24 June 2025
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Consultation Paper

EMIR 3 draft RTS on Margin Transparency requirements

Responding to this paper

ESMA invites comments on all matters in this paper and in particular on the specific questions summarised in Annex 1. Comments are most helpful if they:

- respond to the question stated;
- indicate the specific question to which the comment relates;
- contain a clear rationale; and
- describe any alternatives ESMA should consider.

ESMA will consider all comments received by **8 September 2025.**

All contributions should be submitted online under the relevant consultation.

Publication of responses

All contributions received will be published following the close of the consultation, unless you request otherwise. Please clearly and prominently indicate in your submission any part you do not wish to be publicly disclosed. A standard confidentiality statement in an email message will not be treated as a request for non-disclosure. A confidential response may be requested from us in accordance with ESMA's rules on access to documents. We may consult you if we receive such a request. Any decision we make not to disclose the response is reviewable by ESMA's Board of Appeal and the European Ombudsman.

Data protection

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Who should read this paper?

[Briefly describe the main industry audience for the paper. Also state whether the paper will be of interest to trade associations, investor and consumer groups. Define your targeted audience concisely. Please do not go beyond this page when setting out the main industry.

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ESMA
European Securities and Markets Authority

1 Executive Summary

Reasons for publication

The Review of the European Market Infrastructure Regulation (‘EMIR 3’) seeks, amongst others, to increase transparency on the margin calls and margin models, by the CCPs towards their clearing members on the one hand, and by the Clearing Service Providers (clearing members and clients providing clearing services - CSPs) towards their clients on the other hand. The main objective is to ensure better visibility and predictability of margin calls for clearing members, clients and indirect clients, and thus further develop their liquidity management strategies.

EMIR 3 thus strengthens the requirements on the margin model information and the margin simulation tool provided by CCPs. It also introduces new requirements for CSPs (i.e. clearing members and clients offering clearing services to clients) to improve transparency on their margin models and to provide a simulation of their margin requirements.

ESMA is mandated to further specify these requirements, notably regarding the information to be provided on the margin models and the type of output from the margin simulation tools in a Regulatory Technical Standard (RTS) within twelve months following the entry into force of the amending Regulation.

Contents

Section 3 summarises the recent international work performed on the margin transparency, related to the subject of this consultation paper. Section 4 outlines the requirements proposed by ESMA with regard to the information to be provided by CCPs on their margin models in accordance with Article 38(7) of EMIR and with regard to the margin simulation tool to be provided by CCPs in accordance with Article 38(6) of EMIR. Section 5 outlines the requirements proposed by ESMA with regard to the information to be provided by CSPs to clients in accordance with points (a) to (c) of Article 38(8) of EMIR and the simulation to be provided to clients in accordance with point (d) of Article 38(8).

Next Steps

ESMA will consider the feedback it received to this consultation by 8 September 2025 and expects to publish a final report and submission of the draft technical standards to the European Commission for endorsement as soon as possible.

2 Introduction

1. On 4 December 2024, Regulation (EU) 2024/2987 was published in the EU Official Journal, following the review of the European Market Infrastructure Regulation – otherwise known as 'EMIR 3'. This Regulation entered into force on. 24 December 2024.
2. EMIR 3 seeks, amongst others, to increase transparency on the margin calls and margin models, by CCPs towards their clearing members on the one hand, and by clearing members and clients offering clearing services to clients (i.e. Clearing Service Providers (CSPs)) towards their clients on the other hand. The main objective is to ensure better visibility and predictability of margin calls for clearing members, clients and indirect clients, and thus further develop their liquidity management strategies.
3. The initial requirements for margin transparency were introduced in 2019, as part of the EMIR Refit amendments in Regulation (EU) 2019/834. This includes the requirement on CCPs to disclose information on their initial margin models, and to provide a margin simulation tool to their clearing members.
4. EMIR 3 introduces more detailed requirements on the margin model information and the margin simulation tool to be provided by CCPs. It also introduces new requirements for CSPs to improve transparency on their margin models and to provide a simulation of their margin requirements. These new requirements are broadly similar to the ones applicable to CCPs on this subject.
5. Article 38(10) of EMIR provides a mandate for ESMA to further specify these requirements, notably regarding the information to be provided on the margin models and the type of output from the margin simulation tools in the draft RTS, in consultation with EBA and ESCB.
6. This Consultation Paper seeks feedback from stakeholders on several key aspects of the margin transparency requirements, notably on the information on the margin model and the simulation to be provided by CCPs to their clearing members and by CSPs to their clients.

3 International work

7. In January 2025, BCBS-CPMI-IOSCO published a Report on transparency and responsiveness of initial margin in centrally cleared markets[1] which outlines ten policy proposals relating to CCP transparency, governance and review of margin models, as well as clearing member transparency.

[1] Transparency and responsiveness of initial margin in centrally cleared markets – review and policy proposals by BCBS, CPMI and IOSCO, January 2025: https://www.bis.org/bcbs/publ/d590.pdfhttps://www.bis.org/bcbs/publ/d590.pdf

8. With regards to CCP margin transparency, the Report mentions six policy proposals to enhance transparency focusing on margin simulation tools, qualitative disclosures and quantitative disclosures. In the context of the preparatory work of the draft ESMA RTS on margin transparency requirements, ESMA focused its attention on proposals 1 to 3 on CCP margin simulation tools and CCP margin model information in accordance with Article 38 of EMIR.
9. In addition, the Report mentions two policy proposals to enhance transparency focusing on clearing member-to-client transparency and clearing member-to-CCP transparency. In the context of the preparatory work of the draft ESMA RTS on margin transparency requirements, ESMA focused its attention on proposal 9 on clearing member to client transparency.

4 EMIR margin transparency requirements for CCPs

4.1 CCP initial margin model information

10. As per Article 38(7) of EMIR, a CCP shall provide its clearing members with information on the initial margin models it uses, including methodologies for any add-ons, in a clear and transparent manner. Article 38(10) of EMIR adds that ESMA should specify in the draft RTS the information to be provided by CCPs to clearing members regarding transparency of margin models.

