**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.

Data protection

Information on data protection can be found at [www.esma.europa.eu](http://www.esma.europa.eu) under the headings ‘Legal notice’ and heading ‘[Data protection](https://www.esma.europa.eu/about-esma/data-protection)’..

# General information about respondent

|  |  |
| --- | --- |
| Name of the company / organisation | EuropeanIssuers |
| Activity | Non-financial counterparty |
| Are you representing an association? |[x]
| 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>

TYPE YOUR TEXT HERE

<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>

EI generally support recommendations included in BIS, OICV-IOSCO report on Transparency and responsiveness of initial margin in cleared markets.

Clearing activities requested to Direct & Indirect Final Clients (DIFCs) require high level of risk management discipline and significant amount of liquidity. The liquidity risk entailed in margin call mechanism is relevant and can affect seriously the financial exposure of DIFCs and ultimately it can cause defaults. Hence DIFCs’ preparedness and capability of predicting margin calls is essential for the security of market infrastructure itself.

As a consequence information and simulation tools should be standardised, **disclosed and made fully available by CCPs not only to CSPs but also to DIFCs, eventually via their CSP** , since methodologies required to allow propter risk management should not constitute a matter of competition among CCPs and/or Clearing Members to win new clients, but rather shared and continuously improved by all market participants in view of the reduction of potential defaults caused by excessive margin calls and of systemic risk.

In term of transparency and FCs awareness **most problems arise because CSPs might use proprietary assumptions and simulation tools different from the ones used by CCPs and by other CSPs**: such proprietary information and tools are affecting CSPs risk quantifications and, ultimately, their pricing to DIFCs and therefore they become sensitive. But competing on pricing of the risks connected to DIFCs clearing activities is inherently wrong, because the pressure for reducing fees to win more DIFCs might lead some CSPs to underestimate risks, jeopardising the whole CCP stability. CCPs and CSPs should rather collaborate to develop and standardise reliable simulation tools and risk management assumptions (including specific add-ons) to be fully disclosed to DIFCs and Regulators: **it would be desirable that at least at CCP level one single official and standard simulation tool exists and is made available to CSPs, DIFCs and Regulators alongside with proper documentation and training upon request**.

Regulators should encourage CCPs to share best practices and simulation tools, in order to harmonize as much as possible the fair evaluation and quantification of systemic risk at financial market level. CSPs willing to use proprietary information and models should be allowed to do so, but this should not affect the pricing of the risk components attached to DIFCs clearing activity, that should be standardised at CCP level. For the safety of financial markets competition should be fostered on providing clearing services and not on assessing and quantifying risk.

<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>

EuropeanIssuers agrees with ESMA’s proposal that CCPs make all relevant documentation available in a clear and comprehensive manner. It is important that full transparency and consistent disclosure are guaranteed through all the chain from CCPs to Clearing Members (CMs), to Clearing Services Providers (CSPs) and finally to Direct & Indirect Final Clients (DIFCs) and, given the specific technical skills required, training opportunities and materials should be available upon request, as well. Most important points about documentation are:

* Standardisation: ESMA should promote disclosure standardization across CCPs to ensure comparability and reduce interpretative differences.
* Final clients’ access and full transparency: Disclosures and documentation should not only be available to CMs and CSPs, but also directly accessible or eventually accessible via their CSPs, to Direct & Indirect Final Clients, given their exposure to liquidity risk, and Regulators.
* Competition neutrality: Margin methodology and risk quantification should not be a source of commercial competition amongst CCPs and/or CSPs. Competition should focus on clearing services, not on risk modelling. Margin models should be developed under an “open source” approach, whereby all markets participants have the interest and the incentive to participate to a continuous improvement of methodologies, with the ultimate goal of assessing all relevant risks as fairly and accurately as possible. Risk quantification best practices should be shared rather than kept secret.
* Training: CCPs should provide training sessions/webinars and explanatory materials to market participants on request.
* Regulatory oversight: All documentation should also be made available to ESMA to verify soundness of methodologies and consistency of disclosures.

<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>

DIFCs (eventually via their CSP), CSPs and Regulators should have access to simulation tools for margin calls. CCPs should be responsible to make such simulation tools available to market participants and regulators, but they should be held harmless from liabilities related to the reliability and use of simulation tools by means of a specific disclaimer form to be signed when market participants access the simulation tools.

Specific training should be available upon request by Market Participants.

Simulation tools and relevant risk methodologies should not be kept confidential by CCPs but rather disclosed under an “open source” continuous improvement approach, that involves also Regulators.

