

Methodology

Methodology for assessing the Effectiveness of the Active Account Requirement

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Executive Summary

This note outlines the methodological framework for assessing the effectiveness of the Active Account Requirement (AAR) introduced by Regulation (EU) 2024/2987 (EMIR 3), which amended the European Market Infrastructure Regulation (EMIR) and entered into force on 24 December 2024. By preparing and publishing this methodology the European Securities and Markets Authority (ESMA) aims to ensure a rigorous, transparent and consistent approach to the assessment of the AAR.

The assessment of the effectiveness of the AAR finds its legal base in Article 7a(10) of EMIR. Under that provision, ESMA, in close cooperation with the European System of Central Banks (ESCB) and the European Systemic Risk Board (ESRB), and after consulting the Joint Monitoring Mechanism (JMM), is required to assess the effectiveness of the AAR in mitigating the financial stability risks for the EU represented by the excessive exposures of EU counterparties to Tier 2 CCPs offering services of substantial systemic importance.

The structured framework of this methodology includes relevant metrics and criteria to assess the effectiveness of the AAR. The framework distinguishes three main components of the assessment, which are (i) the implementation status of the AAR by market participants subject to this requirement; (ii) the effectiveness of the AAR in mitigating the financial stability risks for the EU or its Member States and (iii) an impact assessment of any complementing measures.

Building on this methodology, the next step will consist of issuing a data request to complement the available data with necessary data that is currently not available to ESMA. The full set of data will be used to conduct a comprehensive assessment of the effectiveness of the AAR using the framework specified in this document. The results will be reflected in a dedicated report, which is expected to be ready in 2027, and shared with the European Parliament, the Council, and the Commission. Depending on the results of the assessment, the report may include recommendations and set out potential complementing measures.

1 Objective and legal base

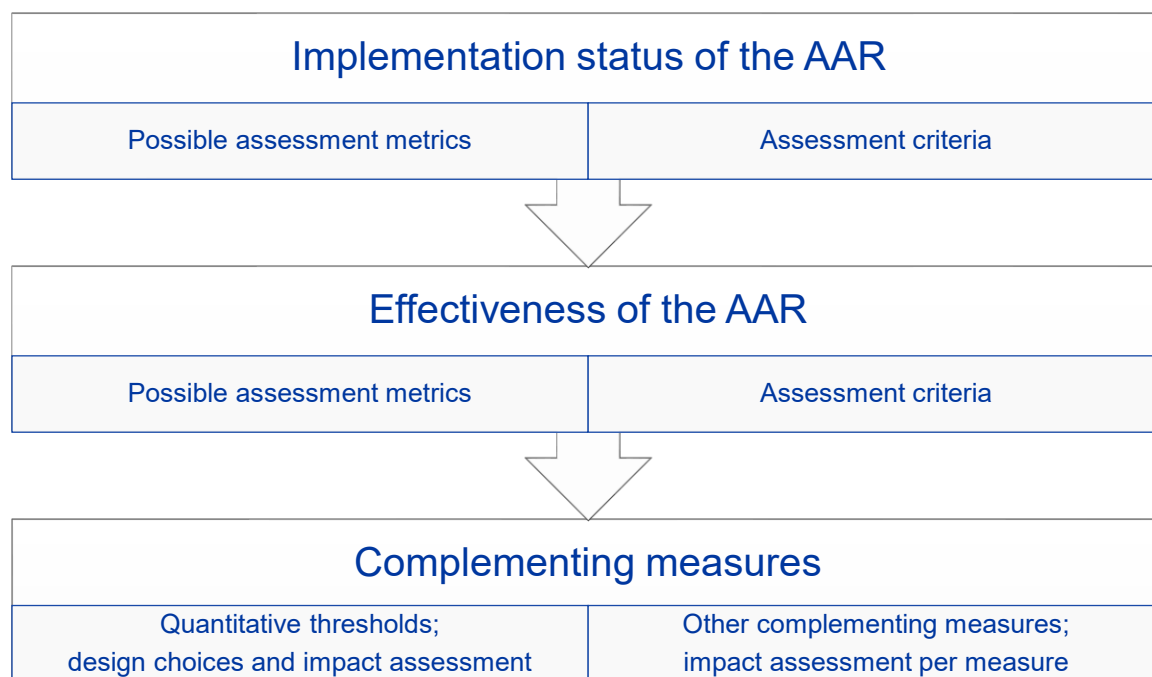
1. The methodology outlined in this note aims to provide a structured framework to assess the effectiveness of the Active Account Requirement (AAR) introduced by Regulation (EU) 2024/2987 (EMIR 3), which amended the European Market Infrastructure Regulation (EMIR) and entered into force on 24 December 2024. By preparing and publishing this methodology, the European Securities and Markets Authority (ESMA) aims to ensure a rigorous, transparent and consistent approach to the assessment of the AAR.
2. EMIR 3 seeks to strengthen the European Union's (EU) central clearing capacity, by encouraging clearing in the EU and improving the attractiveness of EU central counterparties (CCPs), thereby addressing financial stability risks for the EU from excessive exposures of EU counterparties to systemically important third-country CCPs (Tier 2 CCPs) offering services of substantial systemic importance. Among the measures supporting these objectives is the AAR, which requires financial and non-financial EU counterparties subject to the clearing obligation, under defined conditions, to hold active accounts and clear a representative number of transactions at EU CCPs. The AAR applies to over-the-counter (OTC) interest rate derivatives (IRD) contracts that are denominated in euro (EUR) or Polish zloty (PLN), and to EUR-denominated short-term interest rates (STIR), where these are cleared at a clearing service of substantial systemic importance, as identified by ESMA.¹ The Regulatory Technical Standards specifying the conditions of the AAR² (RTS AAR) were published by ESMA on 19 June 2025, adopted by the Commission on 29 October 2025 and published in the EU Official Journal on 6 February 2026.
3. The assessment of the effectiveness of the AAR finds its legal base in Article 7a(10) of EMIR. Under that provision, ESMA, in close cooperation with the European System of Central Banks (ESCB) and the European Systemic Risk Board (ESRB), and after consulting the Joint Monitoring Mechanism (JMM), is required to assess the effectiveness of the AAR in mitigating the financial stability risks for the EU represented by the excessive exposures of EU counterparties to Tier 2 CCPs offering services of substantial systemic importance. ESMA shall accompany its assessment with a report to the European Parliament, the Council and the Commission including a fully reasoned impact assessment and cost-benefit analysis on any complementing measures it deems necessary, including quantitative thresholds.
4. The structured framework of this methodology includes relevant metrics and criteria to assess the effectiveness of the AAR. The framework distinguishes three main components of the assessment, which are (i) the implementation status of the AAR by

