Association des Banques et Banquiers, Luxembourg
The Luxembourg Bankers' Association
Luxemburger Bankenvereinigung

Response from the ABBL to the ESMA:

Discussion Paper on the Clearing Obligation under EMIR

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Introduction and general remark

The ABBL[1] welcomes the ESMA discussion paper, as it has the merit of bringing some clarity to the process of product selection for the clearing obligation under EMIR. However, at this stage there still seems to be some confusion and, although the paper solves some questions, it also brings new ones to the table.

Given that there should be portability of accounts up to fully segregated client level and because a key goal of EMIR is to reduce systemic risk, the Association believes that a product shall never be eligible for obligatory clearing if there is only one CCP clearing it, whatever the

[1] The Luxembourg Bankers' Association (ABBL) is the professional organisation representing the majority of banks and other financial intermediaries established in Luxembourg. Its purpose lies in defending and fostering the professional interests of its members. As such, it acts as the voice of the whole sector on various matters in both national and international organisations.

The ABBL counts amongst its members' universal banks, covered bonds issuing banks, public banks, other professionals of the financial sector (PSF), financial service providers and ancillary service providers to the financial industry.

process or product elected for clearing obligation. Thus, it does not suffice to declare a product clearable, but there needs to be a “moratorium” for clearing until at least two institutions offer it.

Besides these arguments, a situation where one clearing house or trading platform creates a product with the intent of being the sole clearer would lead to a monopoly position. Given that liquidity is a driver for attracting interest in trading in a given place and clearing, this would force all market participants to go to a single location and create hurdles for competing offers to arise at a later stage.

The ABBL considers that predictability is an important element to ensure control over risks. Therefore criteria should be set to avoid having a renewed process for every new series s of CDS or each new derivative created on an index or shares or interest rates after the previous ones have reached their maturity. Criteria that have qualified a given class should de facto imply that new products to come within that class would qualify as well, unless there is an extremely adverse environment. In other words, the Association believes that most of the qualification criteria and effort will be devolved to the first stage in which classes will be defined and products agreed upon. After this initial stage, it would be more a question of case by case. Given that for many products, EMIR obligation will mean a new area, it would probably be best to try to roll out based on the most common and most standardised products and then move up to the lesser standardised ones as experience and understanding of market interactions develop.

ESMA has dedicated much effort in defining various classes of OTC derivatives and among these classes sub-groups of instruments. It must be clear that this does not mean that these instruments are by default eligible. From the ABBL’s point of view there is a difference between the technical eligibility, meaning that it is technically feasible to clear, and desirability to proceed. This difference may notably arise because of a lack of liquidity for a given instrument or sub-class.

In the paper, it is proposed that “minor” differences may be ignored and that once a contract pertaining to a given category is created, it is sufficient to consider it eligible for clearing. In light of sound risk management the determining criteria should be the feasibility at CCP level and thus the level of liquidity. Concretely a contract that has a cycle of say 30 days is different from a custom made contract with 33 days. Technically they may be both clearable on a CCP, but this level of customisation may be excessive and add complexity in a first instance (at least).

Prior to conclude on this introductory comments, the ABBL would like stress that the products identified in this discussion paper are probably the most standardised of the “OTC products” and that some of them may already be traded on platforms. The Association considers that from a risk perspective tailored products that have features of a standardised one but differ for example in the size, maturity or else shall not be considered de facto standardised and subject to forced clearing. To take a basic example from the equity derivatives, normally they have monthly cycles, if for any reasons counterparties agree on a contract that is 35 or 40 days, it will present a different risk profile for the CCP and accordingly shall not in a first time be subject to the clearing obligation.

In the end, it is not clear either what happens with products that may be eligible in one particular jurisdiction: Will they de facto be proposed at EU level or not, and in that latter case what happens to the clearing obligation? The ABBL is not sure whether it has identified answers to that issue, but would propose that clearing should not be compulsory as long as there are not at least two CCPs able to clear a given instrument, and this for reasons of sustainability and risk mitigation.

Answer to the Questions

Question 1 (Series s for Index CDS): Please indicate your preference between the options presented. Do you believe that the possibility for a new series s to exhibit low liquidity is a risk worth being considered when defining the classes of Index CDS? Under Option C, which criteria do you believe are relevant and how should they be calibrated?

