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| Response Form to the Consultation Paper  |
| Draft Guidelines on CCP recovery plan scenarios (Article 9(12) CCPRRR) |

**Responding to this paper**

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

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

ESMA will consider all comments received by **20 September 2021.**

All contributions should be submitted online at [www.esma.europa.eu](http://www.esma.europa.eu) under the heading ‘Your input - Consultations’.

**Instructions**

In order to facilitate analysis of responses to the Consultation Paper, respondents are requested to follow the below steps when preparing and submitting their response:

1. Insert your responses to the questions in the Consultation Paper in the present response form.
2. Please do not remove tags of the type <ESMA\_QUESTION\_SCN\_1>. Your response to each question has to be framed by the two tags corresponding to the question.
3. If you do not wish to respond to a given question, please do not delete it but simply leave the text “TYPE YOUR TEXT HERE” between the tags.
4. When you have drafted your response, name your response form according to the following convention: ESMA\_SCN\_nameofrespondent\_RESPONSEFORM. For example, for a respondent named ABCD, the response form would be entitled ESMA\_SCN\_ABCD\_RESPONSEFORM.
5. Upload the form containing your responses, in Word format, to ESMA’s website ([www.esma.europa.eu](http://www.esma.europa.eu) under the heading “Your input – Open consultations” 🡪 “Consultation on CCP recovery plan scenarios”).

**Publication of responses**

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

**Data protection**

Information on data protection can be found at [www.esma.europa.eu](http://www.esma.europa.eu) under the heading [Legal Notice](http://www.esma.europa.eu/legal-notice).

**Who should read this paper?**

All interested stakeholders are invited to respond to this consultation. In particular, this paper may be specifically of interest for EU central counterparties, clearing members and clients of clearing members.

**General information about respondent**

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| --- | --- |
| Name of the company / organisation | London Stock Exchange Group |
| Activity | Central Counterparty |
| Are you representing an association? |[ ]
| Country/Region | UK |

**Introduction**

***Please make your introductory comments below, if any***

<ESMA\_COMMENT\_SCN\_00>

The London Stock Exchange Group (“LSEG”) is a financial market infrastructure provider, headquartered in London, with significant operations in Europe, North America and Asia. Its diversified global business focuses on capital formation, intellectual property and risk and balance sheet management. LSEG operates an open access model, offering choice and partnership to customers across all of its businesses.

LSEG operates multiple clearing houses. It has majority ownership of the multi-asset global CCP operator, LCH Group (“LCH”). LCH has two licensed CCP subsidiaries – LCH Ltd in the UK and LCH S.A. in France. Both are leading multi-asset class and international clearing houses, serving major international exchanges and platforms as well as a range of OTC markets. They clear a broad range of asset classes, including securities, exchange-traded derivatives, commodities, foreign exchange derivatives, interest rate swaps, credit default swaps, euro and sterling denominated bonds and repos

LSEG welcomes the opportunity to comment on ESMA’s draft Guidelines on CCP recovery plan scenarios (Article 9(12) CCPRRR). We broadly support and welcome the guidelines ad would like to make the following key observations:

* LSEG agrees with ESMA’s CCP Recovery plan scenarios, however, in order to avoid an overlap between scenarios we would welcome the opportunity for each CCP to have the flexibility to combine scenarios, where feasible.
* Regarding the suggested relevant types and sources of risks, we would suggest providing proportionality and flexibility to CCPs in their selection. Any overly prescriptive approach may result in a check-a-box type of exercise which will ultimately undermine any recovery process.

<ESMA\_COMMENT\_SCN\_00>

**Questions**

**Guideline 1 Questions:**

1. : Do you agree that each CCP should include, in its recovery plan, at least one scenario for each of the seven types of scenarios?

<ESMA\_QUESTION\_SCN\_01>

ESMA has defined a total of seven types of scenarios in its consultation paper, comprising: 3 default events, 3 non-default events and 1 combined scenario. We understand the scenarios are not per se mutually exclusive and in order to avoid an overlap between scenarios we would welcome the opportunity for each CCP to have the flexibility to combine scenarios, where feasible. For instance, scenario 5 (default event causing liquidity shortfall) can be combined with one of the other default event scenarios. Similarly, we find that scenario 1 and 2 can be combined to cover the use of both voluntary tools and mandatory rule-based arrangements. Finally, we believe that default and non-default event scenarios can generally be combined.

