7 February 2025
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Consultation Paper

Draft RTS (under Article 49(5) of EMIR) on the conditions and the list of documents for an application for validation of changes to models and parameters under Articles 49 and 49a of EMIR

Responding to this paper

ESMA invites comments on all matters in this paper and in particular on the specific questions summarised in Annex 1. Comments are most helpful if they:

1. respond to the question stated;
2. indicate the specific question to which the comment relates;
3. contain a clear rationale; and
4. describe any alternatives ESMA should consider.

ESMA will consider all comments received by **7 April 2025.**

All contributions should be submitted online at 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 under the heading 'Data protection'.

Who should read this paper?

All interested stakeholders are invited to respond to this consultation paper. In particular, responses are sought from central counterparties (CCPs) as well as from direct or indirect participants of CCPs.

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1 Executive Summary

Reasons for publication

Regulation (EU) No 2024/2987 of the European Parliament and of the Council of 27 November 2024 amending Regulations (EU) No 648/2012, (EU) No 575/2013 and (EU) 2017/1131 as regards measures to mitigate excessive exposures to third-country central counterparties and improve the efficiency of Union clearing markets (EMIR 3), which has amended Regulation (EU) 648/2012 of the European Parliament and of the Council of 4 July 2012 (EMIR), introduces several measures to make EU clearing services and EU CCPs more efficient and competitive, notably by streamlining and shortening supervisory procedures for validations of changes to models and parameters. Article 49(1) of EMIR now distinguishes between two approval procedures for a CCP intending to adopt a change to a model or parameters: for significant changes, a validation in accordance with Article 49 of EMIR is necessary, while for non-significant changes, the CCP can apply under a newly introduced accelerated procedure as set out under Article 49a of EMIR.

ESMA is mandated under Article 49(5) of EMIR to develop draft Regulatory Technical Standards (RTS) further specifying what constitutes a significant increase or decrease for the purposes of Article 49(1i), points (a) and (c) to (h), of EMIR; the elements to be considered when assessing whether one of the conditions referred to in Article 49(1i) of EMIR is met, what constitute other changes that can be considered as already covered by the approved model and therefore not subject to the validation procedures under Articles 49 or 49a of EMIR, as well as the list of required documents and information that are to accompany an application for validation pursuant to Articles 49(1c) and 49a of EMIR.

ESMA shall submit those draft RTS to the European Commission within 12 months from EMIR 3 entry into force, i.e. by 25 December 2025.

Contents

This Consultation Paper presents the draft RTS prepared by ESMA. Section 4 outlines ESMA's proposed quantitative thresholds and qualitative elements to be considered when determining whether a model change is significant. Section 5 further describes the changes to models that can be considered as already covered by the approved model. Section 6 presents the list of required documents that are to accompany an application for validation of a change to models or parameters. Section 7 provides a clarification on the determination of the concept of 'working days' under EMIR. Finally, Section 8 contains all the relevant annexes (Annex I provides the summary of all questions posed in this Consultation Paper;

Annex II provides the legislative mandate for the development of this draft RTS; Annex III contains the cost-benefit analysis; Annex IV contains the draft RTS).

Next Steps

The consultation will be open until 7 April 2025. ESMA will consider the feedback received to this consultation in Q2 2025 and expects to publish a final report and submit the draft RTS to the European Commission for endorsement by Q3 2025.

2 Legislative references and abbreviations

CCP	Central counterparty
Delegated Regulation 153/2013	Commission Delegated Regulation (EU) No 153/2013 of 19 December 2012 supplementing Regulation (EU) No 648/2012 of the European Parliament and of the Council with regard to regulatory technical standards on requirements for central counterparties
EMIR	Regulation (EU) No 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories
EMIR 3	Regulation (EU) No 2024/2987 of the European Parliament and of the Council of 27 November 2024 amending Regulations (EU) No 648/2012, (EU) No 575/2013 and (EU) 2017/1131 as regards measures to mitigate excessive exposures to third-country central counterparties and improve the efficiency of Union clearing markets
ESMA Regulation	Regulation (EU) No 1095/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Securities and Markets Authority), amending Decision No 716/2009/EC and repealing Commission Decision 2009/77/EC
ITS	Implementing Technical Standards
NCA	National competent authority
Regulation No 1182/71	Regulation (EEC, Euratom) No 1182/71 of the Council of 3 June 1971 determining the rules applicable to periods, dates and time limits
RTS	Regulatory Technical Standards

3 Background

1. Regulation (EU) 2024/2987 of the European Parliament and of the Council of 27 November 2024[1] (EMIR 3), which has amended Regulation (EU) 648/2012 of the European Parliament and of the Council of 4 July 2012[2] (EMIR), was published in the Official Journal of the EU on 4 December 2024 and entered into force on 24 December 2024. It introduces several measures to make EU clearing services and EU CCPs more efficient and competitive, notably by streamlining and shortening supervisory procedures for validations of changes to models and parameters:
    a. An obligation for EU CCPs to submit all applications for validations of changes to models and parameters (Articles 49 and 49a of EMIR) via a CCP Central database set up and maintained by ESMA pursuant to Article 17c of EMIR.
    b. The introduction of revised and shortened timelines and procedures for these applications.
    c. The distinction between a normal procedure (for significant changes), an accelerated procedure (for non-significant changes), and changes that are considered part of a validated model and do not require a validation.
2. The revised Article 49(1) of EMIR now distinguishes between two approval procedures for a CCP intending to adopt a change to a model or a parameter:
    a. Where the CCP considers that the intended change is significant, pursuant to Article 49(1i) of EMIR, it is required to apply for validation in accordance with the Article 49 procedure.
    b. Where the CCP considers that the intended change is not significant, pursuant to Article 49(1i) of EMIR, then it is required to apply for validation in accordance with the newly introduced accelerated procedure, set out under Article 49a of EMIR.
3. The criteria for changes to models or parameters to be considered as significant are set out under paragraph 1i of Article 49 of EMIR.
4. In addition, Article 49(1h) of EMIR provides that changes to parameters, that are the result of applying a methodology that is part of a validated model, either due to external input or due to a regular review or calibration exercise, are not be considered changes to models and parameters for the purpose of Article 49 and Article 49a of EMIR, and, therefore, such changes do not require a validation under Article 49 or Article 49a of EMIR.

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[1] Regulation (EU) 2024/2987 of the European Parliament and of the Council of 27 November 2024 amending Regulations (EU) No 648/2012, (EU) No 575/2013 and (EU) 2017/1131 as regards measures to mitigate excessive exposures to third-country central counterparties and improve the efficiency of Union clearing markets; OJ L, 2024/2987, 4.12.2024.

[2] Regulation (EU) No 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories; OJ L 201, 27.7.2012, p. 1–59.

5. In this context, and in accordance with Article 49(5) of EMIR, ESMA has been empowered to develop, in close cooperation with the members of the ESCB, draft Regulatory Technical Standards (RTS) further specifying all of the following:

   a. what constitutes a significant increase or decrease for the purposes of Article 49(1i), points (a), (c), (d), (e), (f), (g) and (h), of EMIR;

   b. the elements to be considered when assessing whether one of the conditions referred to in Article 49(1i) of EMIR are met;

   c. other changes to models that can be considered as already covered by the approved model and are therefore not considered a model change and not subject to validation under Articles 49 or 49a of EMIR;

   d. the list of required documents and information that are to accompany an application for validation pursuant to Articles 49(1a) and 49a of EMIR.

