



European Securities and
Markets Authority

Final Report

Guidelines on CCP recovery plan indicators (Article 9(5) of CCPRRR)





Table of Contents

1	Executive Summary	3
2	Legislative References, Abbreviations and Definitions	5
3	Background and Mandate	7
4	Feedback Statement	9
4.1	Guideline 1	9
4.1.1	Consultation Paper (and accompanying draft Guidelines)	9
4.1.2	Summary of Consultation Responses	9
4.1.3	ESMA's feedback.....	10
4.2	Guidelines 2 and 3	10
4.2.1	Consultation Paper (and accompanying draft Guidelines)	10
4.2.2	Summary of Consultation Responses	11
4.2.3	ESMA's feedback.....	12
4.3	Guideline 4.....	14
4.3.1	Consultation Paper (and accompanying draft Guidelines)	14
4.3.2	Summary of Consultation Responses	14
4.3.3	ESMA's feedback.....	14
4.4	Guideline 5.....	15
4.4.1	Consultation Paper (and accompanying draft Guidelines)	15
4.4.2	Summary of Consultation Responses	15
4.4.3	ESMA's feedback.....	15
4.5	General Issues	15
4.5.1	Summary of Consultation Responses	15
4.5.2	ESMA's feedback.....	15
4.6	Cost and Benefit Analysis	16
4.6.1	Consultation Paper (and accompanying draft Guidelines)	16
4.6.2	Summary of Consultation Responses	16
4.6.3	ESMA's feedback.....	16
5	Annexes	17
	Annex I: Legislative mandate to develop the Guidelines.....	17
	Annex II: Cost and benefit analysis	18
	Annex III: Advice of the Securities and Markets Stakeholder Group	22



Annex IV: Final Guidelines (without explanatory notes)	23
1 Scope	25
2 Legislative references, abbreviations and definitions	26
3 Purpose.....	28
4 Compliance and reporting obligations.....	29
5 Guidelines on CCP recovery plan indicators.....	30
5.1 Guideline 1: Non-automaticity of CCP recovery plan indicators.....	30
5.2 Guideline 2: Categories of CCP recovery plan indicators	30
5.3 Guideline 3: Creating CCP recovery plan indicators.....	31
5.4 Guideline 4: Integration of the CCP recovery plan indicators with the CCP's monitoring system	32
5.5 Guideline 5: Maintenance of CCP recovery plan indicators.....	33
6 Annexes	34

1 Executive Summary

Reasons for publication

Article 9(1) of Regulation (EU) 2021/23 ('CCPRRR') sets out an obligation for central counterparties (CCPs) to draw up and maintain a recovery plan providing for measures to be taken in the case of both default and non-default events and combinations of both, in order to restore their financial soundness, without any extraordinary public financial support, and allow them to continue to provide critical functions following a significant deterioration of their financial situation or a risk of breaching their capital and prudential requirements under Regulation (EU) No 648/2012 ('EMIR').

Article 10(2) of CCPRRR then sets out an obligation for the CCP's competent authority to review the recovery plan and assess the extent to which it satisfies the requirements set out in Article 9 of CCPRRR, in coordination with the supervisory college in accordance with the procedure in Article 11 of CCPRRR.

Article 9(3) of CCPRRR further stipulates that the recovery plan shall include a framework of indicators based on the risk profile of the CCP, that identify the circumstances under which measures in the recovery plan are to be taken. The indicators may be of either a qualitative or a quantitative nature relating to the financial soundness and operational viability of the CCP and should enable recovery measures to be taken early enough to provide sufficient time for the plan to be implemented.

ESMA is mandated in Article 9(5) of CCPRRR, in cooperation with the European Systemic Risk Board (ESRB), to issue guidelines in accordance with Article 16 of Regulation (EU) No 1095/2010 ('ESMA Regulation') to specify the minimum list of qualitative and quantitative indicators referred to in Article 9(3) of CCPRRR (the 'Guidelines').

ESMA published the Consultation Paper with its draft Guidelines under Article 9(5) of CCPRRR on 12 July 2021. The consultation ended on 20 September 2021. ESMA received 8 responses. ESMA also held a public hearing on the Consultation Paper (along with other consultation papers issued by ESMA under CCPRRR) on 14 September 2021.

This Final Report provides the final Guidelines on the minimum list of qualitative and quantitative indicators referred to in Article 9(3) of CCPRRR ('recovery plan indicators').

In accordance with Article 9(5) of CCPRRR, ESMA has cooperated with the ESRB in finalising these Guidelines. ESMA also sought advice from the Securities and Markets Stakeholder Group. The Final Report (and the accompanying final Guidelines) also take into account the feedback provided by the respondents to the consultation.

Contents

Sections 2 and 3 set out the definitions, background and mandate for the Guidelines.



Section 4 provides the feedback statement. This Section presents the comments received from respondents to the consultation as well as the rationale for the decisions that have been made by ESMA on whether and how to introduce some changes to the draft Guidelines that ESMA consulted on.

Finally, Section 5 contains all relevant annexes. Annex I sets out the legislative mandate for developing the Guidelines. Annex II includes the cost and benefit analysis for the Guidelines. Annex III provides the advice of the Securities and Markets Stakeholder Group. Annex IV contains the final Guidelines.

Next Steps

These Guidelines have now been published.

Pursuant to Article 16(3) of ESMA Regulation, competent authorities must inform ESMA of whether they (i) comply, (ii) do not comply but intend to comply, or (iii) do not comply and do not intend to comply with these Guidelines. In case of non-compliance, competent authorities must state their reasons for non-compliance, within two months from the date of publication of the Guidelines on ESMA's website in all EU official languages of their reasons for not complying with the Guidelines.

2 Legislative References, Abbreviations and Definitions

The following legislative references are used in this Final Report:

BRRD	Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms and amending Council Directive 82/891/EEC, and Directives 2001/24/EC, 2002/47/EC, 2004/25/EC, 2005/56/EC, 2007/36/EC, 2011/35/EU, 2012/30/EU and 2013/36/EU, and Regulations (EU) No 1093/2010 and (EU) No 648/2012, of the European Parliament and of the Council ¹
CCPRRR	Regulation (EU) 2021/23 of the European Parliament and of the Council of 16 December 2020 on a framework for the recovery and resolution of central counterparties and amending Regulations (EU) No 1095/2010, (EU) No 648/2012, (EU) No 600/2014, (EU) No 806/2014 and (EU) 2015/2365 and Directives 2002/47/EC, 2004/25/EC, 2007/36/EC, 2014/59/EU and (EU) 2017/1132 ²
EMIR	Regulation (EU) 648/2012 of 4 July 2012 of the European Parliament and Council on OTC derivatives, central counterparties and trade repositories ³
ESMA Regulation	Regulation (EU) No 1095/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Securities and Markets Authority), amending Decision No 716/2009/EC and repealing Commission Decision 2009/77/EC ⁴
Delegated Regulation 152/2013	Commission Delegated Regulation (EU) No 152/2013 of 19 December 2012 on capital requirements for central counterparties ⁵
Delegated Regulation 153/2013	Commission Delegated Regulation (EU) No 153/2013 of 19 December 2012 on requirements for central counterparties ⁶

¹ OJ L 173, 12.6.2014, p. 190–348

² OJ L 22, 22.1.2021, p. 1–102

³ OJ L 201, 27.7.2012, p.1

⁴ OJ L 331, 15.12.2010, p. 84

⁵ OJ L 52, 23.2.2013, p. 37

⁶ OJ L 52, 23.2.2013, p. 41



The following abbreviations are used in this Final Report:

<i>BAU</i>	Business as Usual
<i>CCP</i>	Central Counterparty
<i>CP</i>	Consultation Paper
<i>EC</i>	European Commission
<i>EEA</i>	European Economic Area
<i>ESFS</i>	European System of Financial Supervision
<i>ESMA</i>	European Securities and Markets Authority
<i>ESRB</i>	European Systemic Risk Board
<i>EU</i>	European Union

Unless otherwise specified, the terms used in this Final Report have the same meaning as in CCPRRR, EMIR and the Delegated Regulations 152/2013 and 153/2013.

