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| Response Form to the Consultation Paper  |
| Draft Guidelines for the methodology to value each contract prior to termination (Article 29(7) of the 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 **24 January 2022.**

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\_VALPT\_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\_VALPT\_nameofrespondent\_RESPONSEFORM. For example, for a respondent named ABCD, the response form would be entitled ESMA\_VALPT\_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 the Methodology to value each contract prior to termination”).

**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 | European Association of CCP Clearing Houses |
| Activity | Central Counterparty |
| Are you representing an association? |[x]
| Country/Region | Belgium |

**Introduction**

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

<ESMA\_COMMENT\_VALPT\_00>

The European Association of CCP Clearing Houses (EACH) represents the interests of Central Counterparties (CCPs) in Europe since 1992. CCPs are financial market infrastructures that significantly contribute to safer, more efficient and transparent global financial markets. EACH currently has 19 members from 15 different European countries. EACH is registered in the European Union Transparency Register with number 36897011311-96.

EACH appreciates the opportunity to provide feedback to the Draft Guidelines for the methodology to value each contract prior to termination (Article 29(7) of the CCPRRR) (hereinafter called “The consultation”).

<ESMA\_COMMENT\_VALPT\_00>

**Questions**

1. : Do you agree with the proposed analysis and the corresponding limitations on the use of market standard approaches? If not, please explain why? Have you identified other points not mentioned above.

<ESMA\_QUESTION\_VALPT\_01>

Yes, EACH generally agrees with the proposed analysis and particularly with the corresponding limitations.

<ESMA\_QUESTION\_VALPT\_01>

1. : Do you agree with the proposed analysis on the scope of the methodology and the concept of “contracts”? If not, please explain why and provide your analysis.

<ESMA\_QUESTION\_VALPT\_02>

Yes, EACH agrees with the proposed analysis on the scope of the methodology and the concept of “contracts”, which as the consultation paper notes, can be referred to in the CCPs’ rulebooks in other ways, such as position, open interest, etc.We thereforesupport the suggestion to account for the terminology included in the rulebooks, with the relevant corresponding adjustments if the rule book and operational processes usually handles those similar but different concepts.

EACH also particularly agrees with the clarification that *“CCPs can net economically equivalent contracts and use cross-margining with correlated contracts cleared by the same CCP. Hence where the contracts have been subject to netting or other post-trade risk reduction measures within the CCP, only the restated and the new contracts (if any) would be captured by the termination and valuation as part of position allocation”*.

<ESMA\_QUESTION\_VALPT\_02>

1. : Do you agree with the interpretation of what could be the resolution authority methodology i.e. the re-use of the valuation methodology of the CCP unless the resolution authority deems it necessary to use another appropriate price discovery method? If not, please explain why and provide your interpretation of methodology and sequencing.

<ESMA\_QUESTION\_VALPT\_03>

Yes, EACH Members agree with the interpretation of what could be the resolution authority methodology.

<ESMA\_QUESTION\_VALPT\_03>

1. : Do you agree with the proposed analysis with regards to the valuation methodology? If not, please explain why and provide your analysis.

<ESMA\_QUESTION\_VALPT\_04>

EACH generally agrees with the proposed analysis with regard to the valuation methodology. The settlement prices which CCPs are obligated to calculate daily to settle variation margins (VM) would represent a consistent, reliable, and transparent basis for the termination prices. Settlement prices could be modified by resolution authorities on a case-by-case basis depending on the specific circumstances of the resolution. In our view, this methodology would conform with the ESMA proposal under Guideline 4(2).

<ESMA\_QUESTION\_VALPT\_04>

1. : Do you agree with the Option 2, if not please explain. Have you identified other benefits and costs not mentioned above associated to the proposed approach (Option 2)?

<ESMA\_QUESTION\_VALPT\_05>

Yes, EACH agrees with Option 2.

<ESMA\_QUESTION\_VALPT\_05>

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

<ESMA\_QUESTION\_VALPT\_06>

TYPE YOUR TEXT HERE

<ESMA\_QUESTION\_VALPT\_06>