Article 49
Review of models, stress testing and back testing

5. ESMA, in close cooperation with the members of the ESCB, shall develop draft regulatory technical standards to further specify;

(a) what constitutes a significant increase or decrease for the purposes of paragraph 1i, points (a) and (c) to (h);

(b) the elements to be considered when assessing whether one of the conditions referred to in paragraph 1i is met;

(c) other changes to models that can be considered as already covered by the approved model and are therefore not considered a model change and not subject to the procedures established in this Article or Article 49a; and

(d) the lists of required documents that are to accompany an application for validation pursuant to paragraph 1c of this Article and Article 49a and the information that such documents are to contain to demonstrate that the CCP complies with all relevant requirements of this Regulation.

The required documents and level of information shall be proportionate to the type of model validation but contain sufficient detail to ensure a proper analysis of the change.

For the purposes of the first subparagraph, point (a), ESMA may set different values for the different points of paragraph 1i.

ESMA shall submit the draft regulatory technical standards referred to in the first subparagraph to the Commission by 25 December 2025.

Power is delegated to the Commission to supplement this Regulation by adopting the regulatory technical standards referred to in the first subparagraph of this paragraph in accordance with Articles 10 to 14 of Regulation (EU) No 1095/2010.

6. Having noted that all these mandates relate to content or conditions for the applications for validations of changes to models and parameters, ESMA has deemed relevant to group such mandates under a single consultation paper and a single set of draft RTS.
7. For the avoidance of doubt, ESMA is also empowered under Article 49(6) of EMIR to develop draft Implementing Technical Standards (ITS) specifying the electronic format of the application to be submitted to the central database referred to in Article 17c of EMIR for the validation of changes under Articles 49 and 49a of EMIR. However, this mandate will be addressed in a separate Consultation Paper.

4 RTS on the determination of significance under Article 49(1i) of EMIR

8. The revised Article 49(1) of EMIR now distinguishes between two approval procedures for a CCP intending to adopt a change to a model or a parameter:

   a. Where the CCP considers that the intended change is significant, pursuant to Article 49(1i) of EMIR, it is required to apply for validation in accordance with the Article 49 procedure.

   b. Where the CCP considers that the intended change is not significant, pursuant to Article 49(1i) of EMIR, then it is required to apply for validation in accordance with the newly introduced accelerated procedure, set out under Article 49a of EMIR.

9. The criteria for changes to models or parameters to be considered as significant are set out under paragraph 1i of Article 49 of EMIR.

Article 49
Review of models, stress testing and back testing

1i. A change shall be considered significant where at least one of the following conditions is met:

(a) the change leads to a significant decrease or increase of the CCP's total pre-funded financial resources, including margin requirements, default fund and dedicated own resources as referred to in Article 45(4);
(b) the structure or the structural elements of the margin model are changed;
(c) a component of the margin model, including a margin parameter or an add-on, is introduced, removed, or amended in a manner which leads to a significant decrease or increase of the output of the margin model at the CCP level;
(d) the methodology used to compute portfolio offsets is changed leading to a significant decrease or increase of the total margin requirements for the financial instruments within the portfolio;
(e) the methodology for defining and calibrating stress test scenarios for the purpose of determining the size of the CCP's default funds and the size of the individual clearing members' contributions to those default funds is changed, leading to a significant decrease or increase in the size of any of the default funds or of any individual default fund contribution;
(f) the methodology applied to assess liquidity risk is changed, leading to a significant decrease or increase of the estimated liquidity needs in any currency or the total liquidity needs;
(g) the methodology applied to determine the concentration risk a CCP has towards an individual counterparty is changed, such that the CCP's overall exposure to that counterparty decreases or increases significantly;
(h) the methodology applied to value collateral, or calibrate collateral haircuts, is changed, such that the total value of collateral decreases or increases significantly;
(i) the change could have a material effect on the overall risk of the CCP.

10. In accordance with Article 49(5) of EMIR, ESMA is tasked to further specify in a draft RTS:

   a. what constitutes a significant increase or decrease for all relevant conditions set out in Article 49(1i) of EMIR (i.e. conditions (a), (c), (d), (e), (f), (g) and (h)); and

   b. which elements to consider when assessing whether one of the conditions referred to in Article 49(1i) of EMIR are met.

4.1 Conditions for assessing a model change as significant ("significant increase or decrease")

11. ESMA is required to specify what constitutes a significant increase or decrease for the seven conditions under Article 49(1i) of EMIR which include such reference.

12. In other words, the RTS should specify numerical thresholds for each of the following conditions:

   a. Condition (a): a significant decrease or increase of the CCP's total pre-funded financial resources, including margin requirements, default fund and (first) skin in the game.

   b. Condition (c): a significant decrease or increase of the output of the margin model at the CCP level following the introduction, removal or amendment of a component of the CCP's margin model (including a margin parameter or an add-on).

   c. Condition (d): a significant decrease or increase of the total margin requirements for a set of financial instruments subject to portfolio margining following a change in the methodology used to compute portfolio offsets for these financial instruments.

   d. Condition (e): a significant decrease or increase in the size of any of the default funds or of any individual default fund contribution following a change in the methodology for defining and calibrating stress test scenarios for the purpose of determining the size of the CCP's default funds and the size of the individual clearing members' contributions to those default funds.

   e. Condition (f): a significant decrease or increase of the estimated liquidity needs in any currency or the total liquidity needs following a change to the methodology applied to assess liquidity risk.

   f. Condition (g): a significant decrease or increase in the CCP's overall exposure to an individual counterparty following a change to the methodology applied to determine the concentration risk a CCP has towards this counterparty.

   g. Condition (h): a significant decrease or increase of the total value of collateral following a change to the methodology applied to value collateral or calibrate collateral haircuts.

13. ESMA notes that the empowerment allows ESMA to set different values for the different points of paragraph 1i of Article 49 of EMIR, therefore in principle the RTS should include at least one quantitative threshold per condition. However, some conditions (e.g. impact on liquidity per currency vs. total liquidity (condition f); impact on individual default fund contributions vs. total default fund (condition e)) may also require introducing different values for different metrics.

14. The RTS should also specify whether the quantitative thresholds should be defined in proportion (% of increase / decrease) or in absolute. ESMA notes that specifying percentage thresholds would ensure a proportional application of the conditions across all CCPs, and therefore decided to rely on percentage values. However, in order to ensure proportionality and avoid any 'false positives', where the percentages refer to shares of the CCP's resources (such as individual default fund contributions), ESMA has proposed double thresholds, one on the individual level and one on the overall level. ESMA, as well as NCAs, have been conducting validations of CCP's models and parameters since the entry into effect of the initial EMIR, i.e. for over 10 years. Therefore, in setting the values for the thresholds, ESMA has relied on that experience.

4.1.1 Condition (a): the change leads to a significant decrease or increase of the CCP's total pre-funded financial resources, including margin requirements, default fund and dedicated own resources as referred to in Article 45(4) of EMIR

15. For the purpose of condition (a), ESMA is of the view that any decrease or increase of more than 15% of the CCP's total prefunded financial resources should be qualified as significant.

Q1. Do you agree with the proposed threshold for condition (a)?

4.1.2 Condition (c): a component of the margin model, including a margin parameter or an add-on, is introduced, removed, or amended in a manner which leads to a significant decrease or increase of the output of the margin model at the CCP level

16. For the purpose of condition (c), ESMA is of the view that any decrease or increase of more than 15% of the total margin requirements for a specific clearing service / default fund should be considered as significant.

17. ESMA notes that condition (c) refers to the output of the margin model "at the CCP level". However, ESMA is of the view that a margin model should be understood as the complex of techniques used to compute the total margin requirements for a clearing service / default fund. Therefore, the CCP should measure the impact on the total margin requirement of

the clearing service / default fund, as other margin models are not affected by the same change.

Q2.Do you agree with the proposed threshold for condition (c)?