¹ ESMA, Assessment of Tier 2 CCPs under Article 25(2c) of EMIR, December 2021, [esma91-372-1913 statement uk ccp article25 2c assessment 2021.pdf](#)

² Commission Delegated Regulation (EU) 2026/305 of 29 October 2025 supplementing Regulation (EU) No 648/2012 of the European Parliament and of the Council with regard to regulatory technical standards specifying the operational conditions, the representativeness obligation and the reporting requirements related to the active account requirement, OJ L, 2026/305, 6.2.2026

market participants subject to this requirement; (ii) the effectiveness of the AAR in mitigating the financial stability risks for the EU or its Member States, and (iii) an impact assessment of any complementary measures. These components are illustrated in Figure 1.

FIGURE 1. METHODOLOGY COMPONENTS



5. The assessment will be based on a range of existing data sources, which include the dedicated AAR reporting under Article 7b of EMIR (AAR Reporting), derivatives transactions reported under Article 9 of EMIR (EMIR data), and notifications by entities indicating that they are subject to the AAR (AAR notifications). These main data sources will be complemented, where available, by supervisory data from EU and Tier 2 CCPs, and public sources, including CPMI-IOSCO Public Quantitative Disclosures (PQD) and CCPs' websites.
6. Where existing data prove insufficient, a targeted data request is foreseen to address information gaps. In particular, this will build on the findings of the Interim Report on the AAR Effectiveness (AAR Interim Report)³, published on 6 July 2026, which highlighted the need for account level information and more granular risk exposure metrics, such as risk sensitivities (e.g. PV01 or DV01) and default fund contributions. Targeted data may be also required for assessing the costs and benefits of complementing measures (e.g. information on the netting efficiency of cleared portfolios, market liquidity across

³ ESMA, Interim Report: Preliminary Assessment of the Effectiveness of the Active Account Requirement, July 2026, [ESMA91-1525761655-5356 Interim report of the effectiveness of the active account requirement.pdf](#)

clearing locations, and operational and other implementation costs for market participants), where such information is not readily available at ESMA.