4.1.1 Model design and operations (Article 38(7)(a) of EMIR)

11. Point (a) of Article 38(7) of EMIR states that the information shall clearly explain the design of the initial margin model and how it operates, including in stressed market conditions.
12. ESMA proposes that the information provided by the CCP be sufficient to enable the clearing member to obtain an in-depth understanding of how the CCP's margin model works. The CCP should ensure that the scope of the information includes all the elements of the margin model, i.e. the "core" margin and any add-ons, and covers all the products cleared by the CCP.
13. Firstly, the information provided by the CCP on the margin model should be clear on the type of model used for the core margin (e.g. parametric model, historical simulation or Monte Carlo simulation), and include details on the model parameters (including the confidence level, the lookback period, and the time horizon for the liquidation period) with a description of their function. The CCP should also provide a detailed description of the model including logical steps and mathematical and statistical specifications. If the core margin covers for other risks than market risk, the information provided should be clear on how the additional risks are taken into account.

14. More specifically, in addition to the core margin, the information should include (where applicable):

    a) margin add-ons which cover the risk of the individual portfolios (such as liquidity, concentration and wrong-way risk add-ons);

    b) margin add-ons which cover the risk of the aggregate impact of all the portfolios of the clearing member (such as default fund concentration add-on);

    c) margin add-ons related to the individual risk of the clearing member (such as credit risk add-on); and

    d) other margin add-ons (such as margin requirements related to model risk or resulting from margin overrides[2]).

15. In addition, information on the sources (market data and other) used by the CCP for calculating the margins should be provided, as well as the frequency of the updates.

16. In order to ensure that point (a) of Article 38(7) of EMIR is sufficiently covered, ESMA proposes that the CCP be required to clearly explain the governance and procedures related to the margin calls. This should include at least:

    a) Operational arrangements, including the deadlines for meeting the margin calls, collateral posting cut-off times and the collateral collection schedule.

    b) Governance procedures related to the review of the margin model of the CCP, the involvement of clearing members in this governance process and the applicable notice period. This governance should be appropriate to the business lines and the risk profile of the CCP, in accordance with Article 26 of EMIR and related Level 2 and Level 3 measures.

Q1: Do you agree with the proposed information to be provided by the CCP on its margin model design and operations? Do you have other proposals as to which information could be provided under point (a) of Article 38(7) of EMIR?

4.1.2 Model assumptions and limitations (Article 38(7)(b) of EMIR)

17. Point (b) of Article 38(7) of EMIR foresees that the information to be provided by a CCP shall clearly describe the key assumptions and limitations of the initial margin model and the circumstances under which those assumptions are no longer valid.

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[2] CCPs should provide information related to the extraordinary margins called in case of a manual margin model override, which are not covered already by the information provided for the previous add-ons. This is also linked with the requirement on providing information on the limitations of the margin model, in accordance with point (b) of paragraph 7 of Article 38 of EMIR.

18. In order to achieve this objective, ESMA is of the view that the CCP should disclose to their clearing members a description of the events that could lead to a breach of the assumptions and qualitative and quantitative information on the potential impact on margin requirements, as well as information on the performance of the model and on the behaviour of the model during stressed market conditions. In particular, this should include information on:

    a) Backtesting, provided in accordance with Article 49(5) of the Commission Delegated Regulation 153/2013;

    b) Relevant Sensitivity testing results, allowing the clearing member to understand how the initial margin model reacts to the evolution of parameters or assumptions.

    The CCP should also provide information with regard to the processes that will be used by the CCP to regularly monitor and, if necessary, revise the level of its margins to reflect current market conditions taking into account potentially procyclical effects of such revisions. Furthermore, in case of a margin model override, information on how extraordinary margin calls are calculated and called (in accordance with Article 56 of the Commission Delegated Regulation 153/2013) should be provided.

Q2: Do you agree with the proposed information to be provided by the CCP on the margin model assumptions and limitations? Do you have other proposals as to which information could be provided under point (b) of Article 38(7) of EMIR?

4.1.3 Model documentation (Article 38(7)(c) of EMIR)

19. Point (c) of Article 38(7) of EMIR requires that the information to be provided by a CCP be documented. ESMA proposes that CCPs should be required to make available all documents covering the information described in the previous paragraphs. The documents should be written in a clear and comprehensive manner in a way that enables the clearing member to obtain an in-depth understanding of how the margin model works.

Q3: Do you agree with the proposal with regard to the model documentation? Do you have other proposals as to which documents could be provided under point (c) of Article 38(7) of EMIR?

4.2 CCP initial margin simulation tool (Article 38(6) of EMIR)

20. Article 38(6) of EMIR requires a CCP to provide a simulation tool to its clearing members. This tool shall allow the clearing members to determine the amount of additional initial margin at portfolio level that the CCP might require upon the clearing of a new transaction, including a simulation of the margin requirements that they might be subject to under different scenarios. That tool shall only be accessible on a secured access basis, and the results of the simulation shall not be binding.

21. Article 38(10) of EMIR adds that ESMA is required to develop the draft RTS specifying these requirements and the type of the output to be provided. Lastly, Recital 52 of EMIR 3 further adds that ESMA should specify the scope and format of the exchange of information between CCPs and clearing members.

4.2.1 Output of margin simulation tool

22. ESMA understands that the ‘output of the simulation tool’ should be a total amount, composed of the initial margins already posted to the CCP and the additional initial margin required by the CCP upon the clearing of a new transaction. ESMA therefore proposes that the output amount referring to the initial margin for the existing positions should be distinguished from the amount for new transactions. For the sake clarity, the simulation of collateral is not required as an output.

23. As explained in the previous section, the margin model a CCP uses to calculate initial margins is composed of the core margin to cover for the market risk of the transactions cleared, and of margin add-ons to cater for other risks related to the specific portfolio of the transactions, the aggregate impact of all the portfolios of the clearing member and the individual risk of the clearing member. ESMA therefore proposes that the output of the margin simulation tool should include both the core margin and the margin add-ons that are related only to the portfolio where the positions are being margined, and thus systematically required across clearing members (e.g. portfolio concentration add-on).

24. Furthermore, ESMA proposes that amounts referring to the core margin and individual margin add-ons should be distinguished, to the extent possible, depending on the margin methodology of the CCP. For each amount, the CCP should provide the type of risks covered in the simulation output.

4.2.2 Scenarios

25. ESMA proposes that the margin simulation tool should provide an output for the market conditions at the time of the simulation (‘current market conditions’), as well as for a range of different scenarios, including backward-looking and forward-looking scenarios.