4.1.3 Condition (d): the methodology used to compute portfolio offsets is changed leading to a significant decrease or increase of the total margin requirements for the financial instruments within the portfolio

18. For the purpose of condition (d), ESMA suggests that any decrease or increase of more than 20% of the total margin requirements for the financial instruments subject to portfolio offsets should be considered as significant.

Q3. Do you agree with the proposed threshold for condition (d)?

4.1.4 Condition (e): the methodology for defining and calibrating stress test scenarios for the purpose of determining the size of the CCP's default funds and the size of the individual clearing members' contributions to those default funds is changed, leading to a significant decrease or increase in the size of any of the default funds or of any individual default fund contribution

19. For the purpose of condition (e), ESMA believes that three quantitative thresholds for defining the significance of a change should be specified, namely: i) a threshold on the decrease or increase in the size of any of the default funds in respect of CCPs that have multiple default funds; ii) a threshold on the decrease or increase in the size of the relevant liquidation group or segment within the default fund in respect of CCPs that have a single default fund; and iii) a threshold on the impact on individual contributions.

20. The following would therefore constitute a significant increase or decrease for the purpose of condition (e):

    a. As regards a CCP that has multiple default funds, where the change in the methodology for defining and calibrating stress test scenarios results in a decrease or increase of more than 20% in the size of any of the default funds; or

    b. As regards a CCP that has a single default fund, where the change in the methodology for defining and calibrating stress test scenarios results in a decrease or increase of more than 20% in the size of the relevant liquidation group or segment of the default fund; or

    c. Where the change in the methodology for defining and calibrating stress test scenarios results in one clearing member's contribution to a default fund decreasing or increasing by an amount corresponding to both:

i. more than 30% of the size of the clearing member's contribution, <u>and</u>

ii. more than 5% of the size of the default fund.

Q4. Do you agree with the proposed thresholds for condition (e)?

Q5. Do you believe that sub-condition (c) of condition (e) on individual default fund contributions should also take into account the difference between CCPs with a single default fund and CCPs with multiple default funds? If so, how?

4.1.5 Condition (f): the methodology applied to assess liquidity risk is changed, leading to a significant decrease or increase of the estimated liquidity needs in any currency or the total liquidity needs

21. For the purpose of condition (f), ESMA suggests introducing two quantitative thresholds for defining the significance of a change, namely a threshold on the total liquidity needs, and a threshold on liquidity per currency.

22. The following would therefore constitute a significant increase or decrease for the purpose of condition (f):

    a. Where the change leads to a decrease or increase of more than 15% of the CCP's total liquidity needs across all currencies; or

    b. Where the change results in the liquidity needs in a single currency decreasing or increasing by an amount corresponding to both:

        i. more than 50% of the liquidity needs in the single currency, <u>and</u>

        ii. more than 5% of the CCP's total liquidity needs across all currencies.

Q6. Do you agree with the proposed thresholds for condition (f)?

4.1.6 Condition (g): the methodology applied to determine the concentration risk a CCP has towards an individual counterparty is changed, such that the CCP's overall exposure to that counterparty decreases or increases significantly

23. ESMA finds that the scope of condition (g) is not entirely clear, as it refers first to the methodology applied to determine the concentration risk of a CCP towards an individual counterparty and then to its effect on overall exposure to that counterparty. For the avoidance of doubt, ESMA is of the view that this condition should capture changes to concentration limits for any entity towards which the CCP has a liquidity exposure including

the entities listed in Article 32(4) of Delegated Regulation 153/2013[3]. Such changes may generate changes in exposures to specific counterparties, which would also be reflected in liquidity resources.

24. Considering the above, ESMA suggests that the following would constitute a significant increase or decrease for the purpose of condition (g):

    Where the change results in the CCP's liquidity exposure towards an individual counterparty, including the entities listed in Article 32(4) of Delegated Regulation 153/2013, decreasing or increasing by an amount corresponding to both:

    (i) more than 20% of the CCP's liquidity exposure to the individual counterparty, and

    (ii) more than 5% of the aggregate liquid resources of the CCP.

Q7. Do you agree with the proposed threshold for condition (g)?

4.1.7 Condition (h): the methodology applied to value collateral, or calibrate collateral haircuts, is changed, such that the total value of collateral decreases or increases significantly

25. For the purpose of condition (h), ESMA is of the view that any decrease or increase of more than 5% of the CCP's total collateral value should be considered as significant.

Q8.Do you agree with the proposed threshold for condition (h)?

4.1.8 Lookback period for conditions (a), (c), (d), (e), (f), (g) and (h)

26. In addition to the above, for a CCP to assess whether conditions (a), (c), (d), (e), (f), (g) and (h) are met on a transparent and comparable basis, and to ensure convergence across EU CCPs, ESMA is of the view that the RTS should specify a minimum lookback period over which the CCP should compute the impact of the change on actual cleared portfolios. The lookback period should be sufficiently short and close to the planned implementation date of the change, but long enough to avoid any window-dressing from the CCP.

27. ESMA suggests that a CCP should assess the impact of each change, comparing the outcome of current methodology with the outcome of the proposed methodology, using a continuous period of at least 6 months within the 12 months terminating at the application date. A condition would be considered to be met if the corresponding threshold is triggered at any time in the period.

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[3] Commission Delegated Regulation (EU) No 153/2013 of 19 December 2012 supplementing Regulation (EU) No 648/2012 of the European Parliament and of the Council with regard to regulatory technical standards on requirements for central counterparties; OJ L 52, 23.2.2013, p. 41–74.

Q9. Do you agree with proposed lookback period to assess whether conditions (a), (c), (d), (e), (f), (g) and (h) are met? Should the lookback period be extended to account for the potential seasonal behaviour of some instruments?

4.2 Conditions for assessing a model change as significant ("elements to be considered when assessing whether one of the conditions are met")

28. Under point (b) of Article 49(5) of EMIR, ESMA is also required to further specify "*the elements to be considered when assessing whether one of the conditions referred to in paragraph 1i are met*".

29. As the conditions set out under points (a), (c), (d), (e), (f), (g) and (h) are clearly defined in Article 49(1i) of EMIR and linked to numerical thresholds further specified in the RTS, ESMA notes that this aspect of the RTS should focus in particular on further specifying conditions (b) and (i), namely:

    a. Condition (b): What would qualify as a change to the structure or structural elements of the margin model;

    b. Condition (i): Which type of change could have a material effect on the overall risk of the CCP.

4.2.1 Condition (b): the structure or the structural elements of the margin model are changed

30. For the purpose of specifying condition (b), ESMA suggests relying on an exhaustive list of changes that should be considered as a change to the structure or structural elements of a CCP's margin model.

31. Indeed, ESMA notes that this condition (along with condition (i)) should act as a "catch-all" condition which could capture significant changes which have not triggered any of the numerical thresholds of conditions (a), (c), (d), (e), (f), (g) and (h). The risk of relying on a closed list is therefore limited.

32. ESMA is therefore of the view that the elements to be considered when assessing whether the condition set out in Article 49(1i) point (b) of EMIR is met should be any of the following (when the CCP's proposed change fulfils at least one of the elements, the condition set out in Article 49(1i) point (b) would be considered as met):

    a. Implementation of a new type of model including moving from/to a parametric model, historical simulation and Monte Carlo simulation;

b. Changes to the model's lookback window, including the introduction of a filtering scheme where one was not previously used;

c. Changes to the model's confidence level or chosen tail statistic, such as percentile or expected shortfall;

d. Changes to number of days used for the margin period of risk; and

e. Changes to the choice of APC option (e.g. changing from option (a) to option (b) under Article 28(1) of Delegated Regulation 153/2013).

Q10. Do you agree with the proposed elements to be considered when assessing whether condition (b) is met?

