

Liquidity Preparedness for Margin and Collateral Calls: Consultation report

Response to Consultation

European Association of CCP Clearing Houses

- 1. Does the outlined approach identify all key causes of some non-bank market participant's inadequate liquidity preparedness with respect to spikes in margin and collateral calls during times of stress? Are there any sector specific causes that should be considered?**

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, and is supportive of the FSB's work to enhance the liquidity preparedness of non-bank market participants for margin and collateral calls. We support the effort to ensure that all non-bank market participants taking part in clearing are as well-equipped as possible to manage liquidity demands during market stress.

In addition to the FSB recommendations, subject to the final approval of the ongoing review of the EU clearing legislation expected for the second half of 2024, both non-financial clearing members and non-financial clients should be able to benefit from the possibility of posting non-cash collateral that meet the EMIR 3 standards such as uncollateralised bank guarantees, to alleviate potential liquidity pressure in time of crisis. This complements the existing CCP transparency measures to help contribute to non-bank market participants being suitably prepared to face potential liquidity swings, which in turn contributes to the continued robustness and transparency of financial markets.

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- 2. Is the scope of the proposed policy recommendations appropriate?**
- 3. Is the focus of the FSB's policy recommendations on liquidity risk management and governance, stress testing and scenario design and collateral management practices appropriate? Are there any other areas the FSB should consider?**

4. **Is the approach to proportionality and materiality clear for all non-bank market participants?**
5. **Section 3.1 sets out key elements of a liquidity risk management framework to identify, monitor and manage liquidity risk exposures arising from margin and collateral calls. Are these sufficiently clear for all non-bank market participants?**
6. **Are the recommendations on liquidity stress testing and scenario design with respect to margin and collateral calls clear and sufficiently specified?**
7. **Are there any jurisdictional or sector-specific differences that are not accounted for in the recommendations?**
8. **Collateral readiness at the right time, quality and location is a critical aspect of effective liquidity preparedness for spikes in margin and collateral calls to mitigate the risk of having to liquidate collateral under stressed market conditions. Do the FSB's recommendations in Section 3.3 address all key elements required to be effective in mitigating liquidity risk arising from margin and collateral calls?**
9. **Are there any material challenges to collateral management practices that some non-bank market participants may face that should be considered?**

If you have any additional comments, please provide them below.

Brussels, June 18th 2024

EACH High-level Response to the FSB consultation paper on Liquidity Preparedness for Margin and Collateral Calls

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In addition to the FSB [recommendations](#)², subject to the final approval of the ongoing review of the EU clearing legislation expected for the second half of 2024, both non-financial clearing members and non-financial clients should be able to benefit from the possibility of posting non-cash collateral that meet the EMIR 3³ standards such as uncollateralised bank guarantees, to alleviate potential liquidity pressure in time of crisis. This complements the existing CCP transparency measures to help contribute to non-bank market participants being suitably prepared to face potential liquidity swings, which in turn contributes to the continued robustness and transparency of financial markets.

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¹<https://www.fsb.org/2024/04/liquidity-preparedness-for-margin-and-collateral-calls-consultation-report/>

²<https://www.fsb.org/2024/04/liquidity-preparedness-for-margin-and-collateral-calls-consultation-report/>

³ <https://data.consilium.europa.eu/doc/document/ST-6344-2024-INIT/en/pdf>