26. The output based on the current market conditions should be based at least on the model inputs used by the margin model during the last margin call of the CCP to that clearing

member (e.g. margin parameters and market data). The CCP could use more updated margin parameters, but this would risk distorting the output, as the amount of margin for the existing transactions in the portfolio might have evolved since the last margin call.

27. With regard to the ‘different’ scenarios, it is important that the output allows for a visibility on the potential evolution of the margin amount if the market conditions change. Therefore, ESMA proposes that the margin simulation tool should provide outputs for a number of common scenarios and a range of hypothetical and historical scenarios which could be used as inputs for the margin model and the recalibration of its parameters instead of actual market moves of the time series.

28. ESMA proposes that CCPs should include hypothetical and historical scenarios based on the framework used for identifying extreme but plausible market conditions, in accordance with Chapter VII of the Commission Delegated Regulation 153/2013. The CCP could reuse existing stress scenarios used for the default fund calibration, subject to a minimum number of scenarios, depending on the risk profile and complexity of the CCP. The scenarios used should be clearly listed and explained in the margin simulation tool. These scenarios should include a list of market shocks impacting both prices and volatility of cleared instruments. ESMA proposes that CCPs include in their margin simulator at least five distinct scenarios (two hypothetical and three historical). However, in order to ensure a minimum level of comparability, the design of those scenarios should be subject to certain requirements, in particular as regards the impact on the initial margin model. Depending on the size and the complexity of the CCP, the CCP should also consider offering more scenarios.

Q4: Do you agree with the proposed requirements and the type of output for the simulation tool to be provided by CCPs? Are there any other requirements for the CCP margin simulation tool which should be taken into account, such as legal mechanisms to ensure confidentiality?

5 EMIR margin model transparency requirements for Clearing Service Providers

5.1 Client clearing margin model information

29. Article 38(8) of EMIR foresees that CSPs shall ensure transparency towards their clients with regard to the margin model used for the client margin calls. Recital 52 explains that the main objective of this transparency requirement is to improve clients’ ability to reasonably predict margin calls and prepare themselves for collateral requests, particularly in stress events.

30. Article 38(10) of EMIR adds that ESMA is required to further specify the information to be provided by CSPs to their clients. ESMA understands that the information provided by the

CSPs to their clients should be comparable to the information provided by the CCP to its clearing members, information without which clients would be at risk of having an incomplete view of their margin requirements.

5.1.1 Information on CCP margin practices (Article 38(8)(a) of EMIR)

31. Point (a) of Article 38(8) of EMIR requires that CSPs disclose to their clients information concerning the way the margin models of the CCP work. The third sub-paragraph also foresees that the CSPs transmit the information received by the CCP to their clients, where appropriate.
32. ESMA proposes that CSPs should share with their clients the information received from the CCP under Article 38(7) of EMIR (or from their CSP, where applicable) which is necessary for the client to understand the way the margin model of the CCP works.

5.1.2 Situation and conditions for margin calls (Article 38(8)(b) of EMIR)

33. Point (b) of Article 38(8) provides that CSPs shall provide information to their clients with regard to the situations and conditions that may trigger margin calls.
34. ESMA proposes that the CSP should thus provide to its clients information with regard to the conditions (including market stress) which would result in a review of the margin model.

5.1.3 Information on CSP margin model (Article 38(8)(c) of EMIR)

35. Point (c) of Article 38(8) of EMIR requires that CSPs provide information to their clients on the procedures used to establish the amount to be posted by the clients. This is understood by ESMA as complementary to the information provided under point (a) of Article 38(8) of EMIR.
36. Therefore, ESMA proposes that CSPs should explain to their clients any additional margins applied by the CSP (e.g. multipliers or other types) in addition to the margin required by the CCP. Moreover, CSPs should inform the clients how the margin called by the CCPs is passed through to their clients.
37. If the margin requested by a CSP of its clients deviates from the margin requirement computed by the CCP, the CSP should disclose to its clients the methodology it uses to compute margin requirements for its clients, including, if applicable, any margin models that the CSP may employ. ESMA proposes that the CSPs provide comparable information as required under point (a) of Article 38(8) of EMIR for this model, and take into account the complexity of the models. This information should also be comparable to the information provided by CCPs to clearing members under Article 38(7) of EMIR, notably on the model design of the core margin (e.g. SPAN, VaR) and the calibration of the model parameters, as well as margin add-ons, covering for the other risks than market risk (if

applicable). In addition, CSPs should disclose to their clients the rationale for, and magnitude of, any deviations from the CCP model.

5.1.4 Operational arrangements and procedures (Article 38(8)(b) and (c) of EMIR)

38. Finally, points (b) and (c) of Article 38(8) of EMIR also refer to the operational arrangements of the way CSPs call margins to their clients. These should be clearly explained by the CSPs to their clients.

39. In particular, ESMA proposes that CSPs should inform their clients about any thresholds which might trigger margin calls, as well as any limits to which the client may submit transactions for clearing. Moreover, CSPs should provide detailed information on the deadlines for clients to provide collateral and how the excess collateral is returned to the client. Finally, the CSP should inform its clients on the notice period applicable in cases when the calibration of client margins is modified.

Q5: Do you agree with the proposed information to be shared by CSPs on their margin models? Should any other element be taken into account?

5.2 Simulation of client margins (Article 38(8)(d) of EMIR)

40. Point (d) of Article 38(8) of EMIR foresees that CSPs shall provide to clients a simulation of the margin requirements the clients may be subject to under different scenarios. Article 38(10) of EMIR adds that ESMA is required to develop draft RTS specifying these requirements and the type of output to be provided.

41. According to the second subparagraph of Article 38(8) of EMIR, the simulation shall include both the margins required by the CCP and any additional margins required by the CSPs. This information should be transmitted to clients providing clearing services, so that it can reach the end client. It is therefore understood that the output of the simulation should provide a breakdown of the margins required by the CCP and each of the types of additional margins required by the CSP.

