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The priorities of ESMA's CCP Supervisory Committee

2020 has seen the establishment of the new supervisory regime for CCPs under EMIR 2.2, a key part of which is the new CCP Supervisory Committee (CCPSC). The appointment of the Chair and the two Independent Members completed the establishment of the CCPSC and, with it, the implementation of the enhanced regimes for the recognition of third country CCPs as well as for supervisory convergence for EU CCPs.

As concerns EU CCPs, further enhancing supervisory convergence is a key priority of the CCPSC. Building on regular exchanges of views and discussions amongst national competent authorities (NCAs) and relevant supervisory decisions and opinions on EU CCPs' initiatives (such as the validation of significant risk model changes), the CCPSC has two primary instruments to further promote common supervisory practices and culture:

- **CCP stress tests:** Annual CCP stress tests measure the level of resilience of CCPs against common stress scenarios and identify issues for follow up via regulation or supervisory actions. The CCPSC is about to embark on the next round of CCPs stress tests, building on experience gained and having regard to new or emerging stress scenarios (such as cyber resilience).

- **Peer Reviews:** Peer reviews of NCAs' supervisory activities towards CCPs have been successful in defining best practices and identifying, where relevant, inconsistencies or divergencies in the application of EU regulatory requirements. The CCPSC has recently completed the 2020 peer review and will soon launch the 2021 exercise.

Looking at third country (TC) CCPs, the review of EMIR introduced a two-tier recognition regime, whereby those third country CCPs qualifying as systemically important for the financial stability of the Union or of one or more of its Member States (so-called Tier 2 CCPs) are subject to EMIR requirements on an ongoing basis. Ahead of the end of the Brexit transition period in September 2020, ESMA adopted temporary recognition decisions (following the Commission's temporary equivalence decision), which expire on 30 June 2022. This enabled a smooth transition for UK CCPs from the EU CCP to the third country CCP regime under EMIR, with two UK CCPs having been recognised as Tier 2 CCPs: ICE Clear Europe and LCH Limited. In respect of TCCCPs, the CCPSC will face three major priorities:

Direct supervision of Tier 2 CCPs: An efficient direct supervision framework will ensure that Tier 2 CCPs comply with EMIR requirements on an ongoing basis, as the case may be under comparable compliance still to be decided.

Review of the Tier 2 CCPs' recognition: The CCPSC is mandated to assess whether the services provided by Tier 2 CCPs, or some of them, are of a systemic nature that is too substantial to be safely provided from outside the Union. The CCPSC will carefully analyse potential risks, dependencies and stability implications that result from the current situation and potential evolutions. It will also look at costs and benefits of a potential relocation of clearing services.

Other TC CCPs' recognitions: The CCPSC also has to review the TC CCPs that were recognised before the entry into force of EMIR 2.2, in order to determine if any of them would qualify as Tier 2 CCP. Finally, in 2021, the CCPSC will process pending applications for recognition of the SEC-regulated US CCPs, following up to the recent Commission equivalence decision adopted under EMIR.