool**

### **2.4.2. Article 5 – Simulation tool scenarios**

### **2.4.3. Article 6 – Access to the simulation tool**

#### **Article 4 - Output of the simulation tool**

1. The output of the simulation tool provided by a CCP to its clearing members shall be composed of the core margin and each of the margin add-ons that are related to the portfolio where the new transactions will be margined. It shall distinguish between the amounts for the core margin and for each of the add-ons, to the extent possible, and clearly list the type of risks covered by each amount.
2. The output of the simulation tool shall be available for additional transactions in existing or hypothetical portfolios of the clearing member using the tool. The output of the simulation tool shall distinguish between the initial margin requirement amount for the existing transactions already cleared by the clearing member and the additional initial margin amount required by the CCP upon clearing new transactions.

#### **Article 5 – Simulation scenarios**

1. The simulation tool provided by a CCP shall allow its clearing members to determine their initial margin requirements for at least each of the following scenarios:
  - a) the current market conditions based on the inputs used by the initial margin model for the most recent initial margin call to the clearing member using the tool;
  - b) two hypothetical and three historical market stress scenarios identified by the CCP, using the framework set out in Chapter VII of the Commission Delegated Regulation 153/2013.

The scenarios referred to in point (b) of the first subparagraph shall meet the requirements set out in the Annex.

2. The CCP shall consider identifying and including, in its simulation tool, additional market stress scenarios, taking into account the CCP's size, complexity, risk management practices, membership structure and the characteristics of its product offering.
3. The CCP shall provide to its clearing members a clear description of the scenarios set out in paragraphs 1 and 2 of this Article.

#### **Article 6 – Access to the simulation tool**

A CCP shall provide access to its simulation tool to its clearing members and to clients providing clearing services, subject to appropriate confidentiality requirements.

#### **Q4 related to Articles 4, 5 and 6**

**Do you agree with the proposed requirements and the type of output for the simulation tool to be provided by CCPs? Are there any other requirements for the CCP margin simulation tool which should be taken into account, such as legal mechanisms to ensure confidentiality?**

EACH believes that the margin tools provided by EU CCPs already give clearing members a high degree of flexibility in terms of testing any portfolio, existing or hypothetical alike. EACH therefore generally supports that such tools provide output under different scenarios and market conditions. However, the **current language in draft Articles 4 to 6 appears too prescriptive** and a **more outcomes-based approach** would more efficiently and effectively meet the Level 1 objectives. In particular, we have the following concerns:

- **Add-on simulation:** The proposed RTS requires that all margin add-ons related to the portfolio be included in the simulation tool, as established by Article 4(1). However, some of these add-ons are non-material but complex to implement, demanding significant time and resources from CCPs. It should also be noted that clearing members are professional participants who can generally assess how their margin requirements may change, especially in terms of variation margin requirements, the main driver of liquidity pressure. They do not need to turn to their CCP with specific needs and requests in that regard, evidenced by the historical low use of CCP margin simulators. Additionally, the requirement to include all margin add-ons without any consideration of their materiality goes against the guidance established by BCBS-CPMI-IOSCO on margin transparency. As previously noted, there are discretionary add-ons for risk management of extraordinary events, which cannot be modelled. We therefore suggest that in line with BCBS-CPMI-IOSCO guidance, the wording of Article 4(1) is clarified that only main/material add-ons are included in the simulation.
- **Differentiating between existing and new transactions:** The current formulation in Article 4(2), which differentiates between existing and new transactions, seems to be too narrowly focused on one specific use case, when stress scenarios are also impacted by other factors, such as volumes of trades driving up margin

requirements. The requirement should therefore be more outcome focused instead of describing one prescriptive approach.