7. In addition to quantitative metrics, the analysis will incorporate qualitative insights obtained through engagement with market participants, including through industry roundtables and other stakeholder interactions. Additional input will be provided by the JMM observers, who are the national competent authorities (NCAs) entrusted with the supervision of the AAR at Member State level. These exchanges will offer insights into the implementation status and practical impact of the AAR.

2 Methodology for assessing the implementation status of the AAR

8. The first component of the assessment concerns the status of the implementation of the AAR and level of compliance across the different types of market participants and clearing services of substantial systemic importance. This builds on the approach of the AAR Interim Report, which provided a stock take of the implementation status of the AAR during 2025 and until early 2026. This component will update these findings and complement them with findings from data from the dedicated AAR reporting. The AAR reporting is expected to include improved group structure information and better coverage of the positions of third-country subsidiaries of EU groups. The data are expected to become gradually available during the second half of 2026, with a more complete set of data expected in January 2027.
9. Potential relevant metrics used would include:
 - **AAR coverage.** This metric would assess the population of entities subject to the AAR and their characteristics. Relevant indicators include the number, activity, and characteristics of entities subject to the AAR, with breakdowns by size, group structure (e.g. links with EU vs non-EU group), AAR product, currencies, sector, and geographical location. The analysis may also consider the residual activity and risks of entities and products that fall outside the current scope of the AAR, such as entities below the AAR thresholds, non-EU entities, or STIR Options. This would inform whether the scope of the AAR is sufficiently broad and representative, and whether it captures market participants and market segments that are most relevant from an EU financial stability perspective.
 - **Operational implementation.** This metric would assess the practical implementation of the AAR, including the opening of active accounts and any operational or technical frictions (e.g. liquidity challenges) encountered by market participants. Relevant indicators would include the number of new accounts opened at EU CCPs, their practical usage, the extent to which those accounts are used beyond the minimum representativeness requirements, and breakdowns by clearing location, AAR product, and currency. Quantitative evidence will be complemented by qualitative feedback from JMM observers and market

participants, particularly regarding operational challenges, implementation costs, and other practical considerations.

- **AAR compliance at aggregate EU level.** This metric would assess whether operational and representativeness conditions or other expectations are met at aggregate EU level. The analysis would primarily draw on the reporting submitted under Article 7b of EMIR and could include a system-wide assessment of compliance with breakdowns by AAR product, sector, and geographic location, among others. The analysis will also consider any implementation issues or unintended consequences affecting compliance, incorporating, where relevant, national-level feedback from JMM observers and feedback from industry.

10. ESMA will use the indicators set out in this framework to assess whether the level of implementation of the AAR is in line with regulatory requirements as specified in EMIR and the RTS AAR. The assessment will combine quantitative indicators, with qualitative evidence and supervisory judgement to evaluate both the current level of implementation and trends over time.
11. The expected outcome of this component would be a clear, comprehensive view of how the AAR is being implemented across EU entities, including patterns across different types of market participants (e.g. buy- vs sell-side), products, currencies, clearing locations, as well as differences by size, sector or geographical location. The outcome will form the basis for the assessment in the next components and will allow identifying potential differential impacts of the AAR across market participants or market segments.

3 Methodology for assessing the effectiveness of the AAR

12. The second component of the assessment examines the effectiveness of the AAR in mitigating the financial stability risks for the EU arising from EU counterparties excessive exposures to Tier 2 CCPs offering services of substantial systemic importance.
13. The assessment builds on the analytical framework developed in ESMA's 2021 report under Article 25(2c), which identified certain third-country clearing services as of "substantial systemic importance" due to the risks they pose to the EU or its Member States. That report combined qualitative risk scenarios and quantitative indicators to assess the probability and materiality of these risks. The present methodology maintains this analytical approach while taking into account subsequent market developments and the work undertaken by the JMM as presented in its 2025 Annual Report published on 6 July 2026.⁴

⁴ ESMA, First Annual report of the JMM, July 2026: [ESMA91-1525761655-5414 Annual report of the Joint Monitoring Mechanism](#)