Option C is the preferred option. As explained in the introduction setting a given number of criteria, which, once met, qualify for clearing is probably the most transparent approach and it is likely to be the most perennial one as well. This option will have the advantage of avoiding the need to go through a full review of eligible products every time a new series is created. As explained in the introduction, the approach should not necessarily be “either no products or all products”. The Association thinks that a gradual approach starting with the most common products and later extending to less common ones is ideal if the objective is to cover on CCP the maximum number of instruments. The most limiting parameter will probably be the liquidity available per class or sub-class, differentiating between technically clearable and suitably clearable; in addition there should not be one single CCP per series or class. As a consequence the Emerging market segment may not be open until a second CCP is able to offer clearing in these instruments. Both options A and B may be satisfactory, B more than A the essential element is that only products that are fully standardised and highly liquid are eligible.

To conclude on this question, although a predefined set of criteria will mark eligibility for Clearing obligation, ESMA may retain power to suspend temporarily or not a given instrument, class, sub-class if deemed not appropriate (i.e. lack of market or low liquidity)

Question 2 (Index CDS): Do you consider that the main characteristics of Index CDS are adequately captured by the proposed structure? Are there any other variables which you consider as relevant in the context of the clearing obligation?

Question 3 (Index CDS): Do you have preliminary views on the specific items within those classes which would be the best candidates for the clearing obligation, taking into consideration the overarching aim of reducing systemic risk and the criteria defined in Article 5(4) of EMIR?

Overall yes. The question is whether all these classes and sub-classes shall qualify in the firs wave of product approval. Why make a distinction by currency? The tables may be comprehensive, but that does not mean that all issues should be subject to clearing. Because the discussion revolves around an obligation not an option to clear, careful attention shall be given to volumes and degree of standardisation among the classes as well as the number of CCPs available per product, in no circumstances forced clearing shall happen if there is only one single CCP.

Question 4 (Single name CDS): Please indicate your preference between the options presented. In relation to Option B, which geographical zones would you define, i.e. how could the currencies be grouped in geographical zones? What is the standard market practise in this respect?

The Association is not convinced that differentiating by geographical zone is ideal. Working along currency would be better. What will the discriminating criteria be? Does the CCP accept that product and in which currency base? The relevant geographical region may be of a lesser technical importance once access to the base currency is granted. A practical example is in the EU area: There are at least two major currencies, the EUR and the Pound. Having one zone may be sub-optimal in this case.

Question 5 (Single name CDS): Please indicate your preference between the options presented. Under Option C, which criteria do you believe are relevant and how should they be calibrated?

In terms of practicability, the ABBL would prefer to rely on a fixed set of criteria to avoid uncertainties following a long qualification process of an RTS. These criteria should be subject to an opt-out test because, for example, of lack of market or liquidity. Concretely, any name of a EU listed entity may qualify, but only the names that are to pass a liquidity/market threshold of X EUR should be subject. Once passed there is no turning back. This would ensure that over time more products qualify and that if processes have been open it would be less risky for a CCP to clear them even in a distant future. As said previously, however, one of the discriminating criteria that may suspend the clearing obligation (but not its possibility) is that there remains only one CCP willing to clear. This would be akin to a monopoly situation and would present some systemic risk issues.

Question 6 (Single name CDS): Do you consider that the main characteristics of Single Name CDS are adequately captured by the proposed structure? Are there any other variables which you consider as relevant in the context of the clearing obligation?
Question 7 (Single name CDS): Do you have preliminary views on the specific items within those classes which would be the best candidates for the clearing obligation, taking into consideration the overarching aim of reducing systemic risk and the criteria defined in Article 5(4) of EMIR?

At first sight yes, but as there is only one CCP for certain contracts there should not be mandatory clearing under these conditions (what would happen with portability, what is the view on systemic risks…?). Similarly the issue surrounding geographical zones does not appear too relevant (does this imply that no Sterling issues are ever to be eligible?).

Additionally, in the case of EMIR: are products all going to be subject to forced clearing or not? The Association makes a difference between products that are technically clearable or optionally clearable for those willing to and not from the others, which will have to go to a TR and abide by the cost of regulatory capital and bilateral rules for clearing/margining. Only the most liquid and most active ones shall at least in a first time be eligible for clearing, the others will in any case go to a TR which will in any case increase visibility.