42. The third subparagraph of Article 38(8) of EMIR foresees that CCPs shall provide clearing members with the information necessary to comply with the first subparagraph of Article 38(8) of EMIR, including point (d). In order to provide the simulation of the margins required by the CCP, the CSP could either replicate the CCP's margin methodology based on the information provided under Article 38(7) of EMIR or use the simulation tool provided by the CCP in accordance with Article 38(6) of EMIR. To allow the possibility of the latter option, the simulation tool provided by the CCPs should allow the CSPs to simulate the positions of their clients.

43. ESMA understands the additional margins required by the CSPs as the difference between the total margins required by the CSPs and the margins required by the CCP. Therefore, CSPs should provide in the output of the simulation both of the aforementioned amounts.

If the CSP provides access to the client to several CCPs, the CSP should also provide a breakdown of the initial margin amounts required by each CCP in its simulation.

44. With regard to the different scenarios, CSPs should provide an output for a number of market stress scenarios, as well as scenarios related to changes to the individual risk of the client (for example "what-if" scenarios on changes to the creditworthiness). All scenarios should take into account the profile and activity of the clients of the CSPs. The market stress scenarios could include the hypothetical and historical scenarios used in the relevant CCP's simulation tool. For that purpose, CCPs should provide sufficient information on the design of all the scenarios used in their margin simulation tool to their Clearing Members, who should forward this information to their clients (in accordance with the third subparagraph of Article 38(8) of EMIR).

Q6: Do you agree with the proposals on the margin simulations to be provided by CSPs? Should there be any additional requirements?

6 Annexes

6.1 Annex I – Summary of questions

Q1: Do you agree with the proposed information to be provided by the CCP on its margin model design and operations? Do you have other proposals as to which information could be provided under point (a) of Article 38(7) of EMIR?

Q2: Do you agree with the proposed information to be provided by the CCP on the margin model assumptions and limitations? Do you have other proposals as to which information could be provided under point (b) of Article 38(7) of EMIR?

Q3: Do you agree with the proposal with regard to the model documentation? Do you have other proposals as to which documents could be provided under point (c) of Article 38(7) of EMIR?

Q4: Do you agree with the proposed requirements and the type of output for the simulation tool to be provided by CCPs? Are there any other requirements for the CCP margin simulation tool which should be taken into account, such as legal mechanisms to ensure confidentiality?

Q5: Do you agree with the proposed information to be shared by CSPs on their margin models? Should any other element be taken into account?

Q6: Do you agree with the proposals on the margin simulations to be provided by CSPs? Should there be any additional requirements?

6.2 Annex II – Legislative mandate to develop RTS

Article 38

Transparency

‘1. A CCP and its clearing members shall publicly disclose the prices and fees associated with the services provided. They shall disclose the prices and fees of each service provided separately, including discounts and rebates and the conditions to benefit from those reductions. A CCP shall allow its clearing members and, where relevant, their clients separate access to the specific services provided.

A CCP shall account separately for costs and revenues of the services provided and shall disclose that information to ESMA and the competent authority.

2. A CCP shall disclose to clearing members and clients the risks associated with the services provided.

3. A CCP shall disclose to ESMA, its clearing members and to its competent authority the price information used to calculate its end-of-day exposures to its clearing members.

A CCP shall publicly disclose the volumes of the cleared transactions for each class of instruments cleared by the CCP on an aggregated basis.

4. A CCP shall publicly disclose the operational and technical requirements relating to the communication protocols covering content and message formats it uses to interact with third parties, including the operational and technical requirements referred to in Article 7.

5. A CCP shall publicly disclose any breaches by clearing members of the criteria referred to in Article 37(1) and the requirements laid down in paragraph 1 of this Article, except where the competent authority, considers that such disclosure would constitute a threat to financial stability or to market confidence or would seriously jeopardise the financial markets or cause disproportionate damage to the parties involved.

6. A CCP shall provide its clearing members with a simulation tool allowing them to determine the amount of additional initial margin at portfolio level that the CCP might require upon the clearing of a new transaction, including a simulation of the margin requirements that they might be subject to under different scenarios. That tool shall only be accessible on a secured access basis, and the results of the simulation shall not be binding.

7. A CCP shall provide its clearing members with information on the initial margin models it uses, including methodologies for any add-ons, in a clear and transparent manner. That information shall:

(a) clearly explain the design of the initial margin model and how it operates, including in stressed market conditions;

(b) clearly describe the key assumptions and limitations of the initial margin model and the circumstances under which those assumptions are no longer valid;

(c) be documented.

8. Clearing members providing clearing services and clients providing clearing services shall provide their clients with at least the following:

(a) information on the way that the margin models of the CCP work;

(b) information on the situations and conditions that might trigger margin calls;

(c) information on the procedures used to establish the amount to be posted by the clients; and

(d) a simulation of the margin requirements to which clients might be subject under different scenarios.

For the purposes of point (d), the simulation of the margin requirements shall include both the margins required by the CCP and any additional margins required by the clearing members and the clients providing clearing services. The results of such simulation shall not be binding.

Upon the request of a clearing member, a CCP shall, without undue delay, provide that clearing member with the information requested to allow that clearing member to comply with the first subparagraph of this paragraph, unless such information is already provided pursuant to paragraphs 1 to 7. Where the clearing member or a client provides clearing services, and where appropriate, they shall transmit that information to their clients.

9. The clearing members of the CCP and clients providing clearing services, shall clearly inform their existing and potential clients of the potential losses or other costs that they may bear as a result of the application of default management procedures and loss and position allocation arrangements under the CCP's operating rules, including the type of compensation they may receive, taking into account Article 48(7). Clients shall be provided with sufficiently detailed information to ensure that they understand the worst-case losses or other costs they could face should the CCP undertake recovery measures.

10. ESMA, in consultation with EBA and the ESCB, shall develop draft regulatory technical standards to further specify:

(a) the requirements that the simulation tool is to comply with and the type of output to be provided pursuant to paragraph 6;

(b) the information to be provided by CCPs to clearing members regarding transparency of margin models pursuant to paragraph 7;

(c) the information to be provided by clearing members and clients providing clearing services to their clients under paragraphs 7 and 8; and

(d) the requirements of the simulation of margins to be provided to clients and the type of output to be provided pursuant to paragraph 8.

ESMA shall submit the draft regulatory technical standards referred to in the first subparagraph to the Commission by 25 December 2025.