3 Background and Mandate

1. ESMA is mandated to foster sound and effective supervision and to drive supervisory convergence across the EU under its founding regulation (ESMA Regulation).
2. CCPRRR was published in the Official Journal on 22 January 2021 and entered into force on 12 February 2021. CCPRRR puts into place a recovery and resolution framework for CCPs which are systemically important for the financial system. This aims at ensuring that the critical functions of CCPs are preserved while maintaining financial stability and helping to avoid the costs associated with the restructuring and the resolution of failing CCPs from falling on taxpayers. CCPRRR therefore establishes a minimum standard as regards the information to be included in recovery plans to ensure that all CCPs have sufficiently detailed recovery plans should they face financial distress.
3. As regards recovery planning, Article 9(1) of CCPRRR places an obligation on CCPs to draw up and maintain a recovery plan providing for measures to be taken in the case of both default and non-default events and combinations of both, in order to restore their financial soundness, without any extraordinary public financial support, and allow them to continue to provide critical functions following a significant deterioration of their financial situation or a risk of breaching their capital and prudential requirements under EMIR.
4. Article 10(2) of CCPRRR then sets out an obligation for the CCP's competent authority to review the recovery plan and assess the extent to which it satisfies the requirements set out in Article 9 of CCPRRR within six months of the submission of the plan and in coordination with the supervisory college in accordance with the procedure set out in Article 11 of CCPRRR.
5. Article 9(3) of CCPRRR further stipulates that the recovery plan shall include a framework of indicators based on the risk profile of the CCP, that identifies the circumstances under which measures in the recovery plan are to be taken. The indicators may be of either a qualitative or a quantitative nature relating to the financial soundness and operational viability of the CCP and should enable recovery measures to be taken early enough to provide sufficient time for the plan to be implemented. Furthermore, recovery plans are to be drawn up in accordance with Section A of the Annex of CCPRRR, which includes the requirement for the CCP to have a framework of quantitative and qualitative indicators which identifies the points at which appropriate actions referred to in the plan may be taken (point (19)). In addition, Article 9(4) of CCPRRR requires CCPs to put in place appropriate arrangements for the regular monitoring of the indicators and to report to their competent authorities on the outcome of that monitoring.
6. Recital (19) of CCPRRR further clarifies that CCPs should be required to draw up and regularly review and update their recovery plans. The recovery phase in that context should start when there is a significant deterioration in the CCP's financial situation or risk of breach of its capital and prudential requirements under EMIR that could lead to the infringement of its authorisation requirements that would justify the withdrawal of its

authorisation pursuant to EMIR. This should be indicated with reference to a framework of qualitative or quantitative indicators included in the recovery plan.

7. CCPRRR contains various tasks ascribed to ESMA. In particular, Article 9(5) of CCPRRR contains a mandate for ESMA, in cooperation with the ESRB, by 12 February 2022 to issue guidelines in accordance with Article 16 of the ESMA Regulation to specify the minimum list of qualitative and quantitative indicators referred to in Article 9(3) of CCPRRR.
8. The objective of these Guidelines is therefore specifying the minimum list of qualitative and quantitative indicators to be included in CCP recovery plans. Such indicators shall then be assessed by the competent authorities as part of their assessment of recovery plans as stipulated in and in accordance with Article 10 of CCPRRR.

Recital (19)

(19) CCPs should be required to draw up and regularly review and update their recovery plans. The recovery phase in that context should start when there is a significant deterioration in the CCP's financial situation or risk of breach of its capital and prudential requirements under Regulation (EU) No 648/2012 that could lead to the infringement of its authorisation requirements that would justify the withdrawal of its authorisation pursuant to Regulation (EU) No 648/2012. This should be indicated with reference to a framework of qualitative or quantitative indicators included in the recovery plan.

Article 9(1)

1. CCPs shall draw up and maintain a recovery plan providing for measures to be taken in the case of both default and non-default events and combinations of both, in order to restore their financial soundness, without any extraordinary public financial support, and allow them to continue to provide critical functions following a significant deterioration of their financial situation or a risk of breaching their capital and prudential requirements under Regulation (EU) No 648/2012.

Article 9(3)

3. The recovery plan shall include a framework of indicators based on the risk profile of the CCP, that identify the circumstances under which measures in the recovery plan are to be taken. The indicators may be of either a qualitative or a quantitative nature relating to the financial soundness and operational viability of the CCP and should enable recovery measures to be taken early enough to provide sufficient time for the plan to be implemented.

Article 9(5)

5. ESMA shall, in cooperation with the ESRB, by 12 February 2022, issue guidelines in accordance with Article 16 of Regulation (EU) No 1095/2010 to specify the minimum list of qualitative and quantitative indicators referred to in paragraph 3 of this Article.

9. Drafting a recovery plan is an obligation of CCPs undertaken prior to a crisis in order to assess the potential options that a CCP could itself implement to restore its financial soundness and operational viability should the CCP come under severe stress. The purpose of preparing a set of recovery plan indicators is to define a set of individual "triggers" that can be used by each CCP to define the moments at which it has to start considering and decide whether to take action under its recovery plan and to determine which particular measures contained in the recovery plan may be taken (in accordance

with the conditions and requirements set out in CCPRRR). Therefore, CCP recovery plan indicators should not be understood as elements that generate automatic responses.

10. On 12 July 2021, ESMA launched a public consultation on the draft Guidelines on recovery plan indicators with the deadline for consultation responses on 20 September 2021.
11. In the CP, ESMA proposed five Guidelines that should be followed by CCPs when designing and maintaining their framework of recovery plan indicators. In order to establish and maintain the minimum list of indicators, it was proposed that a CCP considers all the Guidelines as they cover different aspects of the process of designing and maintaining the suitable indicators for the CCP, for example, the objectives thereof; the different categories of indicators; how to create indicators suitable for the CCP; and how to integrate the indicators with the CCP's monitoring system in order to ensure that the indicators reflect the risk profile of the CCP, are set at an appropriate level and are overall effective.
12. The public consultation aimed at receiving stakeholders' feedback on a list of questions and on the draft Guidelines. ESMA received 8 responses to the consultation. All respondents were either CCPs/associations representing CCPs or associations representing clearing members. This Final Report, and the accompanying final Guidelines, take into account the feedback provided by the respondents to the public consultation.
13. In accordance with Article 9(5) of EMIR, ESMA has cooperated with, and taken into account the feedback of, the ESRB in finalising these Guidelines. ESMA has also sought advice from the Securities and Markets Stakeholder Group.