Question 8 (Interest rate derivatives): Do you consider that the main characteristics of the interest rate derivatives are adequately captured by the proposed structure? Are there any other variables which you consider as relevant in the context of the clearing obligation?
Question 9 (Interest rate derivatives): Do you have preliminary views on the specific items within those classes which would be the best candidates for the clearing obligation, taking in-to consideration the overarching aim of reducing systemic risk and the criteria defined in Article 5(4) of EMIR?

In line with ABBL's criteria and prudent approach, priority for clearing should be given to the most liquid segment, where at least two CCPs are clearing the product. Furthermore, eligible products should be those where the pay out or cash flows are direct or constant. What is still not clear after reading the discussion paper is whether subsequent cash flows following a contract shall also be cleared or not. This will have consequences on the risk model and longevity of the contractual obligation among parties. In addition, in such scenarios a question would arise as to when contracts are terminated or subject to compression and how to ascertain that they have been fully terminated between parties and with the CCP.

One of the major triggering events for eligibility should be the size of the market and liquidity, again differentiating technically feasible clearing and desirable clearing. In a first time, only the most active and most standardised contracts should be traded.

An additional criterion to take into account may be the maturity or length of the contract. This may be standardised but also very tailored, a one month IRS may be subject to very different market conditions from a custom made 35 days. From a clearing obligation perspective, the Association considers them to be different contracts not subject to similar rules or constraints

Question 10 (Equity derivatives): Please indicate your preference between the options presented. Under Option D, which criteria do you believe are relevant and how should they be calibrated?

Until it changes, MTF traded options or derivatives are considered OTC. However, these are relatively standardised in their structure. They are also, in their vast majority, contracts on listed instruments (in the EU and elsewhere). In this respect, the ABBL considers that option D and C are, in the end, very close to one another. The determining factor is the listed instrument upon which the derivative is constructed. Besides these instruments one may find true OTC equity derivatives, but their major features may be either a different pay out structure or a diverging cycle or maturity.

The Association is of the view that all derivatives (plain vanilla) on listed shares should be by default eligible for clearing unless they do not cut a minimum trigger for liquidity of the underlying instruments (so that the option issuer may hedge its position). Technically, the plain vanilla derivatives on shares may follow a simple straight forward process, but as for others there first need to be at least two CCPs available and minimal liquidity.

Question 11 (Equity derivatives): Please indicate your preference between the options presented.
In relation to Option B, which geographical zones would you define, i.e. how could the currencies be grouped in geographical zones? What is the standard market practise in this respect?

For granularity reasons, currency may be the most discriminating factor that should be supported. However, the issue to solve is availability of a clearer for each currency and product (and ideally two CCPs). The next question is: If clearing is compulsory for EU entities, how shall they handle a derivative trade with a third country that has no CCP or where it is not compulsory to use one? Why would the EU counterpart impose the recourse to clearing and is it entitled to do so?

Question 12 (Equity derivatives): Do you consider that the main characteristics of Equity OTC derivatives are adequately captured by the proposed structure? Are there any other variables which you consider as relevant in the context of the clearing obligation?
Question 13 (Equity derivatives): Do you have preliminary views on the specific items within those classes which would be the best candidates for the clearing obligation, taking into consideration the overarching aim of reducing systemic risk and the criteria defined in Article 5(4) of EMIR?

Regarding currency for equities it is understandable that there is a clearing obligation. However, the Association is not aware that there are securities in the EU markets that are in a third country currency. The obligation foreseen will then have to apply for non-EU trades and would depend on the existence or not of a CCP in these countries and the requirement or not to clear. The Association thinks this may have a market impact if EU counterparts are forced to clear when that is not a 3rd country market obligation, which would translate into a competitive disadvantage for EU institutions. One should point out that as mentioned in the paper and in BIS statistics, equity derivatives are a minor part of the derivative universe, where consequences of wrong exposures may be the smallest for financial institutions or actors.

Question 14 (FX derivatives): Do you consider that the main characteristics of the FX derivatives are adequately captured by the proposed structure? Are there any other variables which you consider as relevant in the context of the clearing obligation?
Question 15 (FX derivatives): Do you have preliminary views on the specific items of the presented class which would be the best candidates for the clearing obligation, in view of the criteria to be assessed by ESMA, taking into consideration the overarching aim of reducing systemic risk and the criteria defined in Article 5(4) of EMIR?

