**Reply** **form**

Consultation Paper on draft RTS on Margin Transparency Requirements (Article 38(10) of EMIR)

Responding to this paper

ESMA invites comments on all matters in the Consultation Paper and in particular on the specific questions in this reply form. 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 **8 September 2025.**

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:

* Insert your responses to the questions in the Consultation Paper in this reply form.
* Please do not remove tags of the type <ESMA\_QUESTION\_MARG\_1>. Your response to each question has to be framed by the two tags corresponding to the question.
* 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.
* When you have drafted your responses, save the reply form according to the following convention: ESMA\_MARG\_nameofrespondent.

For example, for a respondent named ABCD, the reply form would be saved with the following name: ESMA\_MARG\_ABCD.

* Upload the Word reply form containing your responses to ESMA’s website (**pdf documents will not be considered except for annexes**). All contributions should be submitted online at [www.esma.europa.eu](http://www.esma.europa.eu) under the heading ‘Your input - Consultations’.

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.

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# General information about respondent

|  |  |
| --- | --- |
| Name of the company / organisation | European Fund and Asset Management Association (EFAMA) |
| Activity | Investment Services |
| Are you representing an association? |  |
| Country/Region | Belgium |

# Questions

1. Do you agree with the proposed information to be provided by the CCP on its margin model design and operations? Do you have other proposals as to which information could be provided under point (a) of Article 38(7) of EMIR?

<ESMA\_QUESTION\_MARG\_1>

**Introductory Note**

EFAMA welcomes the opportunity to respond to ESMA’s consultation on the EMIR 3 draft RTS concerning margin transparency requirements. We strongly support the policy objective of enhancing the predictability and transparency of CCP margin models as well as the introduction of new requirements on clearing service providers (CSPs) to ensure that their clients benefit from equivalent levels of disclosure and simulation tools.

For asset managers, who are predominantly clearing clients, margin requirements are a key determinant of liquidity and funding needs. Greater transparency, together with meaningful simulation tools provided by CCPs and CSPs, is therefore critical to support effective liquidity management and, by extension, financial stability.

The draft RTS represents a step in the right direction. Below, EFAMA provides its feedback on the key aspects of the proposal.

**Transparency of CCP Margin Models.** Current disclosures on margin models remain insufficiently detailed and inconsistent across CCPs. This information should be made available in a format that allows clients to apply potential margin call simulations in advance of trading activity, enabling them to anticipate more accurately the amount of collateral they should provide if they intend to make trades in a given cleared derivative instrument.

With more timely and structured disclosures, clients can better integrate potential margin call collateralisation considerations into their trading decisions, thereby improving the reliability of trading activity and strengthening liquidity management practices. Ultimately, greater transparency from CCPs vis-à-vis market participants (beyond disclosures merely directed at clearing members) regarding their margin models and simulation tools would significantly contribute to systemic stability and resilience under stressed conditions.

In addition, standardising such CCP simulation tools would facilitate further consistency across CCPs in how end-users of cleared derivative markets anticipate their potential margin calls and related collateral amounts.

Today, CCP practices and the setting of parameters in simulation tools differ significantly, resulting in limited comparability of simulations. For example, the proposed CSP obligation under Article 9 to provide client-specific stress scenarios **is valuable; however, in its current form, it risks producing outputs that are overly granular and idiosyncratic, with limited practical value for clients. Further tweaking and adjustments will therefore be necessary to ensure these disclosures meet the needs of end-users.** What buy-side firms truly need is standardised disclosure, with a clear explanation of the factors and market conditions driving margin calls. This would provide consistent and actionable insights, rather than fragmented, firm-specific outputs. In addition, CCP simulation tools, beyond their cross-standardisation, should be more widely interoperable with APIs. Thus, market participants would be able to streamline their simulations of potential margin calls from CCPs across APIs and CCP simulation tools, potentially leveraging simulation platforms across multiple CCPs. In addition to a standardisation of CCP simulation tools as mentioned above, ensuring such an interoperability between CCP simulation tools and APIs would also reduce the systemic risks on the market, as it would facilitate the anticipation by market participants of the potential margin calls they might have to answer with sufficient collateral in case of doing some trades on cleared derivative markets.