4.2.2 Condition (i): the change could have a material effect on the overall risk of the CCP

33. ESMA proposes that the elements to be considered when assessing whether the condition set out in Article 49(1i) point (i) of EMIR is met should be any of the following (when the CCP's proposed change fulfils at least one of the elements, the condition set out in Article 49(1i) point (i) would be considered as met):

    a. The CCP intends to change its risk models in order to accommodate a new type of participant or a new clearing access model, including a sponsored access model; and

    b. The CCP intends to change its risk models in order to extend the list of eligible collateral to accept collateral:

        i. in a new asset class; or

        ii. in the form of gold; or

        iii. in the form of public guarantees, or public bank guarantees, or commercial bank guarantees; or

        iv. issued by corporate issuers where the CCP currently only accepts collateral issued by sovereign issuers; or

        v. issued by sovereign issuers where the CCPs currently only accepts collateral issued by corporate issuers.

Q11. Do you agree with the proposed elements to be considered when assessing whether condition (i) is met?

5 RTS on changes to models that can be considered as already covered by the approved model

34. In accordance with point (c) of Article 49(5) of EMIR, ESMA, in close cooperation with the members of the ESCB, is also empowered to develop draft RTS further specifying other changes to models that can be considered as already covered by the approved model and are therefore not considered a model change and not subject to the procedures established in Article 49 or Article 49a of EMIR.

35. ESMA notes that Article 49(1h) of EMIR already specifically provides that changes to parameters "*that are the result of applying a methodology that is part of a validated model"* are not to be considered changes to models and parameters and should therefore not be subject to a validation under Articles 49 or Article 49a of EMIR.

36. In addition to the above, ESMA would see merit in specifying that changes that result from the implementation of a specific prescriptive recommendation from ESMA, or the NCA in a previous validation decision under Article 49 or 49a of EMIR should not be subject to the procedures under Article 49 or 49a of EMIR. For the avoidance of doubt, the recommendation would need to explicitly mention that the future change would be considered as already covered by the approved model and also prescribe the precise scope and approach that the change should follow in addressing the recommendation.

Q12. Do you agree with the proposed change to models that can be considered as already covered by the approved model?

Q13. In your view, are there any other changes that should be considered as already covered by the approved model?

Q14. Question for CCPs: Based on the proposals presented in this Consultation Paper, could you provide an estimate of the number of changes to models and parameters, implemented/applied for by your CCP over the past three years, that would have qualified for i) the standard procedure under Article 49 of EMIR, ii) the accelerated procedure under Article 49a of EMIR, iii) changes to models that can be considered as already covered by the approved model (Article 49(5)(c) of EMIR)?

6 RTS on the list of required documents that are to accompany an application for validation of a change to models or parameters

37. In accordance with point (d) of Article 49(5), ESMA is mandated to specify in a draft RTS the lists of required documents that are to accompany an application for validation pursuant to paragraph 1c of Article 49 and Article 49a of EMIR and the information that such documents are to contain to demonstrate that the CCP complies with all relevant requirements of EMIR.

38. The required documents and level of information should be proportionate to the type of model validation but contain sufficient detail to ensure a proper analysis of the change.

39. CCPs play a crucial role in the EU's financial infrastructure by managing and mitigating counterparty risk in financial transactions. Effective risk management models are essential for CCPs to fulfil their role, as these models determine the level of resources CCPs need to hold against potential losses. As markets evolve, CCPs periodically update their models to reflect new data, emerging risks, or regulatory changes. Each model adjustment must undergo a validation process to ensure it meets regulatory standards and aligns with best practices.

40. Uniform standards for model validation documentation will support ESMA and national competent authorities in making informed, consistent, and efficient assessments of proposed model changes.

41. The proposal set out in this Consultation Paper is based on the latest updates following discussions and feedback received from stakeholders and competent authorities. Through this consultation, ESMA aims to refine the draft RTS further to address any concerns and ensure clarity and comprehensiveness.

42. The draft RTS clarifies the comprehensive list of documents and information that CCPs must submit to validate proposed model changes under Article 49 and Article 49a of EMIR. This standardisation ensures that CCPs across the EU provide detailed, relevant, and uniform documentation for the validation process of risk model updates.

43. This draft RTS distinguishes between significant and non-significant model changes, with separate documentation requirements for each category to ensure appropriate scrutiny while facilitating efficient regulatory processing for less impactful adjustments.

44. The draft RTS (Title II) contains three distinct chapters: the first chapter includes general definitions and requirements, the second chapter describes the information to be provided for the validation of significant changes, and the third chapter the information to be provided for the validation of non-significant changes.

6.1 Chapter 1 – General provisions

45. The first chapter includes general requirements applying to the submission of both types of applications for validation of model changes, regardless of whether they concern significant or non-significant model changes.

46. This first chapter specifies the language requirements applicable to all applications and the need to provide each document submitted for any application with a unique reference number. Given that all applications are centrally processed, they are required to be submitted in a language customary to international finance. Furthermore, this chapter requires that any application is accompanied by a statement from the CCP's board certifying the accuracy and completeness of all submitted documents. ESMA considers this certification as key for the involvement of the applicant CCP's board in the validation process. Finally, it should be noted that in some Member States fees may apply when an entity initiates the process to validate a change to a model. Where these fees apply and they have to be paid before the model change is actually validated, the applicant must provide a proof of payment of national fees related to the application.

47. Finally, this chapter also requires that applications include an index and a correspondence table to facilitate the identification of the relevant information for the assessment of the applications.

Q15. Are the general provisions in Chapter I of Title II of the draft RTS (language, certification, fees) appropriate and clear?

Q16. Is the requirement to submit an index and a correspondence table appropriate and clear?

6.2 Chapters 2 and 3 – information to be provided for the validation of significant and non-significant changes

6.2.1 General information and identification (Articles 14 & 18)

48. For both significant and non-significant model changes, applicant CCPs must provide identifying information, including details of the responsible contact and the purpose of the model change. This allows competent authorities and ESMA to identify the applicant CCP as well as the person responsible for the application.

49. Each application must describe the model's function within the CCP and provide a forecasted timeline for the change implementation, including key milestones, risks, and mitigations. This general description of the model and the project leading to its implementation serves as introduction to the more detailed technical information related to the model change.

Q17. Does the required documentation in relation to the general information provide sufficient detail? Please differentiate between significant and non-significant model changes where relevant in your answer.

6.2.2 Detailed model change description (Articles 15 & 18)

50. In the detailed description of a model change, independently of whether the application is for a significant or a non-significant change, the applicant CCP must provide an overview of the model change, including the rationale, potential benefits, and how it relates to existing models. This section also addresses whether the change replaces or refines previous models. This description must include a list of the contracts within the model's scope, as well as impacted products, default funds, and asset classes as applicable. This ensures that all areas impacted by the model change within the CCP are clearly identified.
51. The detailed description of a significant model change must also include a detailed technical breakdown covering calculations, logical steps, and mathematical and statistical elements of the model. This technical description should be complete enough to allow the competent authority and ESMA to replicate the model if needed.
52. Practical, worked-out examples are also requested in order to illustrate how the model behaves after a significant change.
53. Furthermore, for significant model changes, other elements are required as part of the description. Indeed, the applicant CCP must provide the standards chosen to calibrate the model and justify the choice, including where relevant the confidence level, the lookback period, the time horizon for the liquidation period, the definition of extreme but plausible scenarios.
54. Finally, the applicant CCP must also provide a comprehensive list of parameters and assumptions in relation to a significant model change, along with any limitations identified in relation to those parameters and assumptions. A sensitivity analysis must equally be provided, detailing the qualitative and quantitative impact of these parameters on the model's performance.

Q18. Does the required documentation in relation to the description of the model change for both significant and non-significant model changes provide sufficient detail for assessing the impact on CCP risk management? Are additional elements needed to improve clarity?