As for other derivatives, the ABBL is of the opinion that, in terms of resilience and because of the requirement of portability of clients and members accounts, there needs to be at least two CCPs for a product to qualify for mandatory clearing. The other element to address is to give priority to the currency pairs that are the most liquid and most traded.

Although it is not formally (as under EMIR) called clearing there are already quasi-clearing mechanisms for currencies and currency derivatives. The Association also understands that that in the US market there is an exemption for clearing of currency related instruments and that these might be dealt bilaterally. If cost is nil then there is little chance that stakeholders will opt for on CCP clearing and if this is compulsory in the EU then the only consequence is that EU firms will be at a cost disadvantage compared to non-EU firms and that there will probably be a trend toward moving some if not most of the trading in these instruments outside the EU, while still dealing with these instruments.

Having said this, the most liquid segments are likely to be the EUR-USD, GBP-USD and JPY-EURs in both directions. They should be the priority.

Question 16 (Commodity derivatives): What is in your view the best approach to specify the underlying assets within each OTC Commodity class?
Question 17 (Commodity derivatives): Do you consider that the main characteristics of the Commodity derivatives are adequately captured by the proposed structure? Are there any other variables which you consider as relevant in the context of the clearing obligation?
Question 18 (Commodity derivatives): Do you have preliminary views on the specific items within those classes which would be the best candidates for the clearing obligation, taking in-to consideration the overarching aim of reducing systemic risk and the criteria defined in Article 5(4) of EMIR?

First of all, there needs to be an active market for the underlying instruments, then an active market for the derivatives. One discriminating factor for these contracts is likely to be the maturity or cycle of the contract, which is not mentioned here in the table. The idea should be to first address the most liquid instruments. Because EMIR aims to reduce systemic risks, the Association advises not to open for mandatory clearing classes where there is only one active CCP.

It should also be noted that there is a difference between pure OTC and bilateral contracts with tailor made pay out and /or structure and those that are traded on an MTFs or future OTF, or the likes. These are probably the most standardised instruments both in size, time and contractual features. They should be the first to be considered for clearing. On the other hand, ESMA has requested a delay for ETDs, which ideally should apply here as well.

Question 19 (readiness of the classes): Do you agree with this analysis?

The analysis seems to rely in large parts on data from the BIS and their quarterly surveys. One can see a lot of trades in a given segment or class, but a granular analysis should also help identify among these classes the priorities (most liquid markets). As an example, in the IRS the vast majority of trades is concentrated on the largest currency pairs. The issue is that to be relevant the CCP will have to use price reference from some third party market and if there is none or the pricing is not fully relevant then how can the CCP perform the transaction and guarantee counterparties?

The Association considers that over time it is likely that more derivative trades will be performed on CCPs, but this implies a prior convergence to very standardised contracts. CCPs will have difficulties guaranteeing the same level of performance on contracts that are not standard. Notably, maturity differences may seem minor, but since the consequence is ensuring that hedging of the underlying transaction is achievable, a derivative contract on equity with a different maturity than the standard ones will imply specific hedging or cove., The ABBL is not convinced that this is suitable for CCPs. The same goes for CDS: their nature may imply that they are generally more tailor made than others, like FRA on USD-EUR.

Question 20 (dates, phase in): What would you consider to be the shortest delay to impose a clearing obligation to a class of OTC derivatives when there are several CCPs available? And when there is only one CCP available?

Please specify in your answer whether the cause of delay is due to operational issues (e.g. time for CCP/counterparties to be ready for the CO) and/or to market issues (e.g. time for a CCP to add a new product to its offering).

Question 21 (dates, phase in): What would you consider to be a reasonable delay to allow CCPs which clear the same asset class or a similar Class+ to clear a new Class+?

The Association considers that clearing obligation should only be possible once at least two CCPs offer the service even if it takes some time (potentially even a long time). Until then it should be optional. The ABBL thinks, however, that in the case of EMIR the perspective is different from a pure in or out of clearing obligation. Indeed, the environment will, implicitly at least, favour on CCP clearing and CCPs not offering a service, knowing that one of their competitors is able to attract market share, may be incentivised to try to offer that same service as they know, be it for risk reasons only, that there is a high likelihood to have split of members/clients over the two or more platforms (the obligation grants a market). The argument favouring at least two CCPs per class/product is grounded on risk and market structure/competition reasons. It is unavoidable that some, for legal and operational reasons, by a CCP takes some time upgrade to a new service; the amount of time will vary according to the complexity of the product and market to cover, but any delay below 6 months seems unrealistic.