3.1 Assessment framework

14. The assessment of the AAR evaluates its effectiveness at mitigating the relevant EU financial stability risks. For this purpose, the analysis considers three broad categories of risk⁵:
- **Risks arising from the financial or operational failure of Tier 2 CCPs**, including disruptions to, or the failure of clearing services of substantial systemic importance. These risks may arise from excessive reliance on “**too big to fail**” CCPs, where a CCP’s disruption, withdrawal or default due to financial distress, operational problems or business reasons could result in widespread losses across the EU financial system.
 - **Risks arising from discretionary decisions taken by Tier 2 CCPs or third-country authorities**, including decisions affecting access to clearing services, risk management practices or collateral policies that could adversely affect EU market participants. These risks may arise from the “**rulebook power**” of Tier 2 CCPs and third-country authorities, which may influence the conditions under which EU clearing members and clients access these services, both during normal market conditions and in periods of stress. Such risks may be heightened, including in situations where the mandates or interests of third-country authorities differ from those relevant to EU financial stability, or where EU authorities have limited power to prevent or influence measures adopted by a Tier 2 CCP that diverge from its approved risk management policies and models and could negatively affect EU financial stability.
 - **Risks arising from the EU’s structural reliance on third-country clearing services**, including commercial and geopolitical risks resulting from insufficiently developed EU clearing alternatives. These risks may arise from the “**lock-in power**” of Tier 2 CCPs, where the EU’s dependence on third-country CCPs due to the limited availability of viable alternatives, constrains its ability to safeguard its financial stability and exercise an appropriate degree of sovereignty in relation to clearing services.
15. Recognising the uncertainty associated with assessing certain aspects of these risks, the assessment aims to combine relevant quantitative indicators, supervisory judgement and qualitative information gathered through engagement with NCAs and market participants. The indicators described in this framework will be used to provide an indication of the materiality of identified risks and to assess whether the AAR has contributed to their mitigation. They are illustrative and not exhaustive, and their relevance and availability may vary depending on the risk assessed and the information available to ESMA. The analysis will also consider the likelihood and

⁵ The proposed categorisation builds on the ESRB framework on assessing the AAR effectiveness as described in the first annual report of the JMM, which builds on the following three-pillars: “too big to fail”, “rulebook power”, and “lock-in power”. Details can be found here (BOX 1): [ESMA91-1525761655-5414 Annual report of the Joint Monitoring Mechanism](#)

potential impact of relevant risk scenarios, as well as existing risk mitigants that may reduce the potential effects on EU financial stability.

16. Unless otherwise indicated, the indicators described below, may be further analysed by participant type (e.g. clearing member vs client, sector, location, group structure, group location), product, currency or other characteristics relevant to the risk assessed. The evolution of the metrics before and after the introduction of AAR will also be considered.
17. Table 1 summarises the analytical framework underpinning the assessment. It links each risk category to illustrative risk scenarios, examples of indicators that could inform the assessment, and the criteria against which effectiveness of the AAR will be evaluated.

TABLE 1. ANALYTICAL FRAMEWORK FOR ASSESSING THE EFFECTIVENESS OF THE AAR

Risk category	Risk scenarios	List of indicators	Effectiveness criteria
Financial or operational failure of Tier 2 CCP ("too big to fail")	CCP default; prolonged operational disruptions leading to widespread losses across the EU financial system	Absolute and relative size of substantially systemic important clearing services (e.g. cleared volumes, notional); credit and liquidity exposures (e.g. margin, default fund contributions); availability of EU alternatives	Reduced exposures of EU participants; increased clearing activity inside the EU; improved operational readiness and usability of EU alternatives (e.g. enhanced product coverage, improved liquidity)
Decisions taken by Tier 2 CCPs or their authorities ("rulebook power")	EU entities facing discretionary decisions, for example, on margin increases, changes to collateral eligibility or haircuts, restrictions on access, and recovery and resolution measures	Credit and liquidity exposures (e.g. margin, default fund contributions), sovereign collateral exposures (e.g. amount and composition of collateral); operational readiness and availability of EU alternatives, and any risk mitigants (e.g. supervisory powers)	Reduced vulnerability of EU financial stability to decisions taken by Tier 2 CCPs or their authorities; increased share of clearing activity inside the EU; improved viability of EU alternatives
Structural reliance on third-country clearing	Commercial dependence; geopolitical risks	Market share of Tier 2 CCPs; availability and substitutability of EU alternatives; clearing	Reduced reliance on third-country clearing services of substantial systemic importance

services ("lock-in power")		costs; long-term viability of EU clearing services	and stronger EU clearing capacity (e.g. enhanced product coverage, improved liquidity)
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18. The following sections provide further detail on the analytical framework applied to each of these risk categories.