4 Feedback Statement

4.1 Guideline 1

4.1.1 Consultation Paper (and accompanying draft Guidelines)

14. In the draft Guideline (Guideline 1) presented in the CP, ESMA provided the objectives of the framework of CCP recovery plan indicators. Among other things, the Guideline provided that the CCP recovery plan indicators should not be understood as elements that generate automatic responses. Instead, the setting-off of a recovery plan indicator should be an event requiring attention by senior management or the Board of the CCP so that they, on a case by case basis, can start to consider and decide whether to take action under the CCP's recovery plan, and determine which particular recovery measures may be taken, in accordance with the conditions and requirements set out in CCPRRR.

4.1.2 Summary of Consultation Responses

15. Three respondents expressed an explicit support for the overarching principles and objectives of the draft Guidelines as proposed by the draft Guideline 1. One respondent disagreed with the proposed principles and objectives.

16. In addition, one respondent cautioned against any automatic effect between recovery plan indicators and recovery measures arguing that indicators just allow for assessing the underlying situation, and should not be seen as a trigger to take recovery actions but rather as the signal that an analysis should be done to determine what actions should be taken, if any.

4.1.3 ESMA's feedback

17. ESMA would like to highlight that the draft Guideline 1 explicitly mentioned that recovery plan indicators are not automatic and that a case by case analysis should take place on whether to take action and determine which particular recovery measures may be taken where a recovery plan indicator is set off. ESMA would like to reiterate that the proposed Guideline 1 *in fine* explicitly clarified that the CCP recovery plan indicators should not be understood as elements that generate automatic responses. Therefore, in this regard ESMA does not propose to make any change to the final Guideline 1.

18. Regarding the other overarching principles explained in the draft Guideline 1, upon further reflection, ESMA is of the view that these principles are already explicitly set out directly in CCPRRR, and, therefore, it is not necessary to repeat them in these Guidelines. Consequently, they have not been included in the final Guideline 1.

4.2 Guidelines 2 and 3

4.2.1 Consultation Paper (and accompanying draft Guidelines)

19. In the draft Guidelines (Guidelines 2 and 3) presented in the CP, ESMA proposed three categories of recovery plan indicators: a) *'indicators that provide early warning for recovery actions'*; b) *'indicators that signal the move from Business as Usual risk management to the recovery phase'*; c) *'indicators that signal the usage of specific recovery measures'*.

20. As regards the category (a) indicators, ESMA proposed that they should be calibrated and set in such a way that they would be triggered with some time in advance before (but with a high probability of) the CCP's entry into a recovery phase, so as to provide sufficient time to start the governance process, notify senior management or the board of the CCP, perform an assessment of the situation and notify the competent authority with an adequate degree of anticipation before applying recovery measures.

21. As regards the category (b) indicators, ESMA proposed that they would be the threshold that separates BAU risk management from the recovery phase (without any automaticity regarding recovery measures as explained in the draft Guideline 1).

22. ESMA further proposed that a CCP links each of their recovery plans scenarios with at least: a) one indicator that provides early warning for recovery actions; and b) one indicator that signals the move from BAU risk management to the recovery phase. A list of proposed indicators (for these two categories of indicators) was provided for each type of scenario.

23. As regards the category (c) indicators, the CP explained that they are different to the categories (a) and (b) as they are not linked to or based on the indicators' position in the recovery plan or the degree of deterioration of the financial or operational situation of the CCP. Instead, these indicators are linked to specific measures contained in the CCP's recovery plan. The objective of these indicators would therefore be to provide information of the specific circumstances or thresholds that would trigger the use of a specific recovery measure, following the activation of its recovery plan by a CCP, where there are multiple measures assigned to a single recovery plan scenario (without any automaticity as explained in the draft Guideline 1). In other words, a specific recovery measure is linked to the existence of specific circumstances or consequences and the indicator would signal that those circumstances arise. As such, these indicators would guide the decision-making process and aid the CCP with choosing the appropriate measure for the given situation (while keeping the necessary flexibility to use whichever measure is eventually determined as the most suitable one, subject to the conditions and requirements stipulated in CCPRRR). With respect to this category, ESMA proposed several options for how to create these indicators.

4.2.2 Summary of Consultation Responses

24. Several respondents supported or agreed in principle with the identification of three broad categories of recovery plan indicators. One respondent explicitly disagreed with the identification of the three categories.
25. Several respondents argued that the minimum recovery plan indicators' framework proposed by ESMA is too prescriptive and granular and advocated for less granularity and more flexibility for a CCP to identify recovery plan indicators and determine how they fit to the CCP's recovery plan on the basis of the CCP's risk profile and taking account of proportionality. Two other respondents agreed on the proposed level of granularity.
26. Some respondents invited ESMA to take into account the already established recovery indicator framework under BRRD.
27. Two respondents expressed their disagreement with the proposal to link each recovery plan scenario with a specific indicator while two other respondents have expressed their support to such proposal. One respondent expressed concerns about how this proposal would be implemented in practice while suggesting that it would be more useful if CCPs were asked to create a comprehensive framework of indicators.
28. Regarding the category (a) indicators, one respondent questioned whether they are within the mandate. Some respondents also proposed that this category of indicators should be either optional or more flexibility should be given to CCPs to create these indicators. Some respondents noted the potential overlap between the category (a) indicators and BAU early warning indicators, and stressed the need for clarity between phase 0 and phase 1 (as described in the CP). In addition, some respondents pointed out a potential overlap between the category (a) indicators and category (b) indicators.

29. Regarding the category (c) indicators, two respondents agreed with the approach, while two respondents considered it as not the most effective approach. One respondent suggested that i) the category (c) indicators should be made optional, or ii) ESMA clarifies that the category (c) indicators refer to types of recovery options (those types of recovery options could for instance cover measures to restore the capital base, measures to restore the liquidity provision and measures to address operational deficiencies for the CCP to assess) and not trigger automatically specific measures.

4.2.3 ESMA's feedback

30. ESMA acknowledges the importance of flexibility for CCPs to identify recovery plan indicators on the basis of each CCP's risk profile and other characteristics while taking into account the principle of proportionality. However, ESMA is of the view that the approach proposed in the draft Guidelines is in line with the principle of proportionality whilst the proposed Guidelines are drafted through a sufficiently high-level approach thus allowing for the appropriate flexibility to the CCPs to identify recovery plan indicators and how these fit to the CCP's recovery plan, account taken of the CCP's risk profile.

31. Recovery plan indicator taxonomy is an important element for CCP recovery planning and for a timely recovery action to take place. To that end, the draft Guideline 2 specified three categories of indicators which are sufficiently high-level to allow for appropriate flexibility left to the each CCP to draw a recovery plan customised to its own risk profile while avoiding unnecessary complexity. For example, i) several options were provided in the draft Guidelines for the category (a) indicators for each type of recovery plan scenarios leaving it up to each CCP to select the best suited one for that CCP; ii) the proposed indicators for categories (a) and (b) provided in the draft Guidelines were generally of a qualitative nature and were not quantified by ESMA (i.e. no thresholds or percentages are provided), leaving flexibility to each CCP to quantify and calibrate these indicators and set its own thresholds, based on the CCP's risk profile and specificities; iii) several options were provided in the draft Guidelines as regards the approach to the category (c) indicators, again letting CCPs to choose which option they deem as the most suitable one.

32. ESMA acknowledges the importance of flexibility for the CCPs when linking recovery plan indicators to recovery plan scenarios. Against this background the draft Guideline 3 foresaw that a CCP would create at least one category (a) indicator and one category (b) indicator for each recovery plan scenario the CCP includes in its recovery plan. CCPs would have full flexibility to link more indicators to each scenario in accordance with their risk profile and proportionality.

