



**Setting EU CCP policy
much more than meets the eye**

Brussels – 16 November 2021

Pros and cons of CCPs clearing and EMIR

- Advantages: risk mitigation, increased efficiency and enhanced transparency.
- Concerns: financial stability, concentration of credit risk and high costs.
- EMIR has worked well, welcomed and supported by central banks and supervisors, as well as market participants.
- EMIR 2.2 provided appropriate regulatory and supervisory framework for CCPs in Europe. Allows ESMA to directly supervise third-country CCPs (not for EU CCPs) and gives extensive powers for the central bank of issue.

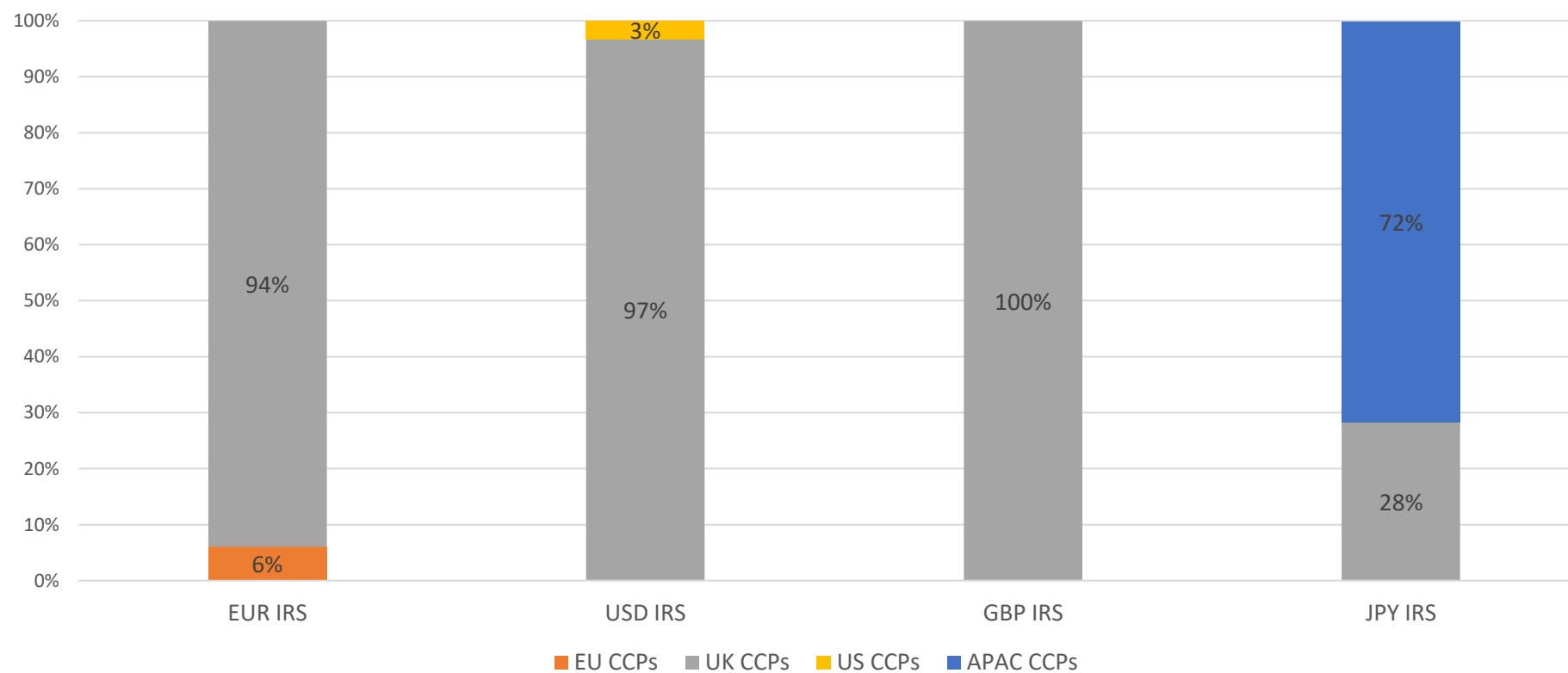
Global notional amount outstanding of OTC IRD, by currency

(€ billion)

	Total	USD	EUR	GBP	JPY	Other
LCH Ltd	300,463	111,751	79,432	45,738	6,786	2,361
Eurex Clearing	21,306	31	21,038	49	0	185
CME Group	10,190	5,601	440	341	245	45
JSCC	8,796	-	-	-	8,796	-
Nasdaq OMX Clearing	277	-	-	-	-	277
OTC Clearing HK	102	38	0	-	-	64
BME Clearing	1	-	1	-	-	-

Sources: SwapClear, Eurex Clearing, CME Group, JSCC, Nasdaq OMX Clearing, Hong Kong Exchange, BME Clearing and Eurostat.