6.2.3 Governance and Independent Validation (Article 16)

55. Only in relation to significant model changes, the application must include the governance framework that oversaw the model adjustment, including risk committee advice and

independent validation outcomes. This should demonstrate that the model has been independently validated prior to application submission.

56. Furthermore, the applicant CCP must describe the process that will be followed to analyse and monitor the model performance following the model change.

Q19. Are the requirements on documentation in relation to governance of the model change, including independent validation and risk committee advice, clear and adequate to ensure that reliable information on the governance of a review of significant model change is provided? Should ESMA consider requesting additional information on the validation process or clarifying any aspects of the information provided?

Q20. Do you agree with the need to submit all policies and procedures with relevance to the model even if these are not amended?

6.2.4 Testing and Stress Analysis (Article 17)

57. An application for the validation of a significant change should include the comprehensive testing results, including back-testing, stress testing, and any analyses related to procyclicality. The applicant CCP must also provide results from credit and liquidity stress tests over a 12-month period to ensure the change supports the CCP's resource adequacy.

Q21. Is the information related to testing methodologies (e.g., back-testing, stress testing) comprehensive enough to evaluate the robustness of model changes? Should any of the information required in this regard be further detailed or clarified (e.g. in relation to procyclicality)?

Q22. Is the 12-month period for credit and liquidity stress tests commensurate?

7 Determination of 'working days' under EMIR

58. Regulation No 1182/71[4] provides uniform general rules for determining applicable periods, dates and time limits in relation to acts which have been or will be passed pursuant to the Treaty.

59. EMIR, as a piece of legislation by the Council and the Parliament, is an act covered by Article 1 of Regulation No 1182/71 and therefore time periods (including the concept of 'working days') set out in EMIR, should be determined in accordance with the rules of Regulation No 1182/71.

[4] Regulation (EEC, Euratom) No 1182/71 of the Council of 3 June 1971 determining the rules applicable to periods, dates and time limits; OJ L 124, 8.6.1971, p. 1–2.

60. Article 2(1) of Regulation 1182/71 provides that: "*For the purposes of this Regulation, 'public holidays' means all days designated as such in the Member State or in the Community institution in which action is to be taken*."

61. Article 2(2) of Regulation 1182/71 then states that: "*For the purposes of this Regulation, 'working days' means all days other than public holidays, Sundays and Saturdays*."

62. Therefore, when calculating 'working days' prescribed by EMIR, account should be taken of the actor of the action/decision, i.e. the Member State in which or the EU Institution by which such action/decision is to be taken. In other words, where EMIR provides that the action/decision is to be taken by an NCA, the working days designated by the Member State of the NCA, in accordance with Regulation 1182/71, will apply. Similarly, where EMIR provides that the action/decision is to be taken by ESMA, the working days designated by ESMA, in accordance with Regulation 1182/71, will apply.

8 Annexes

8.1 Annex I – Summary of questions

Q1. Do you agree with the proposed threshold for condition (a)?

Q2. Do you agree with the proposed threshold for condition (c)?

Q3. Do you agree with the proposed threshold for condition (d)?

Q4. Do you agree with the proposed thresholds for condition (e)?

Q5. Do you believe that sub-condition (c) of condition (e) on individual default fund contributions should also take into account the difference between CCPs with a single default fund and CCPs with multiple default funds? If so, how?

Q6. Do you agree with the proposed thresholds for condition (f)?

Q7. Do you agree with the proposed threshold for condition (g)?

Q8. Do you agree with the proposed threshold for condition (h)?

Q9. Do you agree with proposed lookback period to assess whether conditions (a), (c), (d), (e), (f), (g) and (h) are met? Should the lookback period be extended to account for the potential seasonal behaviour of some instruments?

Q10. Do you agree with the proposed elements to be considered when assessing whether condition (b) is met?

Q11. Do you agree with the proposed elements to be considered when assessing whether condition (i) is met?

Q12. Do you agree with the proposed change to models that can be considered as already covered by the approved model?

Q13. In your view, are there any other changes that should be considered as already covered by the approved model?

Q14. Question for CCPs: Based on the proposals presented in this Consultation Paper, could you provide an estimate of the number of changes to models and parameters, implemented/applied for by your CCP over the past three years, that would have qualified for i) the standard procedure under Article 49 of EMIR, ii) the accelerated procedure under Article 49a of EMIR, iii) changes to models that can be considered as already covered by the approved model (Article 49(5)(c) of EMIR)?

Q15. Are the general provisions in Chapter I (of Title II of the draft RTS) (language, certification, fees) appropriate and clear?

Q16. Is the requirement to submit an index and a correspondence table appropriate and clear?

Q17. Does the required documentation in relation to the general information provide sufficient detail? Please differentiate between significant and non-significant model changes where relevant in your answer.

Q18. Does the required documentation in relation to the description of the model change for both significant and non-significant model changes provide sufficient detail for assessing the impact on CCP risk management? Are additional elements needed to improve clarity?

Q19. Are the requirements on documentation in relation to governance of the model change, including independent validation and risk committee advice, clear and adequate to ensure that reliable information on the governance of a review of significant model change is provided? Should ESMA consider requesting additional information on the validation process or clarifying any aspects of the information provided?

Q20. Do you agree with the need to submit all policies and procedures with relevance to the model even if these are not amended?

Q21. Is the information related to testing methodologies (e.g., back-testing, stress testing) comprehensive enough to evaluate the robustness of model changes? Should any of the information required in this regard be further detailed or clarified (e.g. in relation to procyclicality)?

Q22. Is the 12-month period for credit and liquidity stress tests commensurate?

8.2 Annex II – Legislative mandate to develop technical standards

Article 49(5) of EMIR

5. ESMA, in close cooperation with the members of the ESCB, shall develop draft regulatory technical standards to further specify;

> *(a) what constitutes a significant increase or decrease for the purposes of paragraph 1i, points (a) and (c) to (h);*
>
> *(b) the elements to be considered when assessing whether one of the conditions referred to in paragraph 1i is met;*
>
> *(c) other changes to models that can be considered as already covered by the approved model and are therefore not considered a model change and not subject to the procedures established in this Article or Article 49a; and*
>
> *(d) the lists of required documents that are to accompany an application for validation pursuant to paragraph 1c of this Article and Article 49a and the information that such documents are to contain to demonstrate that the CCP complies with all relevant requirements of this Regulation.*
>
> *The required documents and level of information shall be proportionate to the type of model validation but contain sufficient detail to ensure a proper analysis of the change.*

For the purposes of the first subparagraph, point (a), ESMA may set different values for the different points of paragraph 1i.

ESMA shall submit the draft regulatory technical standards referred to in the first subparagraph to the Commission by 25 December 2025.

Power is delegated to the Commission to supplement this Regulation by adopting the regulatory technical standards referred to in the first subparagraph of this paragraph in accordance with Articles 10 to 14 of Regulation (EU) No 1095/2010.

8.3 Annex III – Cost-benefit analysis

8.3.1 Significant increase or decrease

Specific objective	The objective is to further specify what constitutes a significant increase or decrease for the purposes of Article 49(1i), points (a) and (c) to (h) of EMIR.
Policy option 1	A first policy option would be to specify relative figures (i.e. percentages) for the increase / decrease of each condition. Different values may be used for each condition.
Policy option 2	A second policy option would be to specify absolute figures (i.e. amounts in EUR equivalent) for the increase / decrease of each condition. Different values may be used for each condition. A sub-option may include a combination of relative and absolute figures for each threshold.
Preferred option	**Policy option 1.**

Impact of the proposed policies	
Option 1	
Benefits / drawbacks	Specifying percentage thresholds would ensure a consistent and proportional application of the quantitative conditions and a level playing field across all CCPs. In addition, in order to ensure that only meaningful changes are captured under the significance criteria, the proposal includes, where relevant, a double threshold assessing the impact of a change against two different metrics (usually individual and aggregate).
Compliance costs	Such option should not generate additional costs for the CCPs.
Supervision costs	The same would apply for the supervisory costs.