33. Therefore, ESMA is of the view that the approach proposed in the CP (and the accompanying draft Guidelines 2 and 3), i.e. setting out three categories of recovery plan indicators, is an appropriate approach that provides sufficient flexibility to CCPs, and, hence, ESMA does not propose to change this overall approach in the final Guidelines. Nevertheless, ESMA has made some targeted changes and provided additional clarifications as regards the category (a) and category (c) indicators, as indicated below.

34. ESMA is of the view that the inclusion of the category (a) indicators is in line with ESMA's mandate as provided by Article 9(5) of CCPRRR. The category (a) indicators cater for the requirement provided in Article 9(3) of CCPRRR which stipulates that recovery plan indicators shall enable recovery measures to be taken early enough to provide sufficient time for the recovery plan to be implemented, as well as in point (6) of Section A of the Annex of CCPRRR which states that recovery plans shall include appropriate conditions and procedures to ensure the timely implementation of recovery actions. To this effect, the final Guideline 2 clearly explains that the category (a) indicators should be calibrated and set at an appropriate level by the CCP so that they provide, when set off, sufficient time for the CCP to start the governance process, notify senior management or the Board of the CCP, perform an assessment of the situation and notify the competent authority, with an adequate degree of anticipation before applying any recovery measures.
35. Regarding any potential overlaps of the category (a) indicators with BAU early warning indicators, the draft Guidelines, as presented in the CP, already clarified that the category (a) indicators should be calibrated by each CCP to signal a high enough probability of needing recovery measures so that they do not overlap with the early warning indicators used for BAU risk management.
36. Regarding any potential overlaps of the category (a) indicators with the category (b) indicators, ESMA would like to reiterate that the same qualitative indicators might exist in both category (a) and (b), however their quantitative aspects should be calibrated and set at different levels by each CCP in order to differentiate between an early warning stage for recovery actions and move from BAU to a recovery phase stage.
37. Based on this, ESMA does not believe that the category (a) indicators should be optional. However, in order to provide additional flexibility to CCPs, ESMA has changed the final Guideline 3 to allow a CCP to choose for each recovery plan scenario either one of the category (a) indicators proposed in the Guidelines or to create its own indicator (not provided in the Guidelines) for the category (a) indicators.
38. In addition, ESMA has tried to further clarify the text of the final Guidelines so that it is clear that a CCP should quantify its chosen indicators, based on its risk profile, where feasible, and calibrate them in such a way so that there are no overlaps between i) the category (a) indicators with BAU early warning indicators, and ii) the category (a) indicators with the category (b) indicators.
39. Regarding the category (c) indicators, ESMA would like to reiterate that i) the approach to the category (c) indicators as proposed in the draft Guidelines was already sufficiently high-level offering several options for this category of indicators thus allowing the appropriate flexibility to CCPs; and ii) the draft Guideline 1 *in fine* explicitly clarified that the setting-off of a CCP recovery plan indicator should not be understood as an event that generates an automatic response.
40. Therefore, ESMA has tried to clarify these notions further in the final Guidelines so as to avoid any misunderstandings and misinterpretations. For example, one of the options provided in the draft Guideline 3 for the category (c) indicators was to indicate that the

recovery plan measure forms part of an ordered sequence. Therefore, a CCP could comply with the Guideline by, for instance, creating a chart indicating the (assumed) sequence of specific recovery plan measures that would be used to counter each recovery plan scenario. ESMA has also clarified further that this would of course serve as guidance only and the CCP would be ultimately able to decide which particular recovery measure is the most appropriate one should a recovery situation occur.

4.3 Guideline 4

4.3.1 Consultation Paper (and accompanying draft Guidelines)

41. In the draft Guideline (Guideline 4) presented in the CP, ESMA set out how CCPs should integrate the list of recovery plan indicators with the monitoring system.

4.3.2 Summary of Consultation Responses

42. Most respondents agreed in general with the draft Guideline 4. However some respondent cautioned against creating overlaps and duplications where relevant risks are already monitored and reported (e.g. under BAU risk management under EMIR) while some questioned the proposal that CCPs should monitor a list of all relevant types and sources of risks, thus advocating for adding more flexibility to this Guideline including a reference to the need to determining the list according to each CCP's risk profile and the principle of proportionality. Furthermore, some respondents questioned whether this Guideline is within the scope of Article 9(5) of CCPRRR.

4.3.3 ESMA's feedback

43. ESMA is of the view that the monitoring of all relevant types and sources of risk and their integration in the monitoring system are necessary steps in order to ensure that recovery plan indicators are overall effective. Therefore, given the need to provide guidance on this aspect, the scope of the final Guidelines is expanded beyond the scope set forth by Article 9(5) of CCPRRR. Thus, ESMA has decided to issue Guideline 4 under Article 16(1) of the ESMA Regulation in line with which ESMA may issue guidelines with a view to establishing consistent, efficient and effective supervisory practices within the ESFS, and to ensuring the common, uniform and consistent application of Union law.

44. Furthermore, ESMA has made some clarifications in the final Guideline 4 to address the concerns raised by the respondents in the consultation.

45. First, ESMA has clarified what is meant by all 'relevant types and sources of risk' with reference to the Final Report and final Guidelines on CCP Recovery Plan Scenarios (ESMA91-372-1701), which means that it is up to each CCP to assess which types and sources of risk are relevant to that CCP.

46. Second, ESMA does not expect CCPs to carry out the same monitoring twice, hence, as already provided in the draft Guideline 4, ESMA expects CCPs to integrate the recovery

plan indicators with the CCP's monitoring system. Therefore, if a CCP already monitors some of the elements set out in the final Guideline 4, e.g. under EMIR BAU risk management, the CCP does not have to monitor the very same elements again under these Guidelines since the monitoring would be integrated. However, where additional or more in depth monitoring is necessary consistent with these Guidelines, CCPs would be expected to monitor these additional aspects.

4.4 Guideline 5

4.4.1 Consultation Paper (and accompanying draft Guidelines)

47. The draft Guideline (Guideline 5) presented in the CP also captured the expectation for CCPs to review and where necessary to update their indicators, following Guidelines 1 – 4, every time they review their recovery plans in accordance with Article 9(9) of CCPRRR.

4.4.2 Summary of Consultation Responses

48. All respondents agreed with the draft Guideline 5.

4.4.3 ESMA's feedback

49. Considering the overall support expressed in the consultation responses, ESMA does not propose to make any substantial changes to the final Guideline 5.

4.5 General Issues

4.5.1 Summary of Consultation Responses

50. A respondent expressed a general remark on the timeline for implementation and compliance with the Guidelines as is the responded expected that the final Guidelines would be published at the end of 2021. According to the respondent, CCPRRR will come into effect in February 2022 which will leave up a limited amount of time for adapting to potential changes. The respondent therefore proposed that ESMA and the competent authorities find a reasonable and practicable approach how CCPs should deal with potential last-minute Guidelines.

4.5.2 ESMA's feedback

51. In accordance with Article 9(12) of CCPRRR, ESMA is required to issue the Guidelines on recovery plan indicators by 12 February 2022. ESMA notes that the legal deadlines for the issuance of Guidelines under CCPRRR as well as the applicability of CCPRRR in general are set directly in CCPRRR as agreed by the co-legislators. Therefore, ESMA does not have any legal means to change these deadlines via Level 3 measures.