- **Hypothetical and historical scenarios:** In contrast to Article 5(1)(b), which prescribes the number and type of scenarios to be included, EACH suggests that the simulation tool provided by CCPs is only allowed to determine clearing members' initial margin requirements in historical stress scenarios, not hypothetical ones. The number of scenarios should also be less prescriptive, with a focus on at least one key historical scenario relevant for the specific service. CCPs typically and intentionally do not include hypothetical or historical scenarios. This is because stress scenarios are a point in time, while initial margin is based on longer lookback periods. In addition, including a stress observation may not change much the core initial margin requirements. It may mainly change variation margin requirements or some add-on margin requirements. Considering stress scenarios is relevant when one is interested in the P&L of a portfolio during such a scenario. However, the margin simulation tool does not provide a P&L, but a margin requirement. Considering stress scenarios in the simulation tool is therefore of limited value, i.e. it is only possible to simulate a margin requirement given a parametrisation which would have been present during a specific historical event. It is also unclear whether CCPs have stored the parametrisation of their initial margin model for all past historical crises, e.g. financial crisis 2008. For hypothetical scenarios, it should be noted that these are designed to capture particular risk profiles that a CCP may be exposed to. As such, to make it useful for all clearing members the CCP would need to relax some of those assumptions therefore diluting the value of the output of the margin simulation. We believe this requirement is therefore unnecessary.
- **Link to Chapter VII of the RTS No 153/2013:** Along the line of what is proposed above, and for the sake of providing a real added value for the liquidity preparedness by clearing members and clients, we suggest focusing only on historical scenarios. Article 5(1)(b) should also allow CCPs flexibility to identify those historical scenarios and not define them linked to Chapter VII of the 153 RTS as currently proposed. Any link would only result in cross-dependencies of different risk frameworks without adding any value for market participants' liquidity preparedness.
- **Most-recent initial margin call:** The reference to *"the most recent initial margin call to the clearing member using the tool"* in Article 5(1) may complicate the technical setup as this would mean that the simulation tool would need to constantly receive the input parameters on an intraday basis. Depending on the architectural setup, this could lead to a more expensive solution, as opposed to using only the End of Day (EoD) parameters, and therefore the parameters are only transferred once in the overnight process from the clearing system to the simulation tool. Requiring CCPs to use the most recent initial margin call is a too complex requirement, potentially meaning that the simulation tool needs to be on par with the production system. This reference to most recent initial margin calls should therefore be reconsidered, and CCPs should only be required to consider end-of-day margin figures.
- **Offsetting risk:** It is possible that a new transaction may be offsetting a risk in a portfolio, so the additional initial margin may be negative. As such, the initial margin should rather be shown at portfolio level, excluding and including hypothetical

transactions (e.g. 100 and 50 respectively if risk for the portfolio decreased twice as a result of including hypothetical transactions).

- **Client access risk:** Providing access to the simulation tool for both clearing members and their clients as proposed in Article 6, subject to "*appropriate confidentiality requirements*", introduces risks of unauthorised access or data breaches. The tool's outputs, which include sensitive details about margin calculations, risk coverage, and stress scenario impacts, could be misused if not adequately protected. Data breaches could compromise the CCP's proprietary margin model, harm market confidence, or expose the CCP to legal and financial risks. The inclusion of clients, with whom CCPs generally have no contractual relationship, increases the risk of information leakage.

## 2.5. Articles 7 and 8 – Client clearing margin model information

### Summary of ESMA proposal

#### CCP Margin Practices (Article 38(8)(a) of EMIR)

- **CCP info sharing:** CSPs must share all relevant margin model information received from CCPs with their clients, including detailed scenario explanations and backtesting results, when necessary to understand margin requirements.

#### Situations and Conditions for Margin Calls (Article 38(8)(b) of EMIR)

- **Trigger conditions:** CSPs must disclose in detail what market events, operational changes, or portfolio-specific thresholds could lead to a margin call, including scenarios of market stress or significant changes in the client's exposure.

