

**Submission Date**

03/05/2023

# ESMA\_QA\_891

Status: Answer Published

## **Additional Information**

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### **Level 1 Regulation**

Regulation 648/2012 - OTC derivatives, central counterparties and trade repositories (EMIR)  
- CCPs

### **Level 2 Regulation**

COMMISSION DELEGATED REGULATION (EU) No 153/2013 Regulatory technical  
standards on requirements for central counterparties

### **Topic**

EU-CCPs

### **Additional Legal Reference**

Article 46 of EMIR and Article 37 of the RTS on CCP requirements - old CCP question 22  
dated 2/10/2017

## Subject Matter

Ongoing monitoring of collateral requirements (old CCP question 22 dated 2/10/2017)

## Question

Article 46 of Regulation (EU) No 648/2012 requires CCPs to accept highly liquid collateral with minimal credit and market risk to cover its initial and ongoing exposure to its clearing members. Article 37 of Commission Delegated Regulation (EU) 153/2013 requires CCPs to monitor on a regular basis the adequacy of their collateral policies and procedures, as new market developments may require changes.

- a) What types of market developments should CCPs monitor?
- b) How can CCPs ensure the monitoring of these market developments is efficient?

## ESMA Answer

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02-10-2017

Original language

a) With respect to the adequacy of collateral policies and procedures, CCPs should monitor on an on-going basis liquidity, credit risk, and market risk. In order to perform this monitoring, CCPs should have at their disposal at least the following tools:

- i. tools to monitor liquidity, such as traded volumes, depth of the order book, bid-offers and central bank liquidity classes;
- ii. tools to monitor credit risk, such as the credit monitoring of issuers, credit spreads and ratings; and
- iii. tools to monitor market risk, such as price changes, back-tests of the collateral haircuts and implied or realised volatilities.

b) To ensure that the on-going monitoring of market developments is efficient, CCPs should ensure that:

- i. they have developed indicators for liquidity, credit risk, and market risk;
- ii. the coverage of the indicators is satisfying (e.g. it covers all securities including the least frequently traded, all trade sources, etc.);
- iii. the frequency of the review and the timeliness of the information raised by these indicators is adequate;
- iv. they have put in place operational processes and a governance process surrounding any review of acceptable collateral resulting from these indicators; and
- v. any change of the above is reported to their national competent authority (NCA).

However, this does not mean that CCPs need to have all the possible indicators for each asset class. Instead, this means that the CCPs can demonstrate that the set of indicators in place covers liquidity, credit risk, and market risk.