



18 November 2025

**To the Bank of England**

Threadneedle Street,  
London, EC2R 8AH,  
United Kingdom

Submitted via email to *CP\_ensuring\_the\_resilience\_of\_CCPs@bankofengland.co.uk*

**Subject: FIA Response to the Bank of England Consultation Paper on Ensuring the resilience of CCPs**

The Futures Industry Association (FIA)<sup>1</sup> welcomes the opportunity to respond to the Bank of England's (the Bank) consultation paper (CP) on ensuring the resilience of CCPs<sup>2</sup>.

We commend the Bank of England (Bank) for its continued efforts to maintain the effectiveness of the UK EMIR framework, taking an approach that refines and clarifies UK reforms by fine-tuning and enhancing rather than seeking replacement. Additionally, we support the Bank's adherence to three key guiding principles: aligning with international standards; strengthening the financial resilience of CCPs; and applying proportionality to mitigate regulatory burden.

FIA and its members also recognise that a number of the proposed measures may entail additional implementation and operational costs for CCPs. While the CP notes these are expected to be moderate, FIA members are considering the potential materiality of such costs if passed through to clearing service providers (CSPs) and clients. We recommend that any pass-through of costs be subject to appropriate transparency and governance, ensuring that CCPs apply such charges in a fair and proportionate manner. In practice, this means that CCP should absorb costs that arise from their own compliance obligations rather than passing downstream to clearing members or their clients. Passing these costs through the clearing chain would ultimately increase overall clearing expenses in the UK, potentially leading to higher client fees and reduced competitiveness of UK clearing services. To maintain market efficiency and proportionality, the Bank could consider requiring CCPs to clearly demonstrate and justify the basis for any material cost adjustments to support transparency, proportionality and market confidence.

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<sup>1</sup> FIA is the leading global trade organization for the futures, options and centrally cleared derivatives markets, with offices in Brussels, London, Singapore and Washington, DC. Our membership includes clearing firms, exchanges, clearinghouses, trading firms and commodities specialists from about 50 countries as well as technology vendors, law firms and other professional service providers. More details at <https://www.fia.org>

<sup>2</sup> <https://www.bankofengland.co.uk/paper/2025/cp/ensuring-the-resilience-of-ccps>

While FIA supports the Bank's objectives, we note that even well-intentioned regulatory measures can sometimes produce unintended consequences if not carefully calibrated. In particular, requirements that materially increase operational or cost burdens could inadvertently disincentivise clearing or reduce the UK's competitiveness as a global clearing centre. We therefore encourage the Bank to continue applying proportionality and international alignment to ensure that resilience objectives are achieved without discouraging participation in central clearing.

We applaud the Bank's objectives to be a proportionate regulator, promote innovation, maintain alignment with international standards, and enhance international cooperation. Each of these aims supports long-term financial stability.

FIA's response addresses several CP questions, as detailed in the answers to the Bank's questions below. We thank the Bank for the opportunity to respond to such an important consultation and remain available to engage further on this topic.

Respectfully submitted,



Jackie Mesa

FIA Chief Operating Officer and Senior Vice President of Global Policy

## **FIA response to the Bank consultation questions on ensuring the resilience of CCPs**

### **Chapter 1: Overview**

*Do you have any comments on the implementation timelines and transitional periods?*

With regard to the Bank's proposal to phase in the second skin in the game (SSITG) requirement over two years, we recommend a shorter implementation timeline. Specifically, CCPs should be required to hold 50% of the required capital within six months of the rules coming into effect and achieve full compliance by the end of year 1. Given that the SSITG requirement represents a relatively small proportion of CCPs' overall prefunded resources, we do not anticipate that this accelerated timeline would pose material challenges. We believe this strikes a more appropriate balance between allowing CCPs sufficient adjustment time and ensuring that incentives across all stakeholders, including CSPs and clients, are aligned more promptly.

In implementing this measure, it will be important for the Bank to consider the potential downstream implications and ensure that the calibration of requirements supports alignment of incentives without introducing unnecessary operational or financial burdens on market participants, especially if CCPs envisage passing on the cost of implementation and maintenance to CSPs and clients.

*Do any existing requirements or policy proposals set out in this CP act as an unnecessary barrier to innovation for CCPs? Please provide examples.*

None identified.

### **Chapter 2: Restatement of Assimilated Law**

*No questions.*

### **Chapter 3: Areas of Policy Reform**

*Do you have any comments on the cost benefit analysis undertaken by the Bank?*

FIA and its members broadly agree with the Bank's analysis and support the aspiration outlined in paragraph 3.26 that the proposals should strengthen CCP resilience without imposing disproportionate costs. However, as noted in our introductory remarks and under Chapter 1, it is essential to ensure that these well-intentioned measures do not create unintended consequences, such as incentivising CCPs to pass additional compliance or SSITG costs downstream to CSPs and their clients.