Power is delegated to the Commission to supplement this Regulation by adopting the regulatory technical standards referred to in the first subparagraph of this paragraph in accordance with Articles 10 to 14 of Regulation (EU) No 1095/2010.’

6.3 Annex III – Cost-benefit analysis

6.3.1 CCP margin model information

Specific objective	The objective is to ensure that the information on the initial margin model the CCP uses is available to the clearing members and clients, in accordance with Article 38(7) and Article 38(8)(a) of EMIR.
Policy option 1	A first policy option would be that the CCPs provide information related to the margin model, including operational arrangements, publicly.
Policy option 2	A second policy option would be that the CCPs provide information related to the margin model, including operational arrangements, only to their clearing members. The clearing members, and consecutive CSPs, can share this information with their clients.
Preferred option	**Policy option 2**

Qualitative impact of the proposed policies	
Option 1	
Benefits	The information on the margin model of the CCP would be easily accessible to the clearing member, CSPs and clients, and avoid administrative burden by sharing individually.
Compliance costs	However, information on the margin model is commercially sensitive information, and thus could be considered confidential. In addition, if available publicly, it could penalise CCPs that have adopted a margin model which is more conservative than the minimum regulatory requirements. Finally, such an approach would be beyond the requirements described in Article 38 of EMIR, which provides that this information shall be available to the clearing members and the clients.
Supervision costs	No supervision costs identified.
Option 2	

Benefits	The information on the margin model of the CCP would be available to all its clearing members as well as CSPs and clients, while respecting their confidentiality.
Compliance costs	However, the time necessary for the information to reach the final client could be significant, depending on the number of CSPs between the CCP and the final client.
Supervision costs	Also, supervising the flow of information from the individual CSPs to the final client could be cumbersome, especially in cases where several entities are involved and/or supervised by different authorities.

6.3.2 CCP initial margin simulation tool

Margin ‘add-ons’

Specific objective	The objective is to define the elements of initial margins that should be included in the output of the initial margin simulation tool provided by the CCP, in accordance with Article 38(6) of EMIR, which will allow better visibility and predictability of margin calls.
Policy option 1	Include in the output the ‘core’ margins and margin ‘add-ons’ covering all types of risk.
Policy option 2	Include in the output the ‘core’ margins and the margin ‘add-ons’ that are related only to the portfolio where the positions are being margined (e.g. portfolio concentration add-on).
Preferred option	**Policy option 2**

Qualitative impact of the proposed policies	
Option 1	
Benefits	Clearing members, clients and indirect clients would have a comprehensive view of the amount of initial margins which could be required by the CCP upon a clearing of a new transaction.

Compliance costs	However, including the margin 'add-ons' that are related to the aggregate impact of all the portfolios of the clearing member would be difficult to implement, notably due to the challenge of allocating amounts called to the clearing member to individual portfolios. Furthermore, it would result in significant operational costs.
Supervision costs	It is difficult to supervise and ensure convergence of the methodology which would be used to allocate these margin 'add-ons' to individual portfolios.
Option 2	
Benefits	Clearing members, clients and indirect clients would have a view of the 'core' margins and the margin 'add-ons' directly linked to the portfolio where these positions are being margined, which are the most likely to evolve by the introduction of new transactions.
Compliance costs	Although this would require development costs for CCPs, it is operationally achievable. The amount however of the actual margin calls might be higher than the simulation due to the absence of the margin 'add-ons' related to the aggregate impact of all the portfolios of the clearing member.
Supervision costs	The NCAs would need supervise the application of this, which would require the clear identification of the margin 'add-ons' related to the portfolio, so they can be included in the output.

Margin simulation scenarios

Specific objective	The objective is to include in the simulation tool a simulation of the margin requirements that the clearing members might be subject to under different scenarios, which would allow better visibility and predictability of margin calls in case of adverse market conditions.
Policy option 1	The simulation tool could provide the possibility for scenarios using parameters defined by the clearing member (and eventually the clients and indirect clients).
Policy option 2	The simulation tool could provide a set number of scenarios, which should be at least five (which would be designed by the CCP). CCPs could add more scenarios, depending on the size and complexity of their activities. These scenarios could be the same as the ones used by the CCP for sizing its default fund.

Preferred option	**Policy option 2**

Qualitative impact of the proposed policies	
Option 1	
Benefits	Clearing members could have a simulation of the initial margin requirements for a scenario that is adapted to their expectations for an adverse market scenario.
Compliance costs	However, this would be operationally complicated and could result in high development costs for CCPs. The additional operational risk resulting from such an option might impact the operational capacity of the CCPs for day-to-day operations.
Supervision costs	NCAs would need to supervise the complex IT project necessary to offer this option, and the additional operational risk.
Option 2	
Benefits	Clearing members could have a simulation of the initial margin requirements for at least five scenarios, set by the CCP, which should be useful for market participants to have an idea of the evolution of the initial margin requirements in adverse market conditions.
Compliance costs	The implementation of at least five scenarios, which could be the same as the ones used by the CCP to size its default fund is expected to be operationally manageable and carry reasonable development costs.
Supervision costs	The NCAs are expected to supervise the methodology the CCPs will use to choose the scenarios for the simulation.

6.3.3 Simulation of client margins

Scenarios for the simulation of client margins

Specific objective	The objective is to include in the simulation of the margin requirements provided by CSPs to their clients an output for different scenarios, which

	would allow better visibility and predictability of margin calls in case of adverse market conditions.
Policy option 1	CSPs could provide the simulation for a list of scenarios of their choice, based on their expectations for adverse market conditions and evolution the individual risk of the client.
Policy option 2	CSPs could provide the simulation for the same scenarios as the ones the CCP uses in its simulation tool, where the positions of their client are cleared.
Preferred option	**Policy option 1**

Qualitative impact of the proposed policies	
Option 1	
Benefits	CSPs could develop scenarios in line with their expectations on the market adverse conditions and changes to individual risk of the client, in potential cooperation with their clients. As a result, these scenarios would be better tailored to the needs of the client.
Compliance costs	In this option the CSPs can leverage on the CCP margin simulation tool or develop their own.
Supervision costs	The NCAs of the CSPs would need to supervise the methodology used by the CSPs to choose the scenarios, as well as the ability of the CSPs to replicate the margin methodology of the CCP.
Option 2	
Benefits	CSPs could leverage on the simulation tools provided by the CCPs, and produce only the difference between the initial margins of the CCP and the total margins requested by the CSPs to their clients.
Compliance costs	This option would limit the flexibility of the CSP to choose the scenarios which would fit best the needs and profile of their clients.
Supervision costs	The NCAs of the CSPs would need to supervise the operational implementation of the simulation of the total client margins based on the scenarios used by CCPs in their simulation tools.