Option 2	
Benefits / drawbacks	Specifying absolute figures for the thresholds and/or absolute minimums would decrease costs for small CCPs as the number of standard validations under Article 49 of EMIR would decrease. However, this would also increase the risks posed by smaller CCPs.
Compliance costs	Lower than option 1 for smaller CCPs, as described above. But costs could be higher for bigger CCPs if the fixed thresholds are set too low.
Supervision costs	Unchanged.

8.3.2 Lookback period

Specific objective	The objective is to specify the period on the basis of which the significant increase or decrease should be calculated. In doing so, ESMA considered three different dimensions: the length of the lookback period, the degree of flexibility left to CCPs, and the metrics for the calculation of the impact (maximum vs. average).
1st policy dimension: length	The lookback period needs to be long enough to provide sufficient coverage and an accurate reflection of the model's behaviour over diverse market conditions. It should however be short enough to reduce the burden on the CCPs and facilitate the computation of the impact.
2nd policy dimension: flexibility	In order to provide some flexibility for the CCPs and cater, among other, for seasonality effects, the prescribed lookback period could be selected within a wider time range, while at the same time covering a continuous period. It should however remain as close as possible to the date of submission of the validation request.
3rd policy dimension: metrics	In assessing the impact of a change, one option could be to compute the average increase or decrease over the lookback period. However, in order to better reflect the risks posed by the proposed models, another option would be to make the assessment on the maximum impact over the lookback period, even if this may trigger a higher number of significant changes.

Preferred option	**Considering the above, ESMA proposes to rely on a 6-month lookback period, to be selected within the 12 months period terminating at the application date (to provide a degree of flexibility), and by considering the maximum impact over the period.**

8.3.3 Elements to be considered when assessing whether one of the conditions is met

Specific objective	Having noted that conditions (a) and (c) to (h) are specifically linked to quantitative thresholds which are to be specified under Article 49(5)(a) of EMIR, ESMA considered it necessary to specify these elements only for the two 'qualitative' conditions set out under points (b) and (i) of Article 49(1i) of EMIR. The objective is to determine the elements to be assessed in order to consider that either of these conditions are met.
Policy option 1	A first policy option is to rely on a closed list of elements. It would be sufficient for the CCP to meet one element for the respective condition to be fulfilled.
Policy option 2	A second policy option is to rely on an indicative open list of elements, that would be complemented by the CCP's and NCA's expert judgment to determine whether the respective condition is met.
Preferred option	**Policy option 1.**

Impact of the proposed policies	
Option 1	
Benefits / drawbacks	Option 1 would ensure clarity and legal certainty to CCPs when making the significance determination. It would also ensure that applications under the accelerated procedure are not ultimately rejected by the NCA or ESMA. It would however provide little flexibility for CCPs and NCAs and ESMA and may lead to a higher number of significant changes.

Compliance costs	Compliance cost is expected to be low.
Supervision costs	The same would apply for the supervisory costs, as the check from the NCA and ESMA will be straightforward based on the CCP's assessment.
Option 2	
Benefits / drawbacks	Option 2 would provide some flexibility to the CCP, NCA and ESMA when determining whether a change is significant. However, it could lead to applications being ultimately rejected by the NCA or ESMA despite the CCP having determined the change as non-significant. In addition, it could lead to divergent interpretations and implementation across EU CCPs and NCAs.
Compliance costs	Could be higher than option 1 as a larger number of applications may be ultimately rejected.
Supervision costs	Higher than option 1 as the NCA and ESMA would be required to perform an extra assessment on top of the CCP's determination.

8.3.4 List of documents that are to accompany an application for validation of a change to models or parameters

Specific objective	Article 49 of EMIR requires CCPs to seek validation for significant model changes that could materially affect their risk profiles. In contrast, Article 49a of EMIR introduces an accelerated validation procedure for non-significant changes, reflecting the need for proportionality in regulatory oversight based on the potential impact of the changes. To ensure consistency and efficiency in the application of these procedures, the proposed regulation defines the documents and information that applicant CCPs must submit when applying for the validation of model changes under both the validation process for significant changes and the accelerated process for non-significant changes. The policy options available to ESMA with regard to the way in which the list of documents that are to accompany an application for validation of a model change are limited. This list of documents shall provide the information to demonstrate that the applicant CCP complies with all relevant requirements.

Policy option 1	A first policy option would be to base the list of documents and information on the requirements of EMIR and of delegated regulations that CCP models must comply with. This would give the choice to applicant CCPs as to whether the information submitted is included in one single document or in several documents depending on the how their documentation is drafted and organised, as far as all the relevant information is provided to competent authorities, ESMA and the college.
Policy option 2	A second policy option would be to impose the harmonisation of documents on the model changes across all CCPs, by defining each document (including its content) that would have to be submitted to demonstrate that a model change complies with requirements in EMIR and in relevant delegated regulations.
Preferred option	**Policy option 1.**

Impact of the proposed policies	
Option 1	
Benefits / drawbacks	This option has a low impact on applicant CCPs as they are given the choice to present the way in which the proposed model change comply with relevant EMIR requirements, as far as information is appropriately covered. As drawback, this policy option does not pursue full harmonisation of all documentation.
Compliance costs	This policy option should not have any additional compliance cost.
Supervision costs	This policy option should not have any additional supervisory cost.
Option 2	
Benefits / drawbacks	This policy option would allow to have a fully harmonised list of documents for model changes across all CCPs. However, full harmonisation of these documents would be very challenging and difficult to foresee in advance for all types of model changes.

Compliance costs	High compliance cost.
Supervision costs	This policy option should not have any additional supervisory cost.

8.4 Annex IV – Draft technical standards

COMMISSION DELEGATED REGULATION (EU) No …/..

supplementing Regulation (EU) No 648/2012 of the European Parliament and of the Council with regard to regulatory technical standards specifying what constitutes a significant increase or decrease for the purpose of Article 49(1i), the elements to be considered when assessing whether one of the conditions referred to in Article 49(1i) is met, other changes to models that can be considered as already covered by the approved model, and the list of documents that shall accompany an application for validation pursuant to Article 49 and Article 49a.

of [ ]

(text with EEA relevance)

THE EUROPEAN COMMISSION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to Regulation (EU) No 648/2012 of the European Parliament and of the Council of 4 July 2012[5] in particular Article 49(5) thereof,

Whereas:

(1) In order to provide legal certainty to Union CCPs as regards the appropriate procedure for the validation of model changes, improve the efficiency of the validation process, as well as ensure a level playing field across CCPs and a consistent application of Regulation (EU) No 648/2012, this Regulation should provide clear quantitative thresholds for the criteria set out under points (a) and (c) to (h) of Article 49(1i) of Regulation (EU) No 648/2012 in order to determine what would constitute a significant increase or decrease.

(2) Different values should be set for each of the quantitative threshold, in order to cater for the specific characteristics of each condition under points (a) and (c) to (h) of Article 49(1i) of Regulation (EU) No 648/2012. In order to ensure a proportionate approach, the quantitative thresholds should be set as a percentage of the increase or decrease of each metric. However, to reduce the number of false positives, some conditions should be subject to double thresholds, both on the individual level and the overall level of the CCP's resources, to make sure that only material changes are captured.

(3) With regards to the condition set out under point (e) of Article 49(1i) of Regulation (EU) 648/2012, the thresholds should take into account whether the CCP has a single default fund, which is segmented or organised in liquidation groups, or whether the CCP has multiple default funds. A segmented default fund or a default fund organised in liquidation groups

[5] Regulation (EU) No 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories; OJ L 201, 27.7.2012, p. 1–59.

should be understood as a default fund consisting of multiple segments, corresponding to groups of products with similar risk characteristics. The funds of each segment will be used as a priority to cover losses incurred in liquidating products in that group, with surpluses and deficits from other groups potentially included in the calculation with a lower priority.