<ESMA\_QUESTION\_SCN\_01>

1. : Do you agree with the proposed list of the types of scenarios? Would you propose any additional types of scenarios?

<ESMA\_QUESTION\_SCN\_02>

The proposed list of the types of scenarios is in general complete and it would allow CCPs to tailor them to their specificities/business model.

<ESMA\_QUESTION\_SCN\_02>

1. : Do you agree that CCPs should further assess, based on the factors provided, whether it is necessary to create additional scenarios for each type of scenario?

<ESMA\_QUESTION\_SCN\_03>

We believe that the proposed list of the types of scenario is complete. However, it is sensible to allow for more flexibility and give the opportunity for CCP to create additional scenarios if deemed necessary however, we believe this should be at the sole discretion of the CCP.

<ESMA\_QUESTION\_SCN\_03>

**Guideline 2 Question:**

1. : Do you agree with the proposed Guideline 2 and the list of relevant types and sources of risk that CCPs should cover when building their range of recovery plans scenarios?

<ESMA\_QUESTION\_SCN\_04>

In general, we agree that the types and sources of risks that are most relevant to the CCP should find their way into the recovery plan scenarios. We believe each CCP’s assessment should be performed taking into consideration its particular risk profile and specificities. While we understand the importance of establishing a certain level of convergence in the recovery plan scenarios, we believe it is important that CCPs should retain flexibility in assessing which types and sources of risk should be addressed in the various scenarios, in light of the CCP specific structure. Especially when considering that this assessment would always be subject to consultation and review with NCAs.

Based on the above consideration, we believe the proposed list of types and sources of risks seems too prescriptive, and we believe that a degree of proportionality, via additional flexibility, would be required in light of the CCPRRR principles. This would help avoid a “check-the-box” approach by CCPs and authorities, which would not help the effectiveness of recovery planning.

Lastly, we believe that environmental and climate risk is not relevant to CCPs and for that reason we believe it should be removed.

<ESMA\_QUESTION\_SCN\_04>

**Guideline 3 Questions:**

1. : Do you agree with the proposed Guideline 3 and the principles for determining the magnitude of the recovery plan scenarios (with reference to the overall risk management framework of the CCP as required by EMIR and the relevant RTSs)?

<ESMA\_QUESTION\_SCN\_05>

LSEG agrees with Guideline 3 and the principles for determining the magnitude of the recovery plan scenario. As recovery follows the business-as-usual risk management, it is logical that the recovery plan scenarios go beyond the overall risk management framework as required by EMIR.

<ESMA\_QUESTION\_SCN\_05>

1. : As regards operational risk, do you agree the recovery plan scenarios should include, if deemed relevant, scenarios in which all resiliency measures that form part of the policies and procedures required by Article 34 of EMIR are surpassed, leading to a failure in one or more critical functions of the CCP that exceed the legal requirement set out in article 17(6) of RTS 153/2013?

<ESMA\_QUESTION\_SCN\_06>

LSEG agrees that the recovery plan scenarios should include, if deemed relevant, scenarios in which all resiliency measures that form part of the policies and procedures required by Article 34 of EMIR are surpassed.

<ESMA\_QUESTION\_SCN\_06>

**Guideline 4 Question:**

1. : Do you agree with the proposed Guideline 4 and the information to be included when describing the recovery plan scenarios?

<ESMA\_QUESTION\_SCN\_07>

We agree with Guideline 4 and the information to be included when describing the recovery.

<ESMA\_QUESTION\_SCN\_07>

**Guideline 5 Question:**

1. : Do you agree with the proposed Guideline 5?

<ESMA\_QUESTION\_SCN\_08>

We agree with Guideline 5.

<ESMA\_QUESTION\_SCN\_08>

**Cost and Benefit Analysis Questions:**

1. : Do you agree with the Option 3, if not please explain? Have you identified other benefits and costs not mentioned above associated to the proposed approach (Option 3)?

<ESMA\_QUESTION\_SCN\_09>

We agree with Option 3.

<ESMA\_QUESTION\_SCN\_09>

1. : If you advocated for a different approach, how would it impact the cost and benefit assessment? Please provide details.

<ESMA\_QUESTION\_SCN\_10>

TYPE YOUR TEXT HERE

<ESMA\_QUESTION\_SCN\_10>