6.4 Annex VI – Draft regulatory technical standards on margin transparency

COMMISSION DELEGATED REGULATION (EU) No …/..

supplementing Regulation (EU) No 648/2012 of the European Parliament and of the Council with regard to regulatory technical standards specifying the requirements on margin transparency and margin simulation tool by CCPs and margin transparency and margin simulations by clearing service providers

of [ ]

(text with EEA relevance)

THE EUROPEAN COMMISSION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to Regulation (EU) No 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories[3], in particular Article 38(10), third subparagraph thereof,

Whereas:

(1) Regulation (EU) No 648/2012 has been amended by Regulation (EU) 2024/2987[4]. Those amendments have, inter alia, enhanced the provisions regarding margin transparency by CCPs towards their clearing members, and introduced margin transparency requirements for clearing members providing clearing services and clients providing clearing services (‘clearing service providers’) towards their clients.

(2) The information to be provided by a CCP on the design and functioning of its initial margin model should enable the CCP’s clearing members to obtain an in-depth understanding of how the margin model works, so that they can better predict their margin obligations towards the CCP. Such information should cover all elements of the initial margin model. In this context,

[3] Regulation (EU) No 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories; OJ L 201, 27.7.2012, p. 1–59.

[4] Regulation (EU) 2024/2987 of the European Parliament and of the Council of 27 November 2024 amending Regulations (EU) No 648/2012, (EU) No 575/2013 and (EU) 2017/1131 as regards measures to mitigate excessive exposures to third-country central counterparties and improve the efficiency of Union clearing markets; OJ L, 2024/2987, 4.12.2024.

elements of the initial margin model should be understood as the core margin and all margin add-ons. The information should be clear on the type of model used for the core margin, e.g. parametric model, historical simulation or Monte Carlo simulation and include details on the model parameters, including the confidence level, the lookback period, and the time horizon for the liquidation period, with a description of their functions. The CCP should also provide a detailed description of the model including logical steps and mathematical and statistical specifications. The information should also include the risk that each initial margin model element covers, and if the core margin covers for other risks than market risk, the information should be clear on how the additional risks are taken into account. As regards the margin add-ons, the information should include, where applicable, margin add-ons which cover the risk of the individual portfolios, such as liquidity, concentration and wrong-way risk add-ons; margin add-ons which cover the risk of the aggregate impact of all the portfolios of the clearing member, such as default fund concentration add-on; margin add-ons related to the individual risk of the clearing member, such as credit risk add-on; and other margin add-ons, such as margin requirements related to model risk or resulting from margin overrides. In addition, the CCP should provide information on the pricing and market data sources used by the CCP for calculating the margins, on the operational arrangements related to margin calls and on the governance procedures related to the review of the initial margin model by the CCP.

(3) In order for clearing members to understand the key assumptions and limitations of the CCP's initial margin model, the CCP should provide to their clearing members a description of the events that could lead to a breach of the assumptions and qualitative and quantitative information on the potential impact on margin requirements, as well as information on the performance of the model and on the behaviour of the model during stressed market conditions, including the backtesting results and the relevant sensitivity testing results. The CCP should also provide information with regard to the processes it would use to regularly monitor and, if necessary, revise the level of its margins to reflect current market conditions taking into account potentially procyclical effects of such revisions; information with regard to the conditions under which the assumptions of the model may no longer apply, and which would result in an override of the initial margin model, including during a market stress event; as well as information on how extraordinary margin calls, in case of a margin model override, would be calculated and called. In this context, extraordinary margins should be understood as the additional margins referred to in Article 56 of the Commission Delegated Regulation 153/2013[5].

(4) The documents, covering all the information on the CCP's initial margin model as well as the description of the CCP's margin simulation tool scenarios, should be provided by the CCP to its clearing members and be written in a clear and comprehensive manner so that the clearing members can obtain an in-depth understanding of how the margin model works. Clearing services providers should also provide these documents to their clients.

(5) As regards the CCP's margin simulation tool, in order for a clearing member to be able to distinguish between the impact on the initial margin in respect of its existing positions and the

[5] Commission Delegated Regulation (EU) No 153/2013 of 19 December 2012 supplementing Regulation (EU) No 648/2012 of the European Parliament and of the Council with regard to regulatory technical standards on requirements for central counterparties; OJ L 52, 23.2.2013, p. 41–74.

initial margin in respect of new transactions under a hypothetical scenario, the output amount of the simulation tool referring to the initial margin for the existing positions should be distinguished from the amount for new transactions. The output of the simulation tool should include the core margin and the margin add-ons that are related to the portfolio where the new transactions would be margined, and thus systematically required across clearing members, e.g. the portfolio concentration add-on. The output of the simulation tool should also distinguish between the amounts for the core margin and for each of the add-ons, to the extent possible, and clearly list the type of risks covered by each amount. For the avoidance of doubt, the amount for each add-on should be provided separately.

(6) In order for clearing members to be able to estimate and better predict their margin requirements, in particular under stressed market conditions, it is necessary to provide for a number of scenarios to be included in CCPs' margin simulation tools. Therefore, in addition to the current market conditions scenario, a CCP should include in its margin simulation tool two hypothetical and three historical market stress scenarios identified by the CCP, using the framework set out in Chapter VII of the Commission Delegated Regulation 153/2013. However, in order to ensure a minimum level of comparability, the design of those scenarios should be subject to certain requirements, in particular as regards the impact on the initial margin model. In addition, recognising the heterogeneity of CCPs, the CCP should consider identifying and including, in its simulation tool, additional market stress scenarios, taking into account its size, complexity, risk management practices, membership structure and the characteristics of its product offering.

(7) In order for clearing service providers to be able to provide accurate margin simulations to their clients, a CCP should provide access to its margin simulation tool not only to its clearing members but also to its clients providing clearing services, subject to appropriate confidentiality requirements.