3.2 Assessment of individual risk categories

Risks arising from the financial or operational failure of systemic third-country CCPs.

19. Risk of financial failure

- Risk scenario: An unlikely but possible default of a Tier 2 CCP could lead to widespread losses across the EU financial system.
- Examples of relevant indicators:
 - The absolute and relative size of services of substantial systemic importance, including (i) notional outstanding of cleared contracts, (ii) cleared volumes over a reference period, or (iii) the number and characteristics of EU participants at Tier 2 CCPs and the concentration of their activity.
 - The size of EU participants' absolute and relative exposures to services of substantial systemic importance, including (i) credit related exposures of EU participants at individual and aggregate level (e.g. initial margin and default fund contributions), (ii) liquidity exposures of EU counterparties (e.g. daily or intraday margin calls resulting from changes in market prices or initial margin), (iii) potential exposures arising from recovery tools, or (iv) risk sensitivities of EU participants measured by PV01 or DV01 metrics.
 - The level of EU reliance on services of substantial systemic importance, including (i) market share of Tier 2 CCPs relative to EU CCPs for services of substantial systemic importance using different and complementary metrics (e.g. clearing activity, notionals, number of active participants, risk sensitivities), or (ii) the availability and quality of EU alternatives, including their growth.

20. Risk of operational disruption

- Risk scenario: A prolonged unavailability of services of substantial systemic importance could force EU market participants to cease trading, trade bilaterally

where possible, or trade and clear in alternative venues. Where suitable viable alternatives are not available, or where migration costs are too high, a reduction in activity or an increase in bilateral trading could increase financial stability risks.

- Examples of relevant indicators:
 - The availability of viable alternative EU clearing options for EU participants, including (i) the availability of EU CCPs able to provide relevant clearing services, (ii) the ability of EU participants to access EU CCPs, for example, by analysing the number of existing EU active accounts opened and actively used, (iii) the capacity of EU CCPs to support the migration of activity, where required, or (iv) the operational readiness of EU participants to migrate positions and collateral to alternative EU CCPs within an appropriate timeframe.

Risks arising from decisions taken by Tier 2 CCPs or their authorities.

21. Risk of discretionary increases in margin requirements

- Risk scenario: EU participants may face significant increases in margin requirements resulting from discretionary changes in CCPs risk models that may diverge from approved risk-management policies, procyclical margin methodologies, or concerns regarding their financial soundness. Such increase could create liquidity strains and amplify stress during periods of market volatility.
- Examples of relevant indicators: The assessment would consider the same indicators of EU participants' exposures to services of substantial systemic importance described in paragraph 19.

22. Risk of discretionary increase in haircuts, concentration limits or limitation to eligibility of EU sovereign collateral.

- Risk scenario: Discretionary changes to collateral policies that may diverge from approved risk-management policies, particularly in periods of stress, including increases in haircuts, tighter concentration limits or restrictions to eligibility of EU sovereign collateral, could affect EU participants, and potentially influence perceived sustainability of EU sovereign issuers and conditions in sovereign bonds markets.
- Examples of relevant indicators:
 - The amount and composition of the collateral posted to Tier 2 CCPs over the reference period, including breakdowns by currency or other relevant characteristics.

23. Risk of discretionary restriction, suspension or termination of access of EU participants.

- Risk scenario: Decisions restricting access of EU participants to services of substantial systemic importance that may diverge from approved risk-management policies, could affect their ability to manage risks and continue clearing activity, with potential consequences for EU financial stability.
- Examples of relevant indicators: The assessment would consider the same indicators of availability of viable EU clearing services for EU participants described in paragraph 20.

24. Risk of recovery and resolution strategy disproportionately impacting EU clearing members

- Risk scenario: The implementation of the recovery plan or the execution of the resolution plan of a Tier 2 CCPs could have disruptive effects on EU clearing members and, more broadly, on the EU financial system. This risk may be heightened where there are differences in the respective mandates or interests in relation to EU financial stability between the third-country authority and EU authorities.
- Examples of relevant indicators:
 - Potential credit and liquidity exposures of EU participants arising from recovery or resolution arrangements.