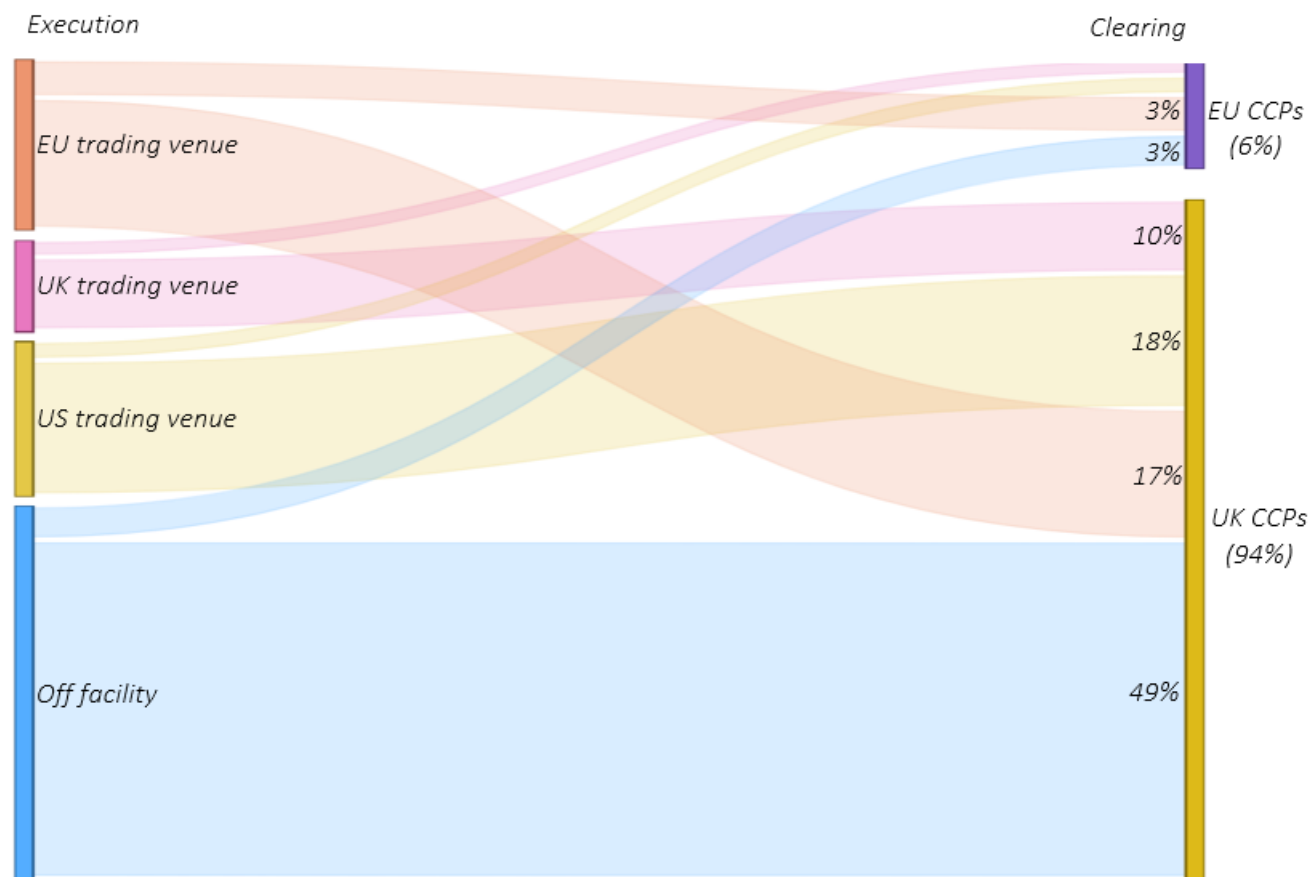
CCPs' share of cleared IRS by notional traded (% of globally cleared IRD, H1 2021)



Source: OSTTRA.