4.6 Cost and Benefit Analysis

4.6.1 Consultation Paper (and accompanying draft Guidelines)

52. In the CP, ESMA considered three policy options:

- a. Option 1: To specify highly prescriptive recovery plan indicators that every CCP should include in its recovery plan without providing much flexibility for the CCP to customise its indicators based on the risk profile of the CCP.
- b. Option 2: To specify a minimum high-level list of recovery plan indicators (without providing further guidance that CCPs should consider when creating the indicators) allowing each CCP much flexibility to customise its indicators based on the risk profile of the CCP.
- c. Option 3: To specify a minimum list of recovery plan indicators that each CCP should include in its recovery plan and provide further guidance, which is linked to the risk profile of the CCP, that the CCP should use when creating and customising its indicators.

53. ESMA chose Option 3, given that Option 1 could be seen as too prescriptive (without allowing much flexibility for a CCP to customise its indicators based on the CCP's risk profile) and Option 2 could be seen as too vague and may fall short of the aim of ensuring convergence and that recovery plans are sufficiently detailed and overall effective.

4.6.2 Summary of Consultation Responses

54. Three respondents expressed an explicit support for Option 3 while four respondents did not provide an explicit response. Two of those that supported Option 3 nevertheless argued that the indicators' framework should be less prescriptive, more proportionate and tailored on the precise risk profile of each CCP and advocated for more flexibility, either by allowing each CCP to undertake the actions deemed more appropriate on a case-by-case basis or by defining a minimum set of indicators leaving to each CCP to identify in accordance with relevant authorities the most appropriate framework of indicators.

4.6.3 ESMA's feedback

55. Considering that the majority of respondents supported Option 3 and also the overall responses to the consultation, ESMA does not propose to change its approach in the Final Report. However, as described above, ESMA proposes to give CCPs more flexibility as regards some categories of indicators.

5 Annexes

Annex I: Legislative mandate to develop the Guidelines

Article 9 of the CCPRRR provides that:

“1. CCPs shall draw up and maintain a recovery plan providing for measures to be taken in the case of both default and non-default events and combinations of both, in order to restore their financial soundness, without any extraordinary public financial support, and allow them to continue to provide critical functions following a significant deterioration of their financial situation or a risk of breaching their capital and prudential requirements under Regulation (EU) No 648/2012.

(...) 3. The recovery plan shall include a framework of indicators based on the risk profile of the CCP, that identify the circumstances under which measures in the recovery plan are to be taken. The indicators may be of either a qualitative or a quantitative nature relating to the financial soundness and operational viability of the CCP and should enable recovery measures to be taken early enough to provide sufficient time for the plan to be implemented.

(...) 5. ESMA shall, in cooperation with the ESRB, by 12 February 2022, issue guidelines in accordance with Article 16 of Regulation (EU) No 1095/2010 to specify the minimum list of qualitative and quantitative indicators referred to in paragraph 3 of this Article.”

Annex II: Cost and benefit analysis

Introduction

Pursuant to the Article 9(5) of CCPRRR, ESMA shall, in cooperation with the ESRB, by 12 February 2022, issue guidelines in accordance with Article 16 of Regulation (EU) No 1095/2010 to specify the minimum list of qualitative and quantitative indicators referred to in Article 9(3) of CCPRRR. The objective of the Guidelines is therefore specifying the minimum list of qualitative and quantitative indicators to be included in CCP recovery plans. Such indicators shall then be assessed by the competent authorities as part of their assessment of recovery plans as stipulated in and in accordance with Article 10 of CCPRRR.

Article 16 of the ESMA Regulation requires ESMA, where appropriate, to analyse the potential costs and benefits relating to proposed guidelines. It also states that cost-benefit analyses must be proportionate in relation to the scope, nature and impact of the proposed guidelines.

The objective of performing a cost-benefit analysis is to assess the costs and benefits of the various policy or technical options which were analysed during the process of drafting the guidelines.

The final Guidelines included in this Final Report are of a mandatory nature, i.e. they are envisaged in CCPRRR in order to ensure uniform, consistent and coherent application of Union Law.

In carrying out a cost-benefit analysis on the Guidelines it should be noted that the main policy decisions have already been taken under the primary legislation (CCPRRR) and the impact of such policy decisions have already been analysed to some extent by the Impact Assessment by the European Commission⁷.

Cost and benefit analysis

Below are detailed the different corresponding policy options on how to promote the consistent application of Article 9(3) of CCPRRR regarding the minimum list of qualitative and quantitative indicators.

Specific objective	The objective of the Guidelines is to specify the minimum list of qualitative and quantitative indicators for the purposes of CCP recovery plans.
Policy option 1	To specify highly prescriptive recovery plan indicators that every CCP should include in its recovery plan without providing much flexibility for the CCP to customise its indicators based on the risk profile of the CCP.

⁷ <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=SWD%3A2016%3A0368%3AFIN>

<p>How would this option achieve the objective?</p>	<p>This option would create a high level of convergence as the indicators would be prescribed in detail by the Guidelines and each CCP would apply the same indicators.</p> <p>However, this option would not provide much flexibility for a CCP to customise its indicators, based on the risk profile of the CCP. It would therefore mean the indicators may not be particularly relevant for the given CCP, may not accurately reflect the risk profile of the CCP or its complexity and characteristics etc, which could negatively affect the effectiveness of the whole recovery plan.</p> <p>Therefore, it is questionable whether this option would meet i) the legal mandate as CCPRRR stipulates that the indicators should be based on the risk profile of the CCP and ii) the overall objectives regarding recovery planning.</p>
<p>Policy option 2</p>	<p>To specify a minimum high-level list of recovery plan indicators (without providing further guidance that CCPs should consider when creating the indicators) allowing each CCP much flexibility to customise its indicators based on the risk profile of the CCP.</p>
<p>How would this option achieve the objective?</p>	<p>This option may meet the mandate as it would specify the minimum list of recovery plan indicators. It would also allow every CCP to customise its indicators based on the risk profile of the CCP.</p> <p>However, this option would create a low level of convergence across CCPs, and may result in some recovery plans being less detailed than others and therefore also less effective. Therefore, it is questionable whether this option would meet the overall objectives regarding recovery planning.</p>
<p>Policy option 3</p>	<p>To specify a minimum list of recovery plan indicators that each CCP should include in its recovery plan and provide further guidance, which is linked to the risk profile of the CCP, that the CCP should use when creating and customising its indicators.</p>
<p>How would this option achieve the objective?</p>	<p>This option would meet the mandate as it would specify the minimum list of recovery plan indicators as well as provide further guidance on how a CCP should create and customise its indicators based on its risk profile.</p> <p>This option would also create a relatively high level of convergence while at the same time leaving the necessary flexibility to every CCP, taking into account the CCP's risk profile. This should also ensure the overall effectiveness of the CCP's recovery plan.</p>

<p>Which policy option is the preferred one?</p>	<p>Option 3, given that Option 1 could be seen as too prescriptive (without allowing much flexibility for a CCP to customise its indicators based on the CCP's risk profile) and Option 2 could be seen as too vague and may fall short of the aim of ensuring convergence and that recovery plans are sufficiently detailed and overall effective.</p> <p>Option 3 is the most appropriate and also proportionate approach as, it is detailed enough to ensure consistency and convergence across CCPs and at the same time it provides sufficient flexibility for CCPs to calibrate each indicator based on the CCP's risk profile.</p> <p>This should also ensure the overall effectiveness of the CCP's recovery plan and therefore achieve the overall objectives regarding recovery planning, while at the same time ensuring proportionality.</p>
<p>Is the policy chosen within the sole responsibility of ESMA? If not, what other body is concerned / needs to be informed or consulted?</p>	<p>ESMA is responsible, in cooperation with the ESRB, for issuing the Guidelines and the mandate is of a mandatory nature, i.e. the Guidelines are envisaged in CCPRRR in order to ensure uniform, consistent and coherent application of Union Law.</p> <p>ESMA has cooperated with the ESRB in issuing the Guidelines.</p>