25. Risk of decisions impacting monetary policy transmission.

- Risk scenario: Risk management decisions taken by Tier 2 CCPs could cause liquidity strains for EU clearing members acting as monetary policy counterparties. This could impair their ability to participate in monetary policy operations and weaken the transmission of monetary policy decisions, with potential spillovers to repo markets.
- Examples of relevant indicators: The assessment would consider the same indicators of EU participants' exposures to services of substantial systemic importance described in paragraph 19.

Risks arising from structural reliance on clearing services of substantial systemic importance.

26. Commercial risk

- Risk scenario: Where viable EU alternatives are not available or remain insufficient. EU participants may remain dependent on Tier 2 CCPs.
- Examples of relevant indicators:

- The degree of reliance of EU market participants on clearing services of substantial systemic importance and the quality of available EU alternatives, including (i) comprehensiveness of the EU alternatives in terms of product and currency coverage, (ii) the substitutability of EU alternatives with third-country services, (iii) the long-term viability of EU alternatives (e.g. depth and diversity of clientele base, market share, growth rate), and (iv) the evolution of the cost of clearing, including liquidity costs.
- The assessment may also consider the characteristics of EU participants, including their organisational structure, location of activity and links to non-EU groups, where these factors may influence reliance on third-country clearing services or the feasibility of migration to EU alternatives.

27. Geopolitical risk

- Risk scenario: Restriction of access of EU participants to services of substantial systemic importance could be used by third-country authorities as source of leverage during periods of political tension, potentially creating risks for EU financial stability.
- Examples of relevant indicators: The assessment would consider the same indicators described in paragraph 26.

3.3 Assessment of the effectiveness of the AAR

28. The report will assess the effectiveness of the AAR in mitigating the sources or materiality of these risks described above, and in reducing the share of the provision of clearing services of substantial systemic importance by Tier 2 CCPs in relation to EU CCP alternatives, in-line with Article 7a(10) of EMIR. This assessment will rely on a combination of quantitative evidence, qualitative information and supervisory judgement.

29. In particular, ESMA would consider whether available evidence demonstrates that the AAR has contributed to:

- reducing the size (or share) of clearing services of substantial systemic importance provided by Tier 2 CCPs relative to available EU alternatives,
- reducing the credit, liquidity and collateral exposures of EU market participants to Tier 2 CCPs relative to available EU alternatives,
- improving the operational readiness and migration capacity of EU market participants to access EU CCPs, and
- supporting the development of sufficiently liquid, competitive, and sustainable EU clearing alternatives.

30. In assessing the contribution of the AAR, ESMA will take into account that developments in clearing markets may be influenced by a range of factors, including regulatory, market, economic and geopolitical developments. Therefore, the assessment will consider the contribution of the AAR to observed changes while recognising that it may not always be possible to isolate its effects from those of other factors. Where appropriate, ESMA may also consider evidence from comparable markets, products, or market participants not subject to the AAR, in order to assess whether observed developments are more likely to reflect the effects of the AAR or broader market trends.
31. Consistent with the analytical framework set out in Section 3.1, the assessment will be holistic and will consider the available quantitative and qualitative evidence collectively, also recognising that certain impacts may be difficult to quantify. Based on the available evidence, the overall assessment will determine whether, and to what extent, the AAR has contributed to reducing the financial stability risks identified in this methodology. The analysis will also consider the likelihood and potential impact of relevant risk scenarios, as well as existing risk mitigants that may reduce the potential effects on EU financial stability (e.g. supervisory powers during crises or in the context of recovery and resolution).
32. The outcome of this assessment will provide the basis for considering whether any limitations of the current AAR framework remain and whether additional measures may be warranted. These findings will inform the identification and assessment of potential complementing measures set out in Section 4.