A standardised, interoperable approach — ideally API-based — would allow firms to conduct practical simulations through a single IT development, reducing costs and enabling more consistent liquidity planning.

Finally, although not mentioned by ESMA in its consultation, EFAMA believes that an essential additional action to reduce systemic risks in cleared derivative markets would be to broaden the range of eligible collateral. As highlighted in our response to the BCBS-CPMI-IOSCO review of margining practices[[1]](#footnote-2). The experience of March 2020 showed that margin spikes would have been less destabilising had high-quality sovereign bonds been more widely accepted with appropriate haircuts. **This expansion of eligibility should apply not only to initial margin but also to variation margin calls.** Relying exclusively on cash for variation margin in cleared derivative markets leaves the system exposed to renewed liquidity strains and systemic risk in future stress events.

**Answer to Q1**

EFAMA supports ESMA regarding the proposed information to be provided by CCPs on their margin model design and operations. At the same time, we believe that the requirement for clearing members to obtain an *‘in-depth understanding of how the margin model works’* should be further clarified. In our view, this means that the information should be delivered in a structured and practical format that enables recipients to effectively incorporate it into their risk management and liquidity planning processes. And as far as possible, such information should be made accessible to clearing clients, not limited to the level of clearing members.

It is important that clearing clients receive sufficient detail on any add-ons to the core initial margin. Beyond obtaining direct or indirect information from CCPs regarding their risk models and simulation tools, clearing clients require reasonable notice periods from their clearing members when margin add-ons are applied. Reasonable notice periods from clearing members would allow clearing member clients to better anticipate their margin calls related to the add-ons, and collect collateral in advance accordingly, therefore contributing to reducing systemic market risk.

Finally, we would suggest amending both Articles 1 and 3 of the draft RTS to make explicit that the information provided by CCPs must be understandable not only to clearing members but also to their clients, who ultimately bear the margin obligations.

<ESMA\_QUESTION\_MARG\_1>

1. Do you agree with the proposed information to be provided by the CCP on the margin model assumptions and limitations? Do you have other proposals as to which information could be provided under point (b) of Article 38(7) of EMIR?

<ESMA\_QUESTION\_MARG\_2>

EFAMA supports the proposed disclosures on assumptions and limitations. We consider it essential that this information is provided in a structured and comparable format so that clients can apply it directly within their liquidity risk management and simulation processes. When delivered consistently, such information would allow clearing clients to incorporate the assumptions and limitations of CCP models into their own risk assessments, anticipate potential liquidity pressures, and improve their preparedness for stressed market conditions.

As already noted under our response to Q1, it is particularly important that these disclosures explicitly cover the treatment of add-ons to the core initial margin. Without such clarity, clients are unable to fully understand their potential exposures or anticipate how assumptions and limitations may impact margin requirements in practice.

<ESMA\_QUESTION\_MARG\_2>

1. Do you agree with the proposal with regard to the model documentation? Do you have other proposals as to which documents could be provided under point (c) of Article 38(7) of EMIR?

<ESMA\_QUESTION\_MARG\_3>

EFAMA agrees with the proposal. Model documentation must be clear, comprehensive, and accessible, ensuring that it enables not only clearing members but also their clients to understand how the models operate in practice.

It is equally important that clients can compare margin models and simulation tools across CCPs in a meaningful way, as this is necessary to make informed decisions on clearing arrangements and to plan their liquidity management effectively. For this reason, there is a strong need for standardisation and consistency in how documentation is prepared and presented. Without such alignment, fragmented practices would hinder comparability and could even reinforce procyclical outcomes in times of market stress. Standardisation of disclosures is therefore a necessary condition for effective risk management at the client level and for the stability of the financial system more broadly.

<ESMA\_QUESTION\_MARG\_3>

1. Do you agree with the proposed requirements and the type of output for the simulation tool to be provided by CCPs? Are there any other requirements for the CCP margin simulation tool which should be taken into account, such as legal mechanisms to ensure confidentiality?