#### CSP Margin Model (Article 38(8)(c) of EMIR)

- **Additional margins explanation:** CSPs must provide transparency on any additional margins beyond those passed through from CCPs, such as credit risk multipliers, house-specific buffers, or liquidity-based add-ons.
- **Pass-through explanation:** CSPs must explain how CCP-calculated margins are passed directly to clients, and which parts, if any, are subject to CSP adjustments.
- **Deviations disclosure:** If the CSP margining approach differs from the CCP (for example, using a higher confidence interval or a different liquidation horizon), these deviations must be fully disclosed along with their operational rationale.
- **Detailed model info:** If the CSP applies its own margin model, it must provide a level of detail equivalent to the CCP requirements, covering model type, parameters, data sources, add-ons, and governance of margin changes.

#### Operational Arrangements and Procedures (Article 38(8)(b) and (c) of EMIR)

- **Operational transparency:** CSPs must detail operational processes such as margin call thresholds, client-specific transaction limits, collateral delivery cut-off times, procedures for returning excess collateral, and advance notice periods for recalibration of client margins.

**Q5 related to ESMA Articles 7 and 8**

**Do you agree with the proposed information to be shared by CSPs on their margin models?**

EACH appreciates that ESMA acknowledges that both the Level 1 requirements and the draft RTS provided by **CCPs alone cannot ensure full transparency regarding margin requirements towards end clients**. As CCPs have no direct contractual relationships with such clients, they are unable to provide a full view especially when clearing members employ their own models or charge add-ons. Consequently, **without involvement of the CSPs, full margin transparency is not achievable**.

**2.6. Article 9 – Simulation of client margins (Article 38(8)(d) of EMIR)**

**Summary of Proposal**

- **Simulation requirement:** CSPs must provide clients with margin simulations, but not necessarily through a simulation tool. The simulation can be based on CCP-provided tools or the CSP's own calculation methods.
- **Detailed output:** Simulations must separate and label each margin component (core, add-ons, CCP, CSP-specific) and include breakdowns per CCP if applicable.
- **Multi-CCP clarity:** If the CSP offers access to multiple CCPs, simulations must include individual initial margin figures per CCP and show how additional margins are applied across CCPs.
- **Stress scenarios:** CSPs must offer simulations for at least three market stress scenarios (e.g., extreme price moves, volatility spikes) and two client-specific scenarios (e.g., downgrade in creditworthiness).
- **Scenario flexibility:** CSPs can design their own scenarios tailored to individual client portfolios or leverage CCP-provided scenarios, ensuring relevance to client exposures.
- **Scenario details:** CSPs must explain scenario construction, key assumptions, and the expected impact on margin levels, ensuring clients can effectively incorporate results into their liquidity planning.

**Q6 related to Article 9**

**Do you agree with the proposals on the margin simulations to be provided by CSPs?**

Please see our response to Q5.

## 2.7. Appendix

### ESMA text

The CCP simulation tool scenarios referred to in Article 5(1), first subparagraph point (b), of this Regulation, shall meet all of the following requirements:

- a) They shall be built in a way that impacts initial margin models as follows:
  - (i) They shall result in changes to initial margin amounts, due to shifts in market conditions;
  - (ii) They shall include appropriate periods of stress impacting market volatility and correlations of risk factors captured by initial margin models;
  - (iii) They shall include a change of price levels of the instruments cleared by the CCP, which are used as inputs for calculating initial margins; and
  - (iv) They may include impacts on other risks and margin components, such as due to increased liquidation costs or reduced portfolio margining.
- b) As regards historical scenarios, they shall include key past stress events that are the most impactful for the portfolios of the clearing members; and  
As regards hypothetical scenarios, they shall be built in a way that they stress the clearing members' liquidity needs.

### EACH comment

First, we emphasise again that **CCPs should only be required to include historical scenarios**. This is because stress scenarios are a point in time, while initial margin is based on longer lookback periods.

Second, the **benefit behind stressing a member's liquidity need is unclear**. This is **not in the power of the CCP to define**. The CCP can provide hypothetical scenarios and what the initial margin would have been during a hypothetical scenario, but stressing a clearing member's liquidity need should not be the CCP's concern when building hypothetical scenarios.