Press Release

ESMA announces details of 2017 CCP stress test

The European Securities and Markets Authority (ESMA) has published today the framework for its 2017 pan-EU stress test exercise on central counterparties (CCPs). The exercise covers 17 EU CCPs including all products currently cleared by these CCPs and will assess the resilience and safety of the EU’s CCPs from a systemic risk viewpoint.

The results of the exercise will provide supervisors, CCPs and other market participants with useful information on the resilience of the EU’s CCPs to different market shocks. The exercise will also help identify any potential shortcomings in the CCPs’ resilience, and if required ESMA will issue recommendations for further action.

ESMA’s stress test will complement the stress tests CCPs already run on a daily basis. As CCPs’ stress tests focus on their own environment, such as their participants, cleared products and business activity, the ESMA stress test will look at the entire system of EU CCPs by considering possible spill-over effects resulting from CCPs’ interconnectedness. CCPs’ resilience will be assessed against a combination of multiple participant defaults and simultaneous market price shocks.

Steven Maijoor, ESMA Chair, stated

“Today, ESMA is launching its second stress test on EU CCPs. This is an important exercise to monitor potential systemic risk stemming from CCPs.

“This year’s exercise will add a key element - a first globally - which is liquidity stress. I believe that this an important risk that needs to be taken into account to assess CCP resilience.

“The stress test, which is conducted with input from the ESRB, will provide us with useful information on the systemic risk posed by CCPs.”
The process for running the 2017 EU-wide CCP stress test involves close cooperation between ESMA, national competent authorities (NCAs), the 17 CCPs and the European Systemic Risk Board (ESRB), which has provided the common market stress scenarios.

**Methodology and scope**

This is ESMA’s second pan-EU CCP stress test. The first exercise conducted in 2016 focused on the counterparty credit risk that EU CCPs would face because of simultaneous clearing member defaults and market price shocks. The scope of the 2017 stress test is wider as it will include liquidity risk. Overall, the exercise has four main components:

- **Credit stress**: assesses the sufficiency of CCPs’ resources to absorb losses under a combination of market price shocks and member default scenarios;
- **Liquidity stress**: assesses the sufficiency of CCPs’ liquid resources under a combination of market price shocks, member/liquidity provider default scenarios and additional liquidity stress assumptions;
- **Reverse credit stress**: increases the number of defaulting entities and level of shocks to identify at which point resources are exhausted; and
- **Additional analysis**: such as knock-on, concentration and interconnectedness analysis.

**Timeline**

ESMA has launched the data request and has provided detailed instructions on how CCPs are expected to calculate and report the data. In March 2017, CCPs will have to provide the data for the stress test, which will then be validated by NCAs and ESMA in Q2 2017. ESMA will finalise the data analysis by Q3 with the results of the exercise being published in Q4 2017.
Notes for editors

1. **ESMA’s CCP stress test framework**

2. **Presentation on ESMA’s second EU-wide CCP stress test**

3. ESRB note on CCP stress test scenarios

4. ESMA’s mission is to enhance investor protection and promote stable and orderly financial markets.

   It achieves these objectives through four activities:

   1. assessing risks to investors, markets and financial stability;
   2. completing a single rulebook for EU financial markets;
   3. promoting supervisory convergence; and
   4. directly supervising specific financial entities.

5. ESMA achieves its mission within the European System of Financial Supervision (ESFS) through active cooperation with the European Banking Authority (EBA), the European Insurance and Occupational Pensions Authority (EIOPA), the European Systemic Risk Board (ESRB), and with national authorities with competencies in securities markets (NCAs).

Further information:

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