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Keynote speech

Strengthening the foundations of the EU clearing ecosystem

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Sehr geehrte Damen und Herren, Ladies and Gentlemen,

Introduction

It is a pleasure to be back here in Frankfurt. Since we last met, a key piece of EU legislation for the future of European financial markets has entered into force on the eve of Christmas day, giving ESMA the heavy responsibility to prepare for its implementation under very constrained timelines, while consolidating and building on the reforms initiated under EMIR 2.

Over the next three years, our collective focus will be on ensuring the effective rollout of EMIR 3 while reinforcing our existing regulatory framework to lay the groundwork for a resilient, attractive and competitive EU clearing ecosystem.

This effort will be a crucial piece in supporting the overall work of the new Commission on the Savings and Investment Union (SIU).

At the heart of this strategy are three critical pillars when it comes to CCPs:

1. Enhancing the supervisory framework for EU CCPs;
2. Making the EU clearing ecosystem more competitive, attractive and resilient; and
3. Addressing outstanding risks associated with third-country clearing dependencies.

We will work closely with all stakeholders, the European Commission, Member States and Parliament as well as market participants, to look at how we could contribute to burden reduction efforts, without compromising on regulatory stringency.

1. Enhancing the supervisory framework for EU CCPs

CCPs play an indispensable role in ensuring the stability of our financial markets. Thousands of banks, funds, and insurers across the EU depend on them. Achieving a harmonised approach to their supervision is not just a regulatory imperative; it is a necessity for market integrity and competitive fairness.

While discussions on a more integrated supervisory mechanism for EU CCPs remain ongoing, we must take decisive action using the available tools at hand. The implementation of EMIR 3 offers us a valuable opportunity to deepen supervisory convergence and consistency by:

- **Standardizing supervisory practices** – via the new ESMA Opinions on NCA annual reviews, and EMIR compliance assessments of EU CCPs.

- **Strengthening supervisory outcomes and consistency across EU CCPs** – via the new co-chairing by ESMA of supervisory colleges.

- **Relying on stronger follow-up mechanisms** to ensure accountability and consistency – with a new comply or explain mechanism to the Board of ESMA when an NCA disagrees with the CCP Supervisory Committee;

Through these tools, we will work towards an even more common supervisory culture that aligns risk prioritisation and supervisory outcomes, strengthening financial stability while fostering healthy competition among EU CCPs.

2. Making the EU clearing ecosystem more competitive, attractive and resilient

The EMIR 3 review is designed not only to reinforce market resilience but also to enhance the attractiveness and competitiveness of the EU clearing ecosystem. To achieve this, **we will pursue two complementary approaches**: reducing obstacles for EU CCP competitiveness and further strengthening the resilience of the EU clearing ecosystem to support their attractiveness.

First, we will **accelerate time to market** for new products and models by significantly streamlining supervisory processes. This means:

- **Shortening opinion and validation timelines** to facilitate faster product launches and model review. As you know, EMIR 3 drastically reduces the time for supervisors to review CCP applications for authorisation of new products, services and risk models. From procedures which could last up to a year and sometimes two, the new framework hardwires upper limits to a maximum of 137 working days for a new CCP authorisation (more or less six months in laymen's term), to 87 working days (or 4 months) for an extension of clearing service or review of significant changes to risk models. In certain cases of minor changes, an accelerated procedure will be available under 15 to 17 working days.

- **Streamlining and standardising the CCP Supervisory Committee and college review processes** to reduce unnecessary delays. ESMA has just launched a consultation to clarify the conditions and the list of documents required for initial authorisations, for extensions of authorisation and for validations of changes to models and parameters. I would very much encourage you to review our proposals and respond to the consultation by 7 April so we can harmonise and streamline this process as much as possible for EU CCPs.

- **Leveraging digitalisation** opportunities to create a centralised data platform for CCP applications and reporting, fostering efficiency and risk transparency across competent authorities. We have already agreed with NCAs on an interim approach and are hard at work in building a new central platform to serve as a single point of access for CCPs with their supervisors.

Second, we must **enhance the resilience of EU CCPs** through:

- **Refined regulatory requirements**, ensuring that requirements such as margin transparency, collateral policies, and prudential requirements remain robust, up to the job, but do not unduly hinder EU competitiveness in line with the international standards.

- **System-wide monitoring and transparency measures**, led by the new Joint Monitoring Mechanism to assess for instance market dependencies, access to clearing and systemic risks.

- **Stronger crisis management frameworks**, including multi-year stress-testing plans, global fire drills and enhanced operational resilience measures, in line with the new DORA requirements.

These initiatives will ensure that EU CCPs remain robust in the face of crises, while maintaining a competitive edge in global markets, in order to attract new business and strengthen the clearing capacity of CCPs in the Union.

3. Addressing Outstanding Third-Country Clearing Risks

Since EMIR 2, we have made noticeable progress in reducing EU dependency on third-country CCPs, notably with the repatriation of EUR repo clearing and partial migration of CDS clearing. However, challenges persist, particularly in the rates derivatives markets, where EU clearing participants continue to rely heavily on offshore CCPs.

To mitigate these risks and strengthen market autonomy, we will continue to **develop enhanced frameworks** to manage cross-border CCP risks, assessing potential propagation channels and emerging technological challenges, and **ensure continued direct supervision of systemically important (Tier 2) CCPs**, leveraging advanced risk-based oversight tools, on-site inspections, and regulatory compliance checks.

However, EMIR 3 has made it clear that the **progress achieved under EMIR 2 was insufficient** and that more needed to be done to address the excessive reliance of EU counterparties on clearing services of substantial systemic importance outside the EU.

With the active account requirement, the **most active EU clearing participants will be required to hold an operational and representative account at EU CCPs in key derivative contracts**, namely EUR OTC IRD, PLN OTC IRD and EUR STIR. Already end of November, we had taken a major step with the publication of our consultation paper on the AAR conditions. The consultation drew the attention of many stakeholders, and ESMA is now on track to deliver a draft RTS to the European Commission well before June 2025.

In that context, I also take due note of the decision by the **European Commission to extend further the equivalence of the UK framework for a limited period of 3 years**. ESMA has launched its internal work regarding the recognition decisions for the UK CCPs which are due to expire in June. The decision will give sufficient time for the active account requirement to take effect, as well as for ESMA and the Commission to assess its impact on the exposure of EU counterparties to Tier 2 CCPs by the expiration date.

It will also enable us to **strengthen our cooperation with third-country supervisors,** through enhanced cooperation arrangements in relation to substantially systemic CCPs, including in cases of comparable compliance, in line with the new EMIR 3 requirements.

By fortifying our risk management framework and fostering and maintaining close collaboration with key partners, we will ensure that the EU financial system remains resilient against external shocks and dependencies.

Conclusion

The next three years present an opportunity to reinforce the foundations of the EU clearing ecosystem against an increasingly challenging global backdrop. By successfully rolling out EMIR 3 and consolidating the advancements made under EMIR 2, ESMA will help to lay the groundwork for an EU financial infrastructure that is resilient, competitive, and aligned with the objectives of the CMU and SIU.

To achieve this, we must work together – policy-makers, market participants, and supervisors – to ensure that EU CCPs operate under a framework that fosters stability, innovation, and global competitiveness.

With the right commitment, expertise, and resources, we can turn these objectives into reality, creating an EU clearing landscape that not only meets today's challenges but is also well-prepared for the future.

Thank you for attention – I look forward to discussing some of these points with my fellow panellists in a moment.