<ESMA\_QUESTION\_MARG\_4>

EFAMA agrees with the proposal but underlines that the effectiveness of simulation tools will depend on the extent to which their outputs are both standardised and comparable across CCPs. Without this, the information provided risks being fragmented and of limited value to clearing clients. A harmonised approach is therefore essential to ensure that outputs can be meaningfully used in liquidity planning and risk management.

Some CCPs already make simulation tools available today, but the absence of common standards severely limits their usefulness. Standardisation would not only allow clients to compare outputs across entities but would also reduce the operational burden of integrating divergent practices.

We also stress the importance of interoperability and API compatibility. This would avoid the current situation where clearing clients must develop separate IT tools to connect to different CCP portals and formats, significantly increasing costs for market participants and making the anticipation of potential margin calls (and related collateral to be provided) more difficult overall. A single IT development based on interoperability across CCPs and API tools should be a key improvement, reducing systemic risk in the markets overall.

Finally, CCP simulation tools should be made accessible to clearing clients free of charge, as they are a vital tool for liquidity risk management and contribute directly to systemic resilience.

<ESMA\_QUESTION\_MARG\_4>

1. Do you agree with the proposed information to be shared by CSPs on their margin models? Should any other element be taken into account?

<ESMA\_QUESTION\_MARG\_5>

EFAMA supports the proposal but stresses that the **current practice of providing information via proprietary websites or portals, without standardisation, is insufficient**. Access is fragmented, formats differ, and clients are required to undertake multiple bespoke IT developments. This creates unnecessary costs and reduces the practical usefulness of the disclosures.

We recommend that the requirements for CSPs include:

* **Standardisation** of disclosures, to ensure comparability across providers;
* **API-based interoperability**, so that clients can connect to multiple CSPs with a single IT development; and
* **Free or cost-inclusive access** to ensure equal treatment of all clients.

<ESMA\_QUESTION\_MARG\_5>

1. Do you agree with the proposals on the margin simulations to be provided by CSPs? Should there be any additional requirements?

<ESMA\_QUESTION\_MARG\_6>

EFAMA supports the requirement but considers that the current proposal (Article 9) risks being too granular and client-specific, thereby limiting comparability across CSPs. While three market stress scenarios and two client-specific scenarios may meet regulatory objectives, buy-side firms would find greater value in a **standardised set of scenarios run consistently by all CCPs and CSPs**. Such a standard set would allow clients both to compare outputs across entities and to consolidate stress tests across large groups of funds, CSPs and CCPs on their side.

At the same time, EFAMA also sees benefits in maintaining **additional portfolio-specific scenarios** provided by CSPs. These scenarios can highlight vulnerabilities that standardised stress tests may not capture. For example, a money market fund, a global fixed-income portfolio, and a large directional strategy will have very different margin risk profiles, and portfolio-specific simulations can help clients identify unanticipated exposures. In this sense, the two approaches should be seen as complementary: standardised scenarios to ensure comparability, and portfolio-specific scenarios to reveal idiosyncratic risks.

To really benefit from the latter, ESMA should provide more clarity on what constitutes a ‘client-specific scenario’. One possible approach would be to define these scenarios with reference to the current set of cleared transactions, for example, by requiring CSPs to run a reverse stress test of the market conditions necessary for initial margin to increase by 50% in a single day. Such a definition would make portfolio-specific scenarios more transparent, more relevant to risk management, and less open to divergent interpretations across providers.

The core purpose of CSP margin simulations should remain to enable clients to anticipate potential liquidity constraints and to allocate trading instruments more effectively. Currently, many firms employ suboptimal practices, often posting more margin than necessary due to incomplete or fragmented information. With effective *ex ante* simulation tools – combining a common baseline set of scenarios with well-defined portfolio-specific tests – firms would be better able to anticipate margin calls, manage liquidity efficiently, and contribute to safer and more resilient markets.

<ESMA\_QUESTION\_MARG\_6>

1. [EFAMA, *Reply to BCBS-CPMI-IOSCO Consultative Report on the Review of Margining Practices*, 2022.](https://www.efama.org/sites/default/files/files/22-4002_EFAMA%20reply%20BCPS-CPMI-IOSCO%20consultative%20report%20on%20review%20margining%20practices.pdf) [↑](#footnote-ref-2)