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Press release

CCP12 and EACH respond on Framework for supervisory stress testing of central counterparties

CCP12 and EACH support the efforts taken by CPMI and IOSCO to establish a high-level framework for supervisory stress tests (SST) that can be used as a guidepost for regulators conducting multi-jurisdictional and local CCP stress tests. CCPs play an integral role in the safety and integrity of the financial system. Therefore, CCPs execute a variety of internal stress tests. Supervisory stress testing will add to these efforts by assessing macro-level impacts on financial systems served by several CCPs (multi-CCP supervisory stress testing)¹.

CCP12 and EACH are supportive of the stated objectives for the SST initiative including the multi-CCP SST. As CPMI-IOSCO further develop the framework, we would like to draw attention to the following key recommendations.

1. **The objective of a SST (and multi-CCP SST) must be clearly defined ex-ante** to ensure that all stakeholders understand its purpose and to mitigate the risk of misinterpretation of any subsequent analysis or summary results.
2. **The design of a SST (and multi-CCP SST) is inherently complex and should be carefully considered.** SST design should be subject to stakeholder engagement and rigorous assessment by practitioners with the necessary knowledge and expertise in cleared markets
3. **The SST framework must be subject to coordinated initial testing exercises (or market simulation) over a phase-in period to ensure intended objectives are reached without “second-round effects”.**
4. **Data required to perform stress-testing is subject to confidentiality provisions and will require legal and regulatory assessment.** Consistent with the concerns raised in the consultative report, any data sharing is subject to agreements between the CCP and its clearing participants and the regulatory framework for each jurisdiction.

CCP12 and EACH believe that CCPs must play an integral role in the design, implementation and ongoing re-assessment of the SST framework. Therefore, we encourage and look forward to further engagement with the committees to ensure that an appropriate framework is adopted.

The Global Association of Central Counterparties (CCP12) is a global association of 36 major central counterparty (CCP) organizations in Europe, Asia and the Americas. CCP12 was formed to share information, develop analyses and policy standards for common areas of concern. CCP12 members work toward the common purpose of creating conditions in which a global CCP solution can emerge to meet the needs of the marketplace.

The European Association of CCP Clearing Houses (EACH) represents the interests of Central Counterparty Clearing Houses in Europe since 1992. EACH currently has 20 members from 15 different European countries and is registered in the European Union Transparency Register with number 36897011311-96.

If there are any questions or areas in which we can further elaborate, please contact association offices under office@ccp12global.com or info@eachccp.eu

¹ <http://www.bis.org/cpmi/publ/d165.htm>