(4) In order to ensure convergence across the Union when assessing the quantitative conditions, the Regulation should specify a minimum lookback period over which the CCP should compute the impact of the change on actual cleared portfolios. The lookback period should be sufficiently short and close to the planned implementation date of the change, but long enough to avoid any window-dressing from the CCP.

(5) Given the quantitative nature of conditions (a) and (c) to (h) of Article 49(1i) of Regulation (EU) No 648/2012, other elements to be assessed should only be specified for conditions (b) and (i) of Article 49(1i) of Regulation (EU) No 648/2012, the description of which is more qualitative. In doing so, and to provide legal certainty to CCPs when performing their assessment, this Regulation should establish a closed list of elements to be assessed by the CCP. Where the CCP assesses that at least one of the elements is fulfilled, the respective condition should be considered as met.

(6) For significant model changes, the procedure for validation of which is set out under Article 49 of Regulation (EU) No 648/2012, the documentation requirements should be more extensive, covering technical details, governance, and testing results. Regarding non-significant model changes, the procedure for validation of which is set out under Article 49a of Regulation (EU) No 648/2012, this Regulation should set forth a streamlined set of requirements tailored to the limited impact of such changes. This proportional approach avoids unnecessary administrative burdens for CCPs while ensuring that non-significant changes still adhere to the necessary standards of compliance and transparency.

(7) This Regulation is based on the draft regulatory technical standards submitted by the European Securities and Markets Authority (ESMA) to the Commission.

(8) ESMA has developed the draft regulatory technical standards in close cooperation with the European System of Central Banks (ESCB). In accordance with Article 10 of Regulation (EU) 1095/2010 of the European Parliament and the Council of 24 November 2010 establishing a European Supervisory Authority (European Securities and Markets Authority)6, ESMA has conducted open public consultations on such draft regulatory technical standards, analysed the potential related costs and benefits and requested the advice of the Securities and Markets Stakeholder Group established in accordance with Article 37 of Regulation (EU) No 1095/2010,

HAS ADOPTED THIS REGULATION:

TITLE I

CONDITIONS FOR THE VALIDATION OF CHANGES TO CCP'S MODELS AND PARAMETERS

[6] OJ L 331, 15.12.2010, p. 84.

CHAPTER I

SIGNIFICANT CHANGES TO CCP'S MODELS AND PARAMETERS

Article 1

Significant decrease or increase of the CCP's total pre-funded financial resources

For the purpose of Article 49(1i), point (a), of Regulation (EU) 648/2012, any decrease or increase of more than 15% of the CCP's total pre-funded financial resources shall be considered as significant.

Article 2

Significant decrease or increase of the output of the margin model

For the purpose of Article 49(1i), point (c), of Regulation (EU) 648/2012, any decrease or increase of more than 15% of the total margin requirements for a specific clearing service or default fund shall be considered as significant.

Article 3

Significant decrease or increase of the total margin requirements for financial instruments

For the purpose of Article 49(1i), point (d), of Regulation (EU) 648/2012, any decrease or increase of more than 20% of the total margin requirements for the financial instruments subject to portfolio offsets shall be considered as significant.

Article 4

Significant decrease or increase in the size of any of the default funds or of any individual default fund contribution

For the purpose of Article 49(1i), point (e), of Regulation (EU) 648/2012, any of the following shall be considered as a significant decrease or increase:

a. as regards a CCP that has multiple default funds, the change in the methodology for defining and calibrating stress test scenarios results in a decrease or increase of more than 20% in the size of any of the default funds;

b. as regards a CCP that has a single default fund, the change in the methodology for defining and calibrating stress test scenarios results in a decrease or increase of more than 20% in the size of the relevant liquidation group or segment of the default fund; or

c. the change in the methodology for defining and calibrating stress test scenarios results in one clearing member's contribution to a default fund decreasing or increasing by an amount corresponding to both:

    i. more than 30% of the size of the clearing member's contribution, and

    ii. more than 5% of the size of the default fund.

Article 5

Significant decrease or increase of the estimated liquidity needs in any currency or the total liquidity needs

For the purpose of Article 49(1i), point (f), of Regulation (EU) 648/2012, any of the following shall be considered as a significant decrease or increase:

a. the change in the methodology applied to assess liquidity risks results in a decrease or increase of more than 15% of the CCP’s total liquidity needs across all currencies; or

b. the change in the methodology applied to assess liquidity risks results in the liquidity needs in a single currency decreasing or increasing by an amount corresponding to both:

    i. more than 50% of the CCP’s liquidity needs in the single currency, and

    ii. more than 5% of the CCP’s total liquidity needs across all currencies.

Article 6

Significant decrease or increase of the CCP's overall exposure to a counterparty

For the purpose of Article 49(1i), point (g), of Regulation (EU) 648/2012, where the change results in the CCP’s liquidity exposure towards an individual counterparty, including the entities listed in Article 32(4) of Delegated Regulation 153/2013, decreasing or increasing by an amount corresponding to both:

a. more than 20% of the CCP’s liquidity exposure to the individual counterparty, and

b. more than 5% of the aggregate liquid resources of the CCP,

that decrease or increase shall be considered as significant.

Article 7

Significant decrease or increase of the total value of collateral

For the purpose of Article 49(1i), point (h), of Regulation (EU) 648/2012, any decrease or increase of more than 5% of the CCP’s total value of collateral shall be considered as significant.

Article 8

Changes to the structure or the structural elements of the margin model

1. For the purpose of Article 49(1i), point (b), of Regulation (EU) 648/2012, the elements to be considered when assessing whether that condition is met shall be all of the following:

    a. Implementation of a new type of model including moving from or to a parametric model, historical simulation and Monte Carlo simulation;

    b. Changes to the model’s time horizon in accordance with Article 25 of Delegated Regulation (EU) No 153/2013, including the introduction of a filtering scheme where one was not previously used;

    c. Changes to the model’s confidence interval in accordance with Article 24 of Delegated Regulation (EU) No 153/2013 or chosen tail statistic, such as percentile or expected shortfall;

    d. Changes to the number of days used for the liquidation period in accordance with Article 26 of Delegated Regulation (EU) No 153/2013; and

    e. Changes to the choice of anti-procyclicality option in accordance with Article 28 of Delegated Regulation (EU) No 153/2013.

2. Where the CCP’s change fulfils at least one of the elements listed in paragraph 1, the condition set out in Article 49(1i), point (b), of Regulation (EU) No 648/2012 shall be considered as met.

Article 9

Changes that could have a material effect on the overall risk of the CCP

1. For the purpose of Article 49(1i), point (i), of Regulation (EU) 648/2012, the elements to be considered when assessing whether that condition is met shall be all the following:
   a. The CCP intends to change its risk models in order to accommodate a new type of participant or a new clearing access model; and
   b. The CCP intends to change its risk models in order extend the list of eligible collateral to accept collateral:
      i. in a new asset class; or
      ii. in the form of gold; or
      iii. in the form of public guarantees, or public bank guarantees, or commercial bank guarantees; or
      iv. issued by corporate issuers where the CCP currently only accepts collateral issued by sovereign issuers; or
      v. issued by sovereign issuers where the CCP currently only accepts collateral issued by corporate issuers.
2. Where the CCP's change fulfils at least one of the elements listed in paragraph 1, the condition set out in Article 49(1i), point (i), of Regulation (EU) No 648/2012 shall be considered as met.