<p>Impacts of the proposed policies:</p>	
<p>Policy option 1</p>	
<p>Benefits</p>	<p>It will provide a high level of convergence as the indicators would be prescribed in detail by the Guidelines and each CCP would apply the same indicators. It would also result in lower maintenance costs.</p>
<p>Regulator's costs</p>	<p>The costs for competent authorities will be moderate, however already envisaged by CCPRRR due to the detailed requirements regarding recovery plans and the Guidelines envisaged to specify the minimum list of indicators.</p>
<p>Compliance costs</p>	<p>The compliance costs for CCPs will be moderate, however already envisaged by CCPRRR due to the detailed requirements regarding recovery plans and the Guidelines envisaged to specify the minimum list of indicators. Nevertheless, the costs for this option</p>

	<p>will most likely be higher than for option 2 and 3 due to the highly prescriptive nature of this option.</p> <p>While the maintenance costs for CCPs may be lower for this option than the other options, this option may result in less appropriate indicators for the given CCP and in effect also a less effective recovery plan, which could ultimately lead to higher costs for the CCP.</p>
Policy option 2	
Benefits	It would provide a lot of flexibility to CCPs to customise their indicators based on the risk profile of each CCP.
Regulator's costs	The costs for competent authorities will be moderate, however already envisaged by CCPRRR due to the detailed requirements regarding recovery plans and the Guidelines envisaged to specify the minimum list of indicators.
Compliance costs	The compliance costs for CCPs will be moderate, however already envisaged by CCPRRR due to the detailed requirements regarding recovery plans and recovery plan scenarios and the Guidelines envisaged to specify the minimum list of indicators. Nevertheless, the costs for this option will most likely be lower than for option 1 and 3 due to the less prescriptive nature of this option.
Policy option 3	
Benefits	It would provide a relatively high level of convergence while at the same time leaving the necessary flexibility to every CCP to customise its indicators based the risk profile of the CCP. This should also ensure the overall effectiveness of the CCP's recovery plan.
Regulator's costs	The costs for competent authorities will be moderate, however already envisaged by CCPRRR due to the detailed requirements regarding recovery plans and the Guidelines envisaged to specify the minimum list of indicators.
Compliance costs	The compliance costs for CCPs will be moderate, however already envisaged by CCPRRR due to the detailed requirements regarding recovery plans and the Guidelines envisaged to specify the minimum list of indicators. Nevertheless, the costs for this option should be lower than for option 1 but may be higher than for option 2.



Annex III: Advice of the Securities and Markets Stakeholder Group

In accordance with Article 16 of the ESMA Regulation, ESMA has requested the advice of the Securities and Markets Stakeholder Group (SMSG). The SMSG has not provided any comment.



Annex IV: Final Guidelines (without explanatory notes)

Guidelines

On CCP recovery plan indicators (Article 9(5) CCPRRR)





Table of Contents

1. Scope	25
2. Legislative references, abbreviations and definitions	26
3. Purpose	28
4. Compliance and reporting obligations	29
5. Guidelines on CCP recovery plan indicators	30



1 Scope

Who?

1. These Guidelines apply to competent authorities as defined in point (7) of Article 2 of CCPRRR and to CCPs authorised under Article 14 of EMIR.

What?

2. These Guidelines apply in relation to Article 9(5) of CCPRRR, which mandates ESMA to specify the minimum list of qualitative and quantitative indicators referred to in Article 9(3) of CCPRRR to be included in CCP recovery plans. These Guidelines also apply in relation to Article 9(4) of the CCPRRR, as they provide guidance on the integration of the CCP recovery plan indicators within the CCP's monitoring system.
3. These Guidelines should be read in conjunction with the ESMA guidelines on CCP recovery plan scenarios (ESMA ESMA91-372-1701).

When?

4. These Guidelines have now been published.
5. Pursuant to Article 16(3) of ESMA Regulation, competent authorities must inform ESMA of whether they (i) comply, (ii) do not comply but intend to comply, or (iii) do not comply and do not intend to comply with these Guidelines. In case of non-compliance, competent authorities must state their reasons for non-compliance, within two months from the date of publication of the Guidelines on ESMA's website in all EU official languages of their reasons for not complying with the Guidelines.



2 Legislative references, abbreviations and definitions

Legislative references

CCPRRR	Regulation (EU) 2021/23 of the European Parliament and of the Council of 16 December 2020 on a framework for the recovery and resolution of central counterparties and amending Regulations (EU) No 1095/2010, (EU) No 648/2012, (EU) No 600/2014, (EU) No 806/2014 and (EU) 2015/2365 and Directives 2002/47/EC, 2004/25/EC, 2007/36/EC, 2014/59/EU and (EU) 2017/1132 ⁸
EMIR	Regulation (EU) 648/2012 of 4 July 2012 of the European Parliament and Council on OTC derivatives, central counterparties and trade repositories ⁹
ESMA Regulation	Regulation (EU) No 1095/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Securities and Markets Authority), amending Decision No 716/2009/EC and repealing Commission Decision 2009/77/EC ¹⁰
Delegated Regulation 152/2013	Commission Delegated Regulation (EU) No 152/2013 of 19 December 2012 on capital requirements for central counterparties ¹¹
Delegated Regulation 153/2013	Commission Delegated Regulation (EU) No 153/2013 of 19 December 2012 on requirements for central counterparties ¹²

Abbreviations

<i>BAU</i>	Business as Usual
<i>CCP</i>	Central Counterparty
<i>EC</i>	European Commission
<i>EEA</i>	European Economic Area
<i>ESFS</i>	European System of Financial Supervision

⁸ OJ L 22, 22.1.2021, p. 1–102

⁹ OJ L 201, 27.7.2012, p.1

¹⁰ OJ L 331, 15.12.2010, p. 84

¹¹ OJ L 52, 23.2.2013, p. 37

¹² OJ L 52, 23.2.2013, p. 41



<i>ESMA</i>	European Securities and Markets Authority
<i>ESRB</i>	European Systemic Risk Board
<i>EU</i>	European Union
<i>FMIs</i>	Financial Market Infrastructures

Definitions

6. Unless otherwise specified, the terms used in these guidelines have the same meaning as in CCPRRR, EMIR and the Delegated Regulations 152/2013 and 153/2013.