(8) In order for a client to understand whether and how the margins required by its clearing service provider may differ from the margins required by the CCP, the clearing service provider should inform the client how the initial margins called by the CCP are passed through to the client. In case of deviations, the clearing service provider should also provide information to the client with regard to the rationale for, and magnitude of, those deviations. As clearing service providers may use different methodologies to calculate the margins called to their clients, e.g. they may use various multipliers for or add-ons to the margins called by the CCP, or they may use their own models, it is necessary to take such differences into account when specifying the margin transparency requirements for clearing service providers, so that clients receive comparable information. Where a clearing service provider uses the model of the CCP but requires additional margins from its client, such as by applying multipliers or coefficients or add-ons, e.g. to account for counterparty or credit risk, the clearing service provider should provide its client with information on the risks that each type of the additional margin covers; the key indicators on the performance of the additional margin requirements during normal and stressed market conditions; the operational arrangements for the collection of the additional margin requirements and for the restitution of excess collateral; the limits to which the client may submit transactions for clearing; and the procedures to review the methodology and the calculation of the additional margin requirements, and the applicable notice period. However, where a clearing service provider uses a different initial margin model than the one

used by the CCP, the clearing service provider should provide its clients with information that is comparable to the information provided by a CCP to its clearing members, i.e. information on the key elements of the design and limitations of its model, including information on the risk that each initial margin model element (i.e. the core margin and any add-ons) covers and how it is calculated; the type of model used for the core margin; the model parameters, such as the confidence interval, the lookback periods, and the time horizon for the lookback period, with a description of their respective functions; the pricing and market data sources used and the frequency of the updates; the operational arrangements for the collection of the margins and for the restitution of excess collateral; the limits to which the client may submit transactions for clearing; and the procedures to review the methodology and the calculation of the margins, and the applicable notice period.

(9) In order for clients to be able to estimate and better predict their margin requirements, in particular under stressed market conditions, it is necessary to provide for a number of scenarios to be included in clearing service providers' margin simulations, including scenarios tailored to the specificities of their clients. Therefore, in addition to the current market conditions scenario, a clearing service provider should include in its margin simulation at least three market stress scenarios and two scenarios related to the individual risk of the client. However, taking into account the heterogeneous nature of clearing service providers, each clearing service provider should consider identifying and including additional scenarios by taking into account its size, complexity, risk management practices, client structure and characteristics of its service offering. The requirements with regard to the clearing service provider's margin simulation to its clients should also distinguish between clearing service providers that use the same margin model as the CCP but apply additional margins, and clearing service providers that use their own models. Therefore, where a clearing service provider uses the model of the CCP but requires additional margins from its clients, such as by applying multipliers or coefficients or add-ons, the output of the margin simulation of such clearing service provider should, for each CCP, distinguish between the initial margin amount required by the CCP and any additional margins amounts required by the clearing service provider, and should also provide a breakdown per each type of additional margin required. However, where a clearing service provider uses a different margin model than the one used by the CCP, the output of the margin simulation of such clearing service provider should, for each CCP, distinguish between the amount required by the CCP and the amount required by the clearing service provider, and, in addition, should distinguish between the core margin amount and amounts for each of the margin add-ons of the model used by the clearing service provider. For the avoidance of doubt, the amount for each add-on should be provided separately.

(10) This Regulation is based on the draft regulatory technical standards submitted by the European Securities and Markets Authority (ESMA) to the Commission.

(11) ESMA has developed the draft regulatory technical standards in consultation with the European Banking Authority (EBA) and the European System of Central Banks (ESCB). In accordance with Article 10 of Regulation (EU) 1095/2010 of the European Parliament and the Council of 24 November 2010 establishing a European Supervisory Authority (European Securities and Markets Authority)[6], ESMA has conducted open public consultations on such

[6] OJ L 331, 15.12.2010, p. 84.

draft regulatory technical standards, analysed the potential related costs and benefits and requested the advice of the Securities and Markets Stakeholder Group established in accordance with Article 37 of Regulation (EU) No 1095/2010,

HAS ADOPTED THIS REGULATION:

CHAPTER I
INFORMATION TO BE PROVIDED BY A CCP TO ITS CLEARING MEMBERS

Article 1

Initial margin model design and functioning

A CCP shall provide its clearing members with information on the design and the functioning of its initial margin model, in a way that enables the clearing members to obtain an in-depth understanding of how the margin model works. This information shall cover all the elements of the initial margin model, including the following:

(a) the risk that each initial margin model element covers;
(b) the type of model used for the core margin;
(c) the methodology for the calculation of the margins, such as the logical steps, and the mathematical and statistical specifications;
(d) the model parameters, such as the confidence interval, the lookback periods, and the time horizon for the lookback period, with a description of their respective functions;
(e) the pricing and market data sources used by the CCP and the frequency of the updates;
(f) the operational arrangements, such as the deadlines for meeting initial margin calls, collateral posting cut-off times, collateral collection schedule; and
(g) the governance procedures related to the review of the initial margin model of the CCP, the involvement of clearing members in the governance process and the applicable notice period.

Article 2

Key assumptions and limitations of the initial margin model

1. A CCP shall provide its clearing members with a list of the key assumptions and limitations of the initial margin model, including a description of the events that could lead to a breach of the assumptions, and qualitative and quantitative information on the potential impact on margin requirements.

2. A CCP shall provide its clearing members with qualitative and quantitative information on the performance of its initial margin model and on the behaviour of that model during stressed market conditions. This information shall include the following:

(a) the backtesting results, as provided in accordance with Article 49(5) of the Commission Delegated Regulation 153/2013; and

(b) relevant sensitivity testing results, allowing the clearing members to understand how the initial margin model reacts to the evolution of parameters or assumptions.

3. A CCP shall also provide its clearing members with information on:

(a) the processes to monitor and revise the level of its margins to reflect the current market conditions;

(b) the conditions under which the assumptions of the model may no longer apply, and which would result in an override of the initial margin model, including during a market stress event; and

(c) how extraordinary margins are calculated and called in accordance with Article 56 of the Commission Delegated Regulation 153/2013.

Article 3

Model documentation

A CCP shall provide its clearing members with all the documents covering the information referred to in Article 1, Article 2 and Article 5(3) of this Regulation. These documents shall be written in a clear and comprehensive manner and in a way that enables the clearing member to obtain an in-depth understanding of how the margin model works.