Such simulation tools should cover at least following features:

* Estimation of initial and variation margin connected to current position for each asset class and for total portfolio;
* Sensitivity analysis of initial and variation margin to the change of position, price level, volatility level for each asset class and for total portfolio;
* Scenario analysis on position (quantity and time horizon), price level and volatility level for each asset class and for total portfolio

Simulations should clearly show the confidence level of results and the warning on the possibility of margin calls exceeding the simulated amounts.

Additional proposal: in order to support internal risk controls and the setting of risk limits, it would be desirable for simulation tools to allow the setting of a maximum amount of cash available for clearing and to calculate accordingly the maximum notional position cleared through CCPs for each asset class and for total portfolio.

<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>

EuropeanIssuers strongly supports ESMA’s proposal that CSPs should provide Direct & Indirect Final Clients (DIFCs) with information comparable to the information provided to CSPs by CCPs.

As remarked in previous responses, DIFCs should receive full transparency on methodologies used for calculating their margin contributions in order to plan properly and manage required liquidity.

If CSPs are using proprietary margin models different from CCPs standard ones, that should be discouraged as much as possible, we strongly support ESMA proposal that CSPs should explain to their clients any additional margin applied by the CSP (e.g. multipliers or other types) in addition to the margin required by the CCP. Moreover, CSPs should inform the clients how the margin called by the CCPs is passed through to their clients.

Override mechanisms and extraordinary margin calls should be explained with quantitative examples, as they represent significant liquidity uncertainty. Key points are:

Consistency: CSPs often apply proprietary multipliers or add‑ons, creating opacity and inconsistency for clients.

Shared best practices: CSPs should not compete by underestimating default risks or by overestimating portfolio effects for offering attractive pricing and win more clients, which threatens systemic stability. CSPs should be discouraged as much as possible to use opaque proprietary models not assessed by regulators that deviates from CCPs.

Transparency requirement: CSPs must disclose all deviations from CCP methodologies, with quantitative rationale and impact.

<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>

EuropeanIssuers supports ESMA’s proposal that CSPs provide simulations under current market conditions, stress scenarios, and client‑specific scenarios. We welcome the requirement to distinguish between CCP vs. CSP amounts and between core margin and add‑ons.

In order to guarantee the symmetry with CCPs simulation tool disclosure towards CPSs, also CPSs should be required to make available their simulation tools to Direct or Indirect Final Clients, upon request, but they should be held harmless from liabilities related to the reliability and use of simulation tools by means of a specific disclaimer form to be signed when clients access the simulation tools.

Additional proposal: main assumptions and confidence levels contained in margin models and simulation tools should be taken into account also in CCPs rulebooks and operations for operating safeguards: since simulations cannot capture unlimited tail risks, CCPs should consider operating mechanisms to cap liquidity exposure during stressed market conditions.

In fact, clearing (i.e. cash collateralization) has proven to be a very solid way to manage credit risk during normal market conditions, but there is also significant evidence of its cash squeezing effects during stressed market conditions, that might lead to procyclical effects and, ultimately, to default. Moreover, the amount of cash requested to clear a position during period of stressed volatility is technically unknown: any margin call forecast is based on a specified level of confidence: for example a result of 100 Mln EUR of additional margin at 99% level of confidence, means that there is 99% of probability to pay up to 100 Mln EUR in margin call, but there is also 1% probability to pay more than 100 Mln EUR and, what is worst, this “more” is technically unknown. The high % of confidence level creates a false sense of security, since 99% is almost “sure” in common perception, but in 250 business days of 1 calendar year a 99% confidence level means that 2-3 days per year (i.e. 1%) the margin call is expected to exceed 100 Mln EUR without precise information about the exceeding amount. Given the above, managing the credit risk through cash clearing during stressed market conditions is very expensive, since the amount of cash is technically unknown, and it creates severe liquidity stress, with procyclical effects and increase of systemic risk.

Market Participants especially **Direct & Indirect Final Clients (DIFCs) should be able to cap their liquidity exposure** setting limits in term of maximum cash requested for clearing. Without a maximum cap on potential cash calls, margin predictability is not actually achievable. Since this objective is unfortunately very difficult if not impossible to reach via simulation tools, propter **operating measures should be implemented at CCP level for stopping the use of cash collateralization during stressed market conditions**. CCPs might agree with Regulators a quantitative definition of “stressed market condition” based on the very assumptions and confidence levels contained in their margin models and simulation tools. In the event of stressed market conditions, cash calls covering the exposure beyond the defined stress level should be frozen, so that with simulation tools it is possible to calculate a maximum cash exposure and set internal limits for sound risk controls.

<ESMA\_QUESTION\_MARG\_6>