Article 10

Lookback period

For the purpose of Article 49(1i), points (a), (c), (d), (e), (f), (g) and (h), of Regulation (EU) 648/2012, a CCP shall assess the impact of each change, comparing the outcome of current methodology with the outcome of the proposed methodology, using a continuous period of at least six months within the 12 months terminating at the date on which the CCP submits an application for validation pursuant to Article 49 or Article 49a of Regulation (EU) 648/2012. A condition shall be considered to be met where any of the corresponding thresholds, as set out in Articles 1 to 7 of this Regulation, is triggered at any time in the period.

CHAPTER II

OTHER CHANGES TO MODELS THAT CAN BE CONSIDERED AS ALREADY COVERED BY THE APPROVED MODEL

Article 11

Other changes to models that can be considered as already covered by the approved model

For the purpose of Article 49(5), point (c), of Regulation (EU) 648/2012, changes that result from the implementation of a specific prescriptive recommendation from the CCP's competent authority or ESMA contained in a previous validation decision adopted by the CCP's competent authority or ESMA pursuant to Article 49 or Article 49a of Regulation (EU) 648/2012 shall be considered as other changes to models that can be considered as already covered by the approved model and are therefore not considered a model change and not subject to the procedures established in Article 49 or Article 49a of Regulation (EU) 648/2012, provided that the following conditions are met:

   a. the recommendation explicitly states that the future change is to be considered as already covered by the approved model; and
   b. the recommendation prescribes the precise scope and approach that the future change is required to follow in addressing the recommendation.

TITLE II
LIST OF DOCUMENTS

CHAPTER I
GENERAL PROVISIONS

Article 12

Language, reference of documents submitted, document index and certification of the application for validation of a model change

1. Documents submitted by an applicant CCP for an application for the validation of a model change pursuant to Article 49 or Article 49a of Regulation (EU) No 648/2012, shall:
   a. be submitted in a language customary in the sphere of international finance;
   b. be provided with a unique reference number for each document included in the application.
2. Any application submitted for the validation of a model change shall be accompanied by an index, including all the documents and their unique reference number.
3. Applicant CCPs shall provide a correspondence table allowing to identify the section of the document or the document submitted where the information required in the different articles of this Regulation can be found.
4. Any application submitted for the validation of a model change shall be accompanied by a document approved by the board of the applicant CCP certifying the accuracy and veracity of all the documents submitted in accordance with this Regulation.

Article 13

Proof of payment of fees

Where national laws of Member States provide for the imposition, by competent authorities, of administrative or any other fees in relation to an application for validation of a model change pursuant to Article 49 or Article 49a of Regulation (EU) No 648/2012, before the application is reviewed or decided upon, the applicant CCP shall also include the proof of payment of any such fees.

CHAPTER II
DOCUMENTS FOR THE VALIDATION OF A SIGNIFICANT MODEL CHANGE
(Article 49 of Regulation EU No 648/2012)

Article 14

General information of the application for the proposed model change

An application for validation of a model change pursuant to Article 49 of Regulation (EU) No 648/2012 shall include the following information:

a. The identification of the person responsible for the model change application, including full name, function, email address and telephone number;

b. The identification of the applicant CCP, including the corporate name of the applicant CCP, its Legal Entity Identifier (LEI) and registered address in the Union;

c. The model purpose, including the function of the CCP where the model is used;

d. The forecasted timeline of the change implementation with associated milestones, key project risks and mitigating measures;

e. An assessment of the model change against the significance criteria set forth in Article 49(1i) of EMIR and further specified in Articles 1 to 10 of this Regulation. Where the assessment incorporates any assumptions, these assumptions shall also be listed and described;

f. An assessment of the model change against the relevant requirements of Regulation (EU) No 648/2012 and of Delegated Regulation (EU) No 153/2013 and of Delegated Regulation (EU) No 153/2013. For each requirement, the applicant CCP shall explain how it complies with the requirement, referencing as appropriate the relevant section of the document or documents submitted in the application.

Article 15

Description of the model change

An application for validation of a model change pursuant to Article 49 of Regulation (EU) No 648/2012 shall include:

a. A general description of the model change, including the motivation of the model change, the relationship of the proposed model change with other models if applicable, including whether it refines or replaces an existing model, the expected benefits of the proposed model change, and a high-level overview of the technical aspects of the model change;

b. The list of contracts in the scope of the model change, including where applicable the products, default funds and asset classes affected by the model change;

c. A detailed description of the model change, including mathematical specifications, such as details of the calculations, logical steps and mathematical and statistical details. If the change is local to a model component, the description shall cover the broader model. The description shall be of a sufficient standard to enable the reader to replicate the model;

d. Worked-out examples illustrating the behaviour of the model change;

e. The model standards chosen to calibrate the model and their justification, including where relevant the confidence level, the lookback period, the time horizon for the liquidation period, the definition of extreme but plausible scenarios;

f. A comprehensive list of all parameters used in the model with a description of their function in the model;

g. A list of assumptions used in the model, and the consequent limitations;

h. A sensitivity analysis presenting qualitative and quantitative estimates of the materiality of key parameters, assumptions and limitations on relevant model outcomes;

i. The policies, procedures and technical documentation needed to assess the model that is subject to change, including where not amended, and with tracking of the changes made for the purpose of the model change.

Article 16

Governance

An application for validation of a model change pursuant to Article 49 of Regulation (EU) No 648/2012 shall include:

a. The comprehensive validation of the model change conducted in application of [Article 47 (1) of Delegated Regulation (EU) No 153/2013], including the elements described in the third paragraph of that Article, as well as the responses to any points raised by the independent validation and associated actions planned;

b. The advice from the risk committee sought in application of [Article 47 (1) of Delegated Regulation (EU) No 153/2013];

c. A detailed description of the processes, including methodologies, frequency and governance arrangements, that the applicant CCP will use to analyse and monitor the model performance following the model change.

Article 17

Testing results

An application for validation of a model change pursuant to Article 49 of Regulation (EU) No 648/2012 shall include:

a. The comprehensive test results evidencing the impact of the model change on the CCP's resources, and on actual and selected hypothetical portfolios. Where the results incorporate any assumptions, these assumptions shall also be listed and described;

b. Where relevant, back testing results for actual and selected hypothetical portfolios over an appropriate observation window, including an evaluation of the coverage after the model change and of the testing exceptions observed;

c. Where relevant, testing results evidencing the behaviour of the model change in relation to procyclicality and periods of stress;

d. Where relevant, credit stress testing results over a period of at least 12 months for actual portfolios in line with the CCP's stress testing framework, evidencing the sufficiency of pre-funded available financial resources at set out in Article 43 of Regulation (EU) No 648/2012;

e. Where relevant, liquidity stress testing results over a period of at least 12 months for actual portfolios in line with the CCP's stress testing framework, evidencing the sufficiency and timely availability of liquid resources.

CHAPTER III

DOCUMENTS FOR THE VALIDATION OF A NON-SIGNIFICANT MODEL CHANGE

(Article 49a of Regulation EU No 648/2012)

Article 18

Information to be provided by an applicant CCP for the validation of a non-significant model change in accordance with Article 49a of Regulation (EU) No 648/2012

A request for the validation of a model change under the procedure set out in Article 49a of Regulation (EU) No 648/2012 shall include:

a. A document with the information requested under Article 14, points (a) to (e);

b. A document with the information requested under Article 15, points (a) and (b);

c. For the requirements under Regulation (EU) No 648/2012 and under Delegated Regulation (EU) No 153/2013 impacted by the model change, a concise description of how the applicant CCP achieves compliance with those requirements including the legal references of those requirements.

TITLE III

FINAL PROVISIONS

Article 19

Entry into force

This Regulation shall enter into force on the twentieth day following that of its publication in the Official Journal of the European Union.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels

For the Commission

The President