

Press Release

ESMA's stress test of Central Counterparties finds clearing system resilient

The European Securities and Markets Authority (ESMA), the EU's financial markets regulator and supervisor, has published the results of its fifth stress test exercise for Central Counterparties (CCPs). The results confirm the overall resilience of European Union (EU) CCPs, as well as third-country Tier 2 CCPs, to core credit and liquidity financial risks under the tested scenarios.

New in this year's exercise is the exploratory analysis of climate risk. The exercise also included additional market stress scenarios, enhanced model risk assessments for concentration, and extended reverse stress tests for credit and liquidity.

Klaus Löber, Chair of the CCP Supervisory Committee, said:

“ESMA's fifth stress test confirmed the overall resilience of the European clearing landscape to severe credit and liquidity stress scenarios. However, we still have identified areas in which certain CCPs may need to strengthen their risk management frameworks, or where further supervisory work should be prioritised, including on modelling of concentration.”

“The stability of the EU financial system relies on resilient CCPs, and the ESMA stress test is a key supervisory tool to identify and mitigate potential risks to financial stability.”

ESMA finds:

- CCPs have robust lines of defence to withstand significant market shocks in combination with the default of the two clearing member groups with the largest exposures;
- CCPs are also resilient to substantial liquidity stress events, while CCPs' clearing, and investment activities play a key role in the results;

- Some gaps persist in the coverage of concentration risk across CCPs and across asset classes, notably for commodity derivative positions;
- For climate risk, CCPs' exposures depend on whether the markets they clear are directly exposed to transition risk, such as commodities and energy. The majority of sampled CCPs have started to integrate climate risk into their stress testing framework;
- The ecosystem analysis provided insights into the CCPs' and clearing members' resources and showed that the total amount of required margin increased by 56% compared to the last exercise.

CCP stress test scenarios and outcomes

A total of 16 CCPs were covered by the exercise, including two UK CCPs qualifying as Tier 2 CCPs and all authorised EU CCPs. It assessed credit and concentration risk, liquidity risk, and included a new climate risk component. The exercise was complemented by an enhanced clearing ecosystem analysis.

Next steps

In line with the EMIR mandate, where the assessments exposed shortcomings in the resilience of one or more CCPs, ESMA will issue the necessary recommendations.

Notes for editors

1. [ESMA91-1505572268-3627 CCP Stress Test Report](#)
2. [ESMA91-1505572268-3847 5th ESMA CCP Stress Test FAQ](#)
- The European Market Infrastructure Regulation (EMIR) requires ESMA to conduct market-wide stress tests of EU and Tier 2 CCPs on an annual basis. It was conducted in cooperation with national competent authorities (NCAs), which supervise EU CCPs through supervisory colleges, and the ESRB. The Bank of England, ECB and IMF were also involved in this exercise. The stress test used reference data provided by CCPs which was validated and calculated by the NCAs based on the common scenarios and instructions.
3. Tier 2 CCPs are established in a third country and systemically important or likely to become systemically important for the financial stability of the Union or of one or more of its Member States
4. The objectives of the ESMA stress test exercise are directly derived from the legal mandate given to ESMA under EMIR. The objectives are to:
 - Assess the resilience of CCPs to adverse market developments,
 - Identify any potential shortcomings in the CCPs' resilience, and
 - Issue recommendations as appropriate.
5. ESMA is the European Union's securities markets regulator. It contributes to safeguarding the stability of the EU's financial system by enhancing the protection of investors and promoting stable and orderly financial markets. It achieves these objectives through four activities:
 - assessing risks to investors, markets and financial stability;
 - completing a single rulebook for EU financial markets;
 - promoting supervisory convergence; and
 - directly supervising specific financial entities.
6. ESMA achieves its mission within the European System of Financial Supervision (ESFS) through active cooperation with the European Banking Authority (EBA), the European



Insurance and Occupational Pensions Authority (EIOPA), the European Systemic Risk Board, and with national authorities with competencies in securities markets (NCAs).

Further information:

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