The Association considers that the most crucial factors to determine a delay are: the type of approach top-down or bottom-up. In the top-down scenario ESMA will then have to test which institutions are clearing. Then either 2 or more institutions are active then the process to CO can go forward, otherwise if there is none, the clearing obligation should then be closer to a signal that products/classes of assets will have to be cleared. But at this stage, the process should concentrate first on products/classes that are already, even at subdue level, subject to clearing; then delays may be shorter. In any case there will be a substantial amount of legal work both at clearing house level as well as at the level of their members and their clients. Any delay below a good 6 months is likely to be unrealistic.
The approach may be even more prudent once there is only one CCP that offers to clear a specific product; as per the obligation of mandatory clearing it will force all actors to converge on its platform.

These considerations concern the CCP, but on the other side of the fence institutions have an incentive to support CCPs in their intention to offer services on any given product as the rules aimed at bilateral clearing (pure OTC) may prove costly in terms of regulatory capital and margins.

Question 22 (dates, phase in): What should be the assumption regarding market share which the CCP would have to be able to assume? Should it be requested that each CCP be able to handle the whole volume to tackle the worst case scenario?

Question 23 (dates, phase in): What should be the elements (e.g. number of transactions, increase in risks, number of active counterparties, new jurisdiction involved) for ESMA to investigate, after consulting the NCAs responsible for CCPs authorisation, on the ability of the relevant CCPs to handle the expected volume and to manage the risk arising from the clearing of the relevant class of OTC derivatives?

Question 24 (dates, phase in): Should there be a default period of [x] months whenever there is a need for a CCP to upgrade its service considering incompressible internal/external validation processes? If not, how to evaluate the time to upgrade services based on the result of the criteria assessment?

The ABBL thinks that question (22) is not about which market share CCP number 2 has compared to number 1, but about its abilities to scale its business up. Concretely, if it works technically (it would be approved by its NCA and ESMA) the next question is: can the CCP increase its capacities very quickly to handle the entire market or X% assuming that there are other actors (namely if there are only two actors, if one fails then the other one has to cover 100% of the activity. If there are three actors it shall cover only 50% if one disappears)? The issue to be assed then is the capacity to access in a very short time the technical facilities to support the increased activity. Concretely, this may be translated into contractual agreements with external providers of outsourcing services or third party providers.

Question 25 (categories of counterparties): Please indicate your preference between the options presented. Would you rather use an option that is not detailed here? Under Options B and C, do you agree to base the clearing access approach on the asset class to which the counterparties have access? What should be the date on which clearing access/threshold calculation should be assessed?

Question 26 (categories of counterparties): What would in your view be the appropriate timeframe for counterparties with / without access to clearing in the relevant asset class?

The Association believes that once a product is subject to clearing obligation it should at the same time be so for all actors that meet the criteria. The question would then be more about calibrating the time frame according to the market structure. It should also be kept in mind that NFCs rely in large part on FCs and clearing members to help them in their transaction and that in many, if not most cases, an FC will be on the opposite side to an NFC. As stated previously, any delay below a 6 months period will be utopian. The issue is not whether it is technically feasible to do the clearing but about the time taken for changes in the contractual and legal relations between counterparts, whatever their nature.

Question 27 (categories of counterparties): Do you agree that a key factor to take into account when defining the phase in for the counterparties to comply with the clearing obligation will be the number of clearing members offering client clearing services? Is the client clearing capacity of the CCP also a relevant factor? What could be the other criteria?

This would in large part depend on the approach taken to introduce mandatory clearing. If it is imposed by ESMA from top down, it may indeed be a factor to take into account. The criteria will then not be the relevant number of clearing members overall but which countries are covered to ensure that each MS has at least access to one, ideally two clearing members, although there is the free movement of service rule. This would also plead in favour of starting with the most active products/classes only so that a maximum number of actors, FC and NFC, have the necessary time to understand the EMIR processes and comply.

If the approach is bottom-up, the request will come from a CCP (most likely). The aim will be first to reach clearing members and consequently “force” all other actors to clear. In that case, the additional time should be attributed to comply with the clearing obligation to take into account the market structure and the length of the chain of actors.

Question 28 (remaining maturity): What are your views regarding the calibration of the remaining maturity of the contracts to be subject to the CO? What criteria should ESMA take in-to account when defining it?