CHAPTER II
CCP SIMULATION TOOL

Article 4

Output of the simulation tool

1. The output of the simulation tool provided by a CCP to its clearing members shall be composed of the core margin and each of the margin add-ons that are related to the portfolio where the new transactions will be margined. It shall distinguish between the amounts for the core margin and for each of the add-ons, to the extent possible, and clearly list the type of risks covered by each amount.

2. The output of the simulation tool shall be available for additional transactions in existing or hypothetical portfolios of the clearing member using the tool. The output of the simulation tool shall

distinguish between the initial margin requirement amount for the existing transactions already cleared by the clearing member and the additional initial margin amount required by the CCP upon clearing new transactions.

Article 5

Simulation tool scenarios

1. The simulation tool provided by a CCP shall allow its clearing members to determine their initial margin requirements for at least each of the following scenarios:

(a) the current market conditions based on the inputs used by the initial margin model for the most recent initial margin call to the clearing member using the tool;

(b) two hypothetical and three historical market stress scenarios identified by the CCP, using the framework set out in Chapter VII of the Commission Delegated Regulation 153/2013.

The scenarios referred to in point (b) of the first subparagraph shall meet the requirements set out in the Annex.

2. The CCP shall consider identifying and including, in its simulation tool, additional market stress scenarios, taking into account the CCP's size, complexity, risk management practices, membership structure and the characteristics of its product offering.

3. The CCP shall provide to its clearing members a clear description of the scenarios set out in paragraphs 1 and 2 of this Article.

Article 6

Access to the simulation tool

A CCP shall provide access to its simulation tool to its clearing members and to clients providing clearing services, subject to appropriate confidentiality requirements.

CHAPTER III

INFORMATION TO BE PROVIDED BY CLEARING MEMBERS AND CLIENTS PROVIDING CLIENT CLEARING SERVICES

Article 7

CCP initial margin model

Clearing members providing clearing services and clients providing clearing services (‘clearing service providers’) shall make available to their clients the information and documentation referred to in Article 3 of this Regulation.

Article 8

Margins required by clearing service providers

1. A clearing service provider shall inform its clients on how the initial margins called by the CCP are passed through to its clients. Where the amount of initial margins required by the clearing service provider from its client deviates from the amount required by the CCP, the clearing service provider shall provide information with regard to the rationale for, and magnitude of, those deviations to the clients subject to such deviations.

2. Where a clearing service provider uses the margin model of the CCP, and requires additional margins to the margins required by the CCP, the clearing service provider shall provide its clients with information on:

(a) the risk that each type of additional margin covers, and how it is calculated;

(b) the key indicators on the performance of additional margin requirements during normal and stressed market conditions;

(c) the operational arrangements for the collection of the additional margin requirements, including the deadlines for meeting margin calls, collateral posting cut-off times, collateral collection schedule, thresholds which might trigger margin calls where applicable, limits to which the client may submit transactions for clearing, and for the restitution of excess collateral; and

(d) the procedures to review the methodology and the calculation of the additional margin required by the clearing service provider, and the applicable notice period.

3. Where a clearing service provider uses a different margin model than the one used by the CCP, the clearing service provider shall provide its clients with information on the key elements of the design and limitations of its initial margin model, including the following:

(a) the risk that each initial margin model element covers, and how it is calculated;
(b) the type of model used for the core margin;
(c) the model parameters, such as the confidence interval, the lookback periods, and the time horizon for the lookback period, with a description of their respective functions;
(d) the pricing and market data sources used and the frequency of the updates;
(e) the operational arrangements for the collection of the margins, including the deadlines for meeting initial margin calls, collateral posting cut-off times, collateral collection schedule, thresholds which might trigger margin calls, limits to which the client may submit transactions for clearing, and for the restitution of excess collateral; and
(f) the procedures to review the methodology and the calculation of the additional margins, and the applicable notice period.

Article 9

Margin simulations

1. A clearing service provider shall provide its clients with margin simulations for at least each of the following scenarios:

(a) the current market conditions based on the inputs used by the initial margin model for the most recent initial margin call; and

(b) three market stress scenarios and two scenarios related to the individual risk of the client.

2. The clearing service provider shall consider identifying and including additional scenarios by taking into account its size, complexity, risk management practices, client structure and characteristics of its service offering.

3. Where a clearing service provider uses the same margin model as the CCPs, and requires additional margins to the margins required by the CCPs, the output of the margin simulations shall, for each CCP, clearly distinguish the initial margin amount required by the CCP from any additional margins amounts required by the clearing service provider related to the portfolio where the transactions are being margined. The clearing service provider shall also provide a breakdown per type of additional margin required.

4. Where a clearing service provider uses a different margin model than the one used by the CCPs, the output of the margin simulations shall:

(a) for each CCP, clearly distinguish the amount required by the CCP from the amount required by the clearing service provider related to the portfolio where the transactions are being margined; and

(b) clearly distinguish between the core margin amount and amounts for each of the margin add-ons of the model used by the clearing service provider related to the portfolio where the transactions are being margined.

CHAPTER IV
FINAL PROVISIONS

Article 10

Entry into force

This Regulation shall enter into force on the [XXth] day following that of its publication in the Official Journal of the European Union.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels, DD MM YYYY.

For the Commission

The President

Signature

ANNEX

Requirements for the market stress scenarios for the CCP margin simulation tool

The CCP simulation tool scenarios referred to in Article 5(1), first subparagraph point (b), of this Regulation, shall meet all of the following requirements:

(a) They shall be built in a way that impacts initial margin models as follows:

(i) They shall result in changes to initial margin amounts, due to shifts in market conditions;

(ii) They shall include appropriate periods of stress impacting market volatility and correlations of risk factors captured by initial margin models;

(iii) They shall include a change of price levels of the instruments cleared by the CCP, which are used as inputs for calculating initial margins; and

(iv) They may include impacts on other risks and margin components, such as due to increased liquidation costs or reduced portfolio margining.

(b) As regards historical scenarios, they shall include key past stress events that are the most impactful for the portfolios of the clearing members; and

(c) As regards hypothetical scenarios, they shall be built in a way that they stress the clearing members' liquidity needs.