3 Purpose

7. These Guidelines are based on Article 9(5) of CCPRRR and issued in accordance with Article 16 of the ESMA Regulation. The objectives of these Guidelines are to establish consistent, efficient and effective supervisory practices within the ESFS and to ensure the common, uniform and consistent application of Article 9(3) of CCPRRR. In particular, they aim at specifying the minimum list of qualitative and quantitative indicators to be included in CCP recovery plans. Such indicators shall be assessed by the competent authorities as part of their assessment of recovery plans as stipulated in and in accordance with Article 10 of CCPRRR.
8. The objective of preparing a set of recovery plan indicators is to define a set of triggers that should be used by each CCP to define the points at which it has to decide whether to take action under its recovery plan, and to determine which particular actions or measures contained in the recovery plan may be taken, in accordance with the conditions and requirements set out in CCPRRR.
9. Furthermore, pursuant to Article 16(1) of ESMA Regulation, ESMA may issue guidelines with a view to establishing consistent, efficient and effective supervisory practices within the ESFS, and to ensuring the common, uniform and consistent application of Union law. The scope of these guidelines is with this aim expanded beyond the scope set forth by Article 9(5) of CCPRRR, by introducing Guideline 4 covering the integration of the CCP recovery plan indicators with the CCP's monitoring system. The purpose of this guidance is to ensure the monitoring of all relevant types an sources of risk and their integration in the monitoring system, as these are necessary steps in order to ensure that recovery plan indicators are overall effective.



4 Compliance and reporting obligations

Status of the Guidelines

10. In accordance with Article 16(3) of the ESMA Regulation, competent authorities and CCPs must make every effort to comply with these Guidelines.
11. Competent authorities to which these guidelines apply should comply by incorporating them into their national legal and/or supervisory frameworks as appropriate, including where particular Guidelines are directed primarily at CCPs. In this case, competent authorities should ensure through their supervision that CCPs comply with the Guidelines.

Reporting requirements

12. Within two months of the date of publication of the Guidelines on ESMA's website in all EU official languages, competent authorities to which these Guidelines apply must notify ESMA whether they (i) comply, (ii) do not comply, but intend to comply, or (iii) do not comply and do not intend to comply with the Guidelines.
13. In case of non-compliance, competent authorities must also notify ESMA within two months of the date of publication of the guidelines on ESMA's website in all EU official languages of their reasons for not complying with the Guidelines.
14. A template for notifications is available on ESMA's website. Once the template has been filled in, it shall be transmitted to ESMA.
15. CCPs to which these Guidelines apply shall report to their competent authorities, in a clear and detailed way, whether they comply with these Guidelines.

5 Guidelines on CCP recovery plan indicators

5.1 Guideline 1: Non-automaticity of CCP recovery plan indicators

16. The setting-off of a CCP recovery plan indicator should be an event requiring attention by senior management or the Board of the CCP so that they start considering and decide, on a case by case basis, whether to take action under the CCP's recovery plan, and determine which particular recovery measures may be taken, in accordance with the conditions and requirements set out in CCPRRR. The setting-off of a CCP recovery plan indicator should, therefore, not be understood as an event that generates an automatic response.

5.2 Guideline 2: Categories of CCP recovery plan indicators

17. A CCP should include in its recovery plan the following categories of indicators:

CCP recovery plan indicators based on their position in the recovery plan and the degree of deterioration of the financial or operational situation of the CCP:

Category (a) ('Indicators that provide early warning for recovery actions'):

- These indicators signal a material probability of the need to use recovery measures such that they may warrant the initiation of the governance process necessary to activate the CCP's recovery plan (in other words, the risk level is high enough so that activating the recovery plan is plausible although still uncertain).
- These indicators should be calibrated and set at an appropriate level by the CCP so that they:
 - reflect the CCP's characteristics and specificities with respect to its risk profile (including the level of complexity, structure, etc).;
 - provide, when set off, sufficient time for the CCP to start the governance process, notify senior management or the Board of the CCP, perform an assessment of the situation and notify the competent authority, with an adequate degree of anticipation before applying recovery measures;
 - signal a high enough probability of need to apply recovery measures, so that they do not overlap with early warning indicators used for BAU risk management; and
 - do not overlap with the category (b) indicators ('indicators that signal the move from BAU risk management to the recovery phase').

Category (b) ('Indicators that signal the move from Business as Usual risk management to the recovery phase'):

- These indicators signal the change from the BAU risk management stage to the recovery phase due to the unavoidable need for the use of recovery measures

(in other words, the realised impact exceeds the BAU resources and capabilities and there is a need for recovery measures).

- These indicators should be calibrated and set at an appropriate level by the CCP so that they:
 - reflect the CCP's characteristics and specificities with respect to its risk profile (including the level of complexity, structure, etc.);
 - clearly define the point in time, situation or marker that triggers the need for the use of recovery measures; and
 - do not overlap with the category (a) indicators ('indicators that provide early warning for recovery actions').

CCP recovery plan indicators linked to recovery measures:

Category (c) ('Indicators that signal the usage of specific recovery measures'):

- Where a CCP activates its recovery plan, these indicators provide information on the specific circumstances or thresholds that would trigger the use of a specific recovery measure where there are multiple measures assigned to a single recovery plan scenario. In other words, a specific recovery measure is linked to the existence of specific circumstances or consequences and the indicator signals that those circumstances arise.
- These indicators should guide the decision-making process and aid the CCP with choosing the appropriate recovery measure for the situation or circumstances at hand.
- At the same time, however, as already explained in Guideline 1, the CCP retains the flexibility to use whichever measure is ultimately determined by the CCP as the most appropriate one for the given situation, in accordance with the conditions and requirements set out in CCPRRR. In other words, the CCP is not necessarily expected to use the specific recovery measure that is signalled by the indicator.

5.3 Guideline 3: Creating CCP recovery plan indicators

18. A CCP should link each of its recovery plan scenarios with at least:

- a. One category (a) indicator (indicator that provides early warning for recovery actions); and
- b. One category (b) indicator (indicator that signals the move from Business as Usual risk management to the recovery phase).

19. Where a CCP combines two types of scenarios into one actual scenario (consistent with the Guidelines on CCP Recovery Plan Scenarios - ESMA91-372-1701), the CCP should link such a scenario with at least two indicators from the category (a) indicators (one indicator for each type of scenario used for the combined scenario) and two indicators from the category (b) indicators (one indicator for each type of scenario used for the combined scenario).

20. A CCP should create the category (a) and category (b) indicators for each of its recovery plan scenarios using the matrix in Table 1 in the Annex. For the avoidance of doubt, the CCP should create these indicators for every actual recovery plan scenario included in its recovery plan (i.e. the scenarios created for each of the seven types of scenarios and any additional scenarios, as well as any further scenarios designed by the CCP, pursuant to the Guidelines on CCP Recovery Plan Scenarios - ESMA91-372-1701).
21. As regards the category (a) indicators, a CCP may create its own indicators for this category (i.e. indicators not specified in Table 1 in the Annex), for each of its recovery plan scenarios, if the CCP deems the indicators proposed in Table 1 in the Annex not appropriate. In such a case, the CCP should provide a justification to its competent authority.
22. A CCP should calibrate and quantify (e.g. by setting thresholds) the category (a) and category (b) indicators, where feasible, based on the CCP's characteristics and specificities with respect to its risk profile (including the level of complexity, structure, etc.), consistent with Guideline 2.
23. To create its category (c) indicators (indicators that signal the usage of specific recovery measures), a CCP should use any of the following options:
 - Define the situation or marker that would indicate the usage of the specific recovery measure;
 - Indicate the main factors or circumstances that would be assessed and would guide the decision-making process for the usage of the recovery measures;
 - Provide a flowchart or similar tool describing the criteria and decision-making process for the usage of the recovery measures;
 - Indicate that the recovery plan measure forms part of an ordered sequence (e.g. the CCP may create a chart indicating the (assumed) sequence of specific recovery measures that would be used to counter each recovery plan scenario).
24. A CCP should provide its competent authority with an explanation of how the indicators calibrations were determined and an analysis that demonstrates that the category (a) indicators would be triggered early enough to be effective.