4 Methodology for assessing complementing measures

33. The third component of the assessment concerns the identification and evaluation of potential measures to complement the AAR and improve its effectiveness. Indeed, Article 7a of EMIR requires ESMA to accompany its assessment of the AAR effectiveness with a fully reasoned impact assessment of complementing measures, including quantitative thresholds. Recital 15 of EMIR 3 further provides that ESMA should propose any measures it deems necessary, as well as quantitative thresholds, and accompany them with an impact assessment and a cost-benefit analysis.
34. The assessment outlined in Section 3 provides the analytical basis for this component. In particular, it will identify whether the current framework has contributed to mitigating the identified financial stability risks and achieving the objectives of EMIR 3. Where the assessment identifies remaining limitations or shortcomings, ESMA will assess whether complementing measures could address these more effectively and contribute to achieving the objectives of EMIR 3. The scope and depth of the assessment would be proportionate to the severity of identified limitations.
35. The assessment of potential complementing measures will therefore focus on identifying whether changes to the design of the AAR, or other measures outside the scope of the AAR, could support meeting EMIR 3 objectives, while recognising that

certain limitations may arise from broader market structure or factors that may not be addressed solely through changes to the AAR framework. The assessment will consider both measures that could directly affect clearing behaviour and measures that may address structural factors influencing clearing location decisions.

36. Potential complementary measures may include

- Different approaches to the specification of quantitative thresholds;
- Changes to the design of the AAR framework, including adjustments to its scope, calibration or application; and
- Other measures addressing factors outside the direct design of the AAR that may influence clearing location decisions.

37. ESMA will assess each potential measure using a common analytical framework. The assessment will consider whether, and to what extent, it would reduce the excessive reliance on clearing services of substantial systemic importance provided by Tier 2 CCPs and mitigate the relevant financial stability risks, as well as any associated costs and potential broader effects on market functioning, competitiveness, and financial stability.

38. The analysis will combine quantitative analysis, qualitative information and supervisory judgement. ESMA may complement the assessment through targeted engagement with NCAs, CCPs and market participants or through additional information gathering (e.g. through industry roundtables).

4.1 Assessment of quantitative thresholds

39. Potential complementing measures may concern quantitative thresholds and changes to the existing representativeness obligation.

40. The design options considered can be categorised as follows:

- approaches with quantitative thresholds based on positions, volumes or risk measures (e.g. proportion of notional traded, notional outstanding or initial margin)
- adjustments to the existing representativeness obligation, including changes to the minimum number of trades required be cleared in the active account.
- differentiated approaches depending on characteristics of market participants (e.g. market makers vs buy-side) or activities, including progressive thresholds to mitigate potential cliff effects.

41. For each design option considered, ESMA will assess the expected impact on the distribution of clearing activity and exposures of EU counterparties between Tier 2 CCPs and EU CCPs in AAR related products. Where appropriate, the analysis may

include quantitative simulations and scenario analysis based on available data and qualitative analysis of possible behavioural responses by EU counterparties, including potential relocation of activity, changes in trading behaviour or reduction of the use of the products within the scope of the AAR (rather than the transfer of the activity at EU CCPs).

42. The impact assessment would also consider a cost-benefit analysis. As a starting point, ESMA would build on the methodology of the 2021 assessment under Article 25(2c) of EMIR, while adapting it to the objectives of the AAR and incorporating subsequent work carried out within the JMM. Recognising the uncertainty associated with assessing certain costs or benefits, particularly those relating to financial stability, the analysis may combine quantitative evidence, qualitative information and supervisory judgement where impacts cannot always be precisely quantified.
43. The benefits associated with the different design options outlined above may include:
- Reduced dependence of EU market participants on clearing services of substantial systemic importance provided by Tier 2 CCPs;
 - Improved resilience of the EU clearing ecosystem through the more balanced distribution of clearing activity and exposures and mitigation of the identified financial stability risks outlined in Section 3,
 - Stronger liquidity, competitiveness and long-term viability of EU clearing alternatives; and
 - Improvements in the operational efficiency and usability of the AAR framework through further simplification of regulatory requirements.
44. The assessment of potential benefits may build on the indicators outlined in Section 3, including the reduction in the market share of clearing services of substantial systemic importance, changes in the distribution of activity and exposures across Tier 2 and EU CCPs, the improvement of the depth and resilience of EU liquidity pools, and the overall strengthening of EU alternatives (e.g. by analysing the impact of different scenarios on cleared volumes, notional outstanding, or other risk metrics such as initial margin and risk sensitivities, and their distribution across clearing locations).
45. The costs associated with the different design options outlined above may include:
- Reduced netting efficiencies arising from fragmentation of clearing portfolios across clearing locations;
 - Changes in margin requirements, including concentration-related effects or impact on margin procyclicality;