Taken from the experience of the equity derivatives, they have cycles (every month, quarters…). From a practical operational point of view, the obligation to clear should lie at least 6 months ahead and after the closure of the closest cycle. For other markets, the CO should; enter into force after a similar delay and after at least half of the outstanding contracts are closed; the idea is to cover the maturities that are at the time of issuance of the obligation the most active with the closest maturity.

Question 29 (covered bonds): Are there other specific features of the contracts concluded with covered bond issuers or with cover pools for covered bonds, to be considered by ESMA in the context of the clearing obligation?

Question 30 (covered bonds): What would be the legal or technical challenge faced by covered bonds issuers and CCPs, if a clearing obligation was imposed on some of the OTC derivative contracts included in the cover pools of covered bonds?

Question 31 (covered bonds): Have CCPs developed solutions to be able to differentiate the derivative contracts of the issuer from those of the cover pool?

Question 32 (covered bonds): Would an appropriate phase-in for these counterparties alleviate these challenges? If so, how?

Regarding covered bonds, a pool of assets segregated from the issuers balance sheet, but supported by it, are nevertheless entities subject to EMIR and to bilateral posting of collateral or margins, for the issuer and the pool, vis-à-vis a CCP. However this posting could only be made by one side of the trade, a model that is not recognised by the CCPs as of today. The direct consequence is that mandatory clearing may be impossible for covered bonds and their issuers unless changing substantially their organisational structure in such a penalising manner that are more than likely to put them out of the market.

By design, EMIR requires CCPs to obtain “physical” collateral (the highest quality one being cash) as margins, variation and initial, but covered bonds are first and foremost a pool of assets. The issue is that risk mitigation techniques employed by covered bond entities make them not able to post physical collateral which may be a challenge regarding the portability of transactions. Hence an additional reasons why CCPs may have difficulties to cope with covered bonds.

At this stage, although there have been some exchanges between CCPs and covered bond entities, there seems that in the short to medium term no satisfactory options are likely to be developed.

Question 33 (FX derivatives): Within the foreign exchange asset class, for which type of contracts do you consider that settlement risk is the predominant risk, and what criteria or characteristics should be used by ESMA to identify those contracts?

The Association considers that as long as there is no clearing obligation for FX derivatives in other major third countries, like the US, this is a false problem unless the intent is to put EU institutions at a disadvantage compared to outsiders. In the case of FX, creating and negotiating derivatives out of the EU may prove relatively easy; this would have major consequences for EU Institutions.

In the response to the IOSCO consultation on bilaterally cleared products, the ABBL was opposed to the principles of mandating margining… for FX, as well as many other actors from the Institutions' side. If this materialises, this would strongly incentivise firms to try to escape the EU jurisdiction where the same products will have to be cleared.

Question 34 (Portfolio compression): Are there ways in which the imposition of the clearing obligation in the EU could hamper the effectiveness of compression services? If so, please provide evidence of the potential impact. Are there ways in which the clearing obligation could be defined to alleviate the problem without creating opportunities for avoidance?

No specific answer, unless that portfolio compression is a tool that is used to reduced the number of open contracts based on contracts that already exist, thus to incentivise users it may be worthwhile to consider that posting collateral for clearing (because of a new transaction) may indeed be a counterincentive to develop these techniques. On the other hand the an issue may be to ensure "continuity" of knowledge at CCP level once two contracts are replaced by a new version, netting opposite positions.

Question 35 (Modification of a Class+): For which reason (other than the fact that a CCP does not clear it any longer) do you believe that the clearing obligation of a class - or subset of it - would need to be removed? Please focus on the risks which could stem from a clearing obligation on contracts which would no longer be appropriate for mandatory clearing and provide concrete examples.

Question 36 (Modification of a Class+): In case a clearing obligation would need to be reviewed, how crucial would be the time needed to dis-apply the clearing obligation?

Logic would dictate that if there is no market there is no need for clearing. If a class becomes so inactive that CCPs are not able to rely on robust prices, liquidity will have dried and this would put CCPs in a risky position facing uncertainties. Uncertainties mean risk, thus they should be of concern.

The Association thinks that once maturities are terminated or product cycles are over the removal of the clearing obligation should be automatic. For products/classes that were active when liquidity has dried there may be either suspension of clearing if there are reasons to think volume may go back up or full removal of the obligation.