5.4 Guideline 4: Integration of the CCP recovery plan indicators with the CCP's monitoring system

25. In order to integrate the recovery plan indicators with the CCP's monitoring system, a CCP should:
 - monitor all 'relevant types and sources of risk' (as identified in the Guidelines on CCP Recovery Plan Scenarios - ESMA91-372-1701);

- monitor the liquidity and of the number of active market participants for the activities they clear and for the assets they hold as collateral or investments;
- monitor any trend in the number and severity of incidents at the CCP and at FMIs to which the CCPs are exposed;
- maintain and monitor a list of entities that may be sources of material risk, including:
 - the members who are the main contributors of risk to the CCP (e.g. through the default fund);
 - interoperable CCPs;
 - the entities, service providers or Financial Market Infrastructures that may pose material liquidity risk in case of financial or operational distress;
 - the members that can be a material source of simultaneous default and non-default losses.

5.5 Guideline 5: Maintenance of CCP recovery plan indicators

26. A CCP should review and where necessary update its recovery plan indicators, following Guidelines 1 – 4, every time the CCP reviews its recovery plan in accordance with Article 9(9) of CCPRRR.

6 Annexes

Table 1: Matrix for creating recovery plan indicators

Types of Recovery Plan Scenarios	Category (a) indicators (<i>Indicators that provide early warnings for recovery actions</i>)	Category (b) indicators (<i>Indicators that signal the move from Business as Usual risk management to the recovery phase</i>)
<p>1a. Default event causing financial losses that propagate through the CCP's default waterfall with return to a matched book through voluntary, market-based tools</p>	<ul style="list-style-type: none"> • Default of one or more members whose combined effect could consume a significant percentage of the CCP's default fund. • Start of default management process with portfolio(s) that have mark to market losses exceeding [defaulting member(s) margins + Skin in the game + a significant amount of the total default fund size]. • High probability of default of one or more members whose combined effect could consume a significant percentage of the CCP's default fund.. The probability of default would be signaled by market-based indicators. 	<ul style="list-style-type: none"> • Realised or forecasted default loss that would consume all default fund prefunded resources .
<p>1b. Interoperable CCP default event causing financial losses that propagate through the CCP's default waterfall</p>	<ul style="list-style-type: none"> • Interoperable CCP default under stressed market conditions when this type of entity represents one of the largest exposures of the CCP. • High probability of an interoperable CCP default under stressed market conditions when this type of entity represents one 	<ul style="list-style-type: none"> • Realised or forecasted default loss that would consume all relevant prefunded resources available to cover the default of an interoperable CCP.

Types of Recovery Plan Scenarios	Category (a) indicators (<i>‘Indicators that provide early warnings for recovery actions’</i>)	Category (b) indicators (<i>‘Indicators that signal the move from Business as Usual risk management to the recovery phase’</i>)
	<p>of the largest exposures of the CCP.</p> <ul style="list-style-type: none"> • Combined default of a member and an interoperable CCP whose combined effect would represent a significant challenge to the CCP’s funding. • High probability of combined default of a member and an interoperable CCP whose combined effect would represent a significant challenge to the CCP’s funding. 	
<p>2. Default event causing financial losses with a default management process that necessitates the use of mandatory, rules-based arrangements (as set out in the CCP’s recovery plan) in order to re-establish a matched book</p>	<ul style="list-style-type: none"> • Early identification of potential inability to successfully re-establish a matched book through voluntary, market-based tools due to auctioned portfolio characteristics, market conditions or operational factors. 	<ul style="list-style-type: none"> • CCP is unable to re-establish a matched book without recovery measures.
<p>3. Non-default event preventing the CCP from performing its critical functions</p>	<ul style="list-style-type: none"> • Business continuity event or accumulation of operational incidents or deteriorating trend in the performance of either the CCP’s systems or of services from a third party providing critical services to the CCP, or perception of an increased cyber threat. 	<ul style="list-style-type: none"> • A third party providing critical services to the CCP is unable or unwilling to provide its service. • Inability to continue operating the CCP’s system regardless of the origin of the incident. • New legal provisions (e.g. legislation or court ruling) affect the CCP’s capacity to perform its critical functions.

Types of Recovery Plan Scenarios	Category (a) indicators (<i>‘Indicators that provide early warnings for recovery actions’</i>)	Category (b) indicators (<i>‘Indicators that signal the move from Business as Usual risk management to the recovery phase’</i>)
	<ul style="list-style-type: none"> • CCP becomes aware of the likely withdrawal of some related services. • Likely changes in the legal framework which would lead to material hinderance in the CCP’s service provision. 	
4. Non-default event causing financial losses	<ul style="list-style-type: none"> • Failure of a third-party entity with potential to create a material direct or indirect financial loss. • High probability of failure of a third-party entity with potential to create a material direct or indirect financial loss. • Legal risk with high probability of materialising and potential to create a material impact to CCP’s resources. • Fraud, cyber-attack or operational event with potential to create severe financial loss. • Investment losses with potential to create severe financial impact. 	<ul style="list-style-type: none"> • Realised or forecasted loss that would consume all relevant capital resources.
5. Default event causing a liquidity shortfall	<ul style="list-style-type: none"> • Failure of one or more members whose combined effect would represent a significant challenge to the CCP’s liquidity position. • High probability of failure of one or more members whose 	<ul style="list-style-type: none"> • Realised or forecasted liquidity shortfall that would exhaust all BAU liquidity generation capacity as defined by the CCP.

Types of Recovery Plan Scenarios	Category (a) indicators (<i>Indicators that provide early warnings for recovery actions</i>)	Category (b) indicators (<i>Indicators that signal the move from Business as Usual risk management to the recovery phase</i>)
	<p>combined effect would represent a significant challenge to the CCP's liquidity position. The probability of default would be signaled by market-based indicators.</p> <ul style="list-style-type: none"> • Degradation of internal liquidity indicators signaling a liquidity position below the minimum threshold as defined by the CCP. 	
<p>6. Non-default event causing a liquidity shortfall</p>	<ul style="list-style-type: none"> • Degradation of internal liquidity indicators signaling a liquidity position below the minimum threshold as defined by the CCP. • Loss/removal of a liquidity service (contract ending, counterparty rejecting the CCP, counterparty exiting the market for this service, etc.) that is material to the CCP's liquidity position. • Operational or financial failure of a third-party entity, Financial Market Infrastructure or service provider that has the potential to cause a material impact to the CCP's liquidity position. 	<ul style="list-style-type: none"> • Realised or forecasted liquidity shortfall that would exhaust all BAU liquidity generation capacity as defined by the CCP.
<p>7. Event(s) causing simultaneous default and non-default losses</p>	<ul style="list-style-type: none"> • Failure of an entity that has been identified as a potential source of 	<ul style="list-style-type: none"> • Failure of one or more entities whose combined effect creates both default and non-default losses triggering any of the

Types of Recovery Plan Scenarios	Category (a) indicators (<i>Indicators that provide early warnings for recovery actions</i>)	Category (b) indicators (<i>Indicators that signal the move from Business as Usual risk management to the recovery phase</i>)
	<p>simultaneous default and non-default losses.</p> <ul style="list-style-type: none"> • High probability of failure of an entity that has been identified as a potential source of simultaneous default and non-default losses. 	<p>above category (b) indicators (<i>indicators that signal the move from Business as Usual risk management to the recovery phase</i>) of default losses, non-default losses or liquidity shortfall scenarios.</p>