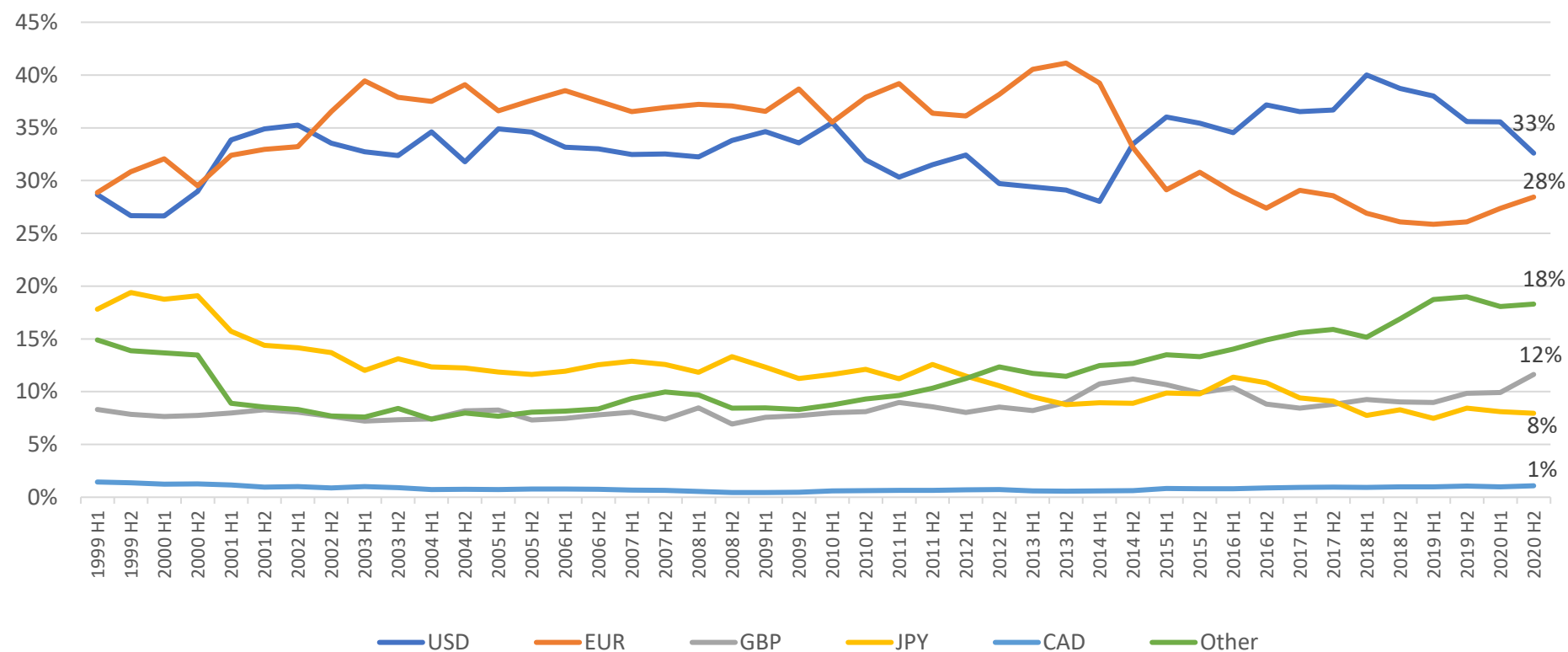
Execution and clearing of EUR-denominated OTC IRS

(% of globally cleared IRD measured in terms of notional traded, Q2 2021)



Source: OSTTRA.

Share of notional amounts outstanding of IRD by currency (%, 1999 H1-2020 H2)



Source: BIS.

Lessons learnt from other jurisdictions

- Allow market participants to decide where to clear local currency products.
- Minimise the disruption, regulatory impact and costs
- Strengthen regulatory cooperation between jurisdictions
- Maintain oversight powers
- Robust recovery and resolution regime
- Global CCPs support liquidity and efficiency in a global OTC derivatives market, thus making them more robust in their resistance to financial shocks.

Issues for consideration

- Financial stability (oversight of UK-based CCPs and enhanced supervisory and regulatory cooperation)
- Efficiency (costs, fragmentation and reduced liquidity)
- Future development of EU capital markets (CMU and international role of euro)
- Global market, does not move easily, has grown in the context of single market
- Huge economies of scale, but at the expense of price setting

Thank you

You can download the study [here](#)



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