- Increased basis risk associated with the fragmentation of clearing portfolios and liquidity across clearing locations, which could increase trading and clearing costs for clients;
 - Operational and implementation costs for market participants;
 - Impacts on market liquidity, market functioning and competitiveness of different categories of market participants (e.g. clearing members offering client clearing services, or dealers and market makers supplying market liquidity).
46. Where relevant and subject to data availability, the assessment of potential costs may draw on the list of indicators outlined in Section 3.2 using information on clearing activity and risk exposures, portfolio data (e.g. gross and net notional outstanding), market pricing data, supervisory information and engagement with market participants to analyse these impacts. It may also consider whether the impact differs across products, currencies, business models or categories of counterparties.

4.2 Assessment of other complementing measures

47. ESMA may also consider any other measures that may complement the current AAR and contribute to achieving its objectives.
48. Potential other complementary measures may include:
- Changes to the scope of entities subject to the AAR. Current conditions for the application of the AAR to entities subject to the clearing obligation and with cleared positions in AAR-related products above EUR 3 BN and 6BN (the latter for the representativeness obligation), ensure significant coverage of EU clearing in AAR-related products in notional terms. At the same time, the limited number of notifying entities relative to overall market participation may warrant further analysis to assess whether targeted adjustments to the thresholds are needed to support the framework's continued effectiveness.
 - Changes to the scope of products subject to the AAR, for example, by increasing the coverage of the AAR in terms of products. Further analysis would aim to ensure continued appropriateness in light of evolving market dynamics and developments observed in recent years.
 - Measures addressing structural or operations factors linked to market practices and supervisory requirements that may influence clearing location decisions. For example, the Interim AAR report reported feedback from market participants suggesting that they continue to use interest rate curves from Tier 2 CCPs for the pricing of OTC IRD portfolios due to contractual or supervisory requirements, which may limit their ability to clear more in the EU without introducing basis risk.

- Structural measures aiming at further enhancing the attractiveness and use of EU CCPs, for example measures to improve cross-margining and netting opportunities, facilitate access and portability, and broaden market participation and voluntary clearing.
 - Other measures that have been the subject of public discussion, for example during the EMIR 3 negotiations (e.g. public sector clearing obligation) or measures that are currently not yet identified, but which may appear as part of the assessment and the interactions with market participants
49. Each measure considered will be assessed using the common methodology described in Section 4, including an impact assessment. For example, a scenario analysis based on available data would help identify how changes in the conditions for entities or products subject to the AAR would impact the coverage of the AAR (e.g. in terms of clearing activity, notionals, and risk exposures of EU participants across clearing location), and hence its effectiveness. Further analysis, perhaps using a survey among market participants and/or a dedicated industry roundtable, would help to understand the extent to which market structure and industry practices shape clearing patterns.
50. The impact assessment may also consider a cost and benefit analysis for each complementing measure. Where relevant, the assessment will build on the categories of costs and benefits and the methodology described in paragraphs 43 to 46, adapted as appropriate to the nature of the measure under consideration and subject to data availability.
51. The expected outcome of this analysis would be a conclusion on whether other measures could potentially be implemented, and what their impact would be in terms of improving the effectiveness of the AAR and supporting the objectives of EMIR 3.

5 Next steps and timeline

52. Building on this methodology, the next step will consist of issuing a data request to complement the information currently available to ESMA with the data necessary to conduct the assessment. This will build on the findings of the AAR Interim Report, which highlighted the need for account-level information and more granular risk-exposure metrics, such as risk sensitivities (e.g. PV01 or DV01) and default fund contributions. Targeted data may also be required to assess the costs and benefits of complementing measures, where such information is not readily available to ESMA. This may include information on the netting efficiency of cleared portfolios, market liquidity across clearing locations, and operational and other implementation costs for market participants.
53. The full set of data will be used to conduct an assessment of the effectiveness of the AAR using the framework specified in this document. The results will be reflected in a dedicated report, and shared with the European Parliament, the Council, and the

Commission. Depending on the results of the assessment, the report may include recommendations and set out potential measures.

54. Additional roundtables and industry engagements are considered for early 2027 to gather further input from the industry and to inform the final report.
55. The submission of the report to the European Parliament, Council, and Commission is planned for 2027, followed by its publication on ESMA's website.