To mitigate this risk, we recommend that the Bank maintain oversight of CCPs' implementation cost recovery practices and consider requiring appropriate transparency and governance around any material fee adjustments, in line with our comments in the introduction. This would help ensure that implementation costs are managed in a fair and proportionate manner and do not result in a general increase in UK clearing costs, which could inadvertently disincentivise clearing or undermine the UK's competitiveness as a clearing jurisdiction.

## **Chapter 4: Glossary**

We have no comments on chapter 4.

## **Chapter 5: Interpretation and General Provisions**

*Do you have any comments on the Bank's proposed rules related to Interpretation and General Provisions?*

We would ask the Bank to consider providing further clarity around the scope and definition of “emergency” situations and the boundaries of CCP discretion when exercising such powers. As observed in past market events, the suspension and subsequent cancellation of trades in the LME Nickel market in 2022, broad and undefined emergency powers may introduce uncertainty at precisely the moment when clarity and predictability from the rulebook are most critical.

We recommend that the final guidance or supervisory expectations include clearer and more prescriptive parameters for when and how such powers may be applied. This would help preserve contractual certainty, a prerequisite for business and market stability, and ensure that regulatory frameworks support that certainty. Otherwise, overly broad discretion could lead to unquantifiable or “unpriceable” risks for market participants and potentially disincentivise clearing activity in the UK. We further recommend that CCPs be required to notify both the Bank and relevant stakeholders, including CSPs, in real time when invoking such powers, to maintain transparency and confidence during periods of market stress.

*Do you have any comments on the Bank's proposals that a UK CCP is not required to obtain a section 138BA permission where it held an authorisation or regulatory approval under a provision of UK EMIR before that provision was revoked?*

No comments

## **Chapter 6: Capital Requirements**

We have no comments on Chapter 6.

## **Chapter 7: Management and Governance**

*Do you have any comments on the Bank's proposed rules related to Management and Governance?*

The Bank's proposals are well-structured and responsive to the evolving needs of the UK and global financial markets. They reinforce high standards of governance and risk management while allowing for flexibility and innovation. We recommend maintaining ongoing dialogue with stakeholders and closely monitoring international developments to ensure the framework remains effective and competitive.

More specifically, we understand that CCPs require non-disclosure agreements (NDAs) for clearing member and client representatives serving on external CCP committees, such as the risk committee. While essential to protect confidentiality, NDAs typically apply only to the individual representative and not to the firm that they represent. As a result, discussions and materials from these committees cannot be shared with the firm's relevant expert staff. This may limit the representative's ability to challenge the CCP effectively across all topics covered.

At the same time, we acknowledge that such NDAs also play an important role in ensuring fairness among clearing members, particularly where commercially-sensitive information is discussed within these committees. Extending information-sharing too broadly could inadvertently disadvantage clearing members that are not represented on the committee.

We recommend that CCPs consider a balanced approach that allows for controlled internal consultation while preserving confidentiality and fairness. In particular, CCPs could permit representatives to share relevant materials strictly within their firm's second line of defence or control functions, which do not have commercial or trading responsibilities. This would enable appropriate internal expertise to support the representative's participation and ensure that CCP proposals receive robust, informed challenge without creating information asymmetries among clearing members.

CCPs should also clearly define in their governance documentation how such controlled disclosure can occur, including who within a member firm may access information subject to the NDA and under what conditions. This would strengthen governance transparency while maintaining the level playing field across clearing participants.

#### **Chapter 8: Change in Control**

*Do you have any comments on the Bank's proposed rules related to Change in Control?*

No comments

#### **Chapter 9: Record Keeping**

*Do you have any comments on the Bank's proposed restatement of requirements relating to Record Keeping?*

No comments

#### **Chapter 10: Business Continuity to Chapter 13: Exposure Management**

We have no comment to chapter 10, 11, 12 and 13.

#### **Chapter 14: Margin (material changes)**

*Do you agree with the Bank's proposal to enhance its margin framework in line with the final proposals and effective practices by BCBS-CPMI-IOSCO?*

We are broadly supportive of the Bank's proposals, which align with international standards while maintaining consistency with EMIR.

To ensure the resilience and sustainability of clearing mechanisms, we agree that CCP margin models should remain robust and subject to clear minimum quantitative standards. While recognising that appropriate parameters may vary across asset classes, examples of such requirements could include the use of historical Value-at-Risk (HVaR) models, Margin Periods of Risk (MPOR) calibrated to product liquidity (for example, five to seven days for OTC derivatives), confidence levels consistent with BCBS-IOISCO expectations (such as 99.5% for OTC products), and sufficiently long look-back periods to capture relevant stress events. For listed derivatives,

parameters should reflect the risk characteristics, liquidity profiles, and historical volatilities specific to each product set, rather than applying a single threshold across all asset classes.

The objective should be to ensure that margin models remain risk-sensitive and forward-looking while mitigating excessive procyclicality and ensuring adequate prefunded resources. Historical events such as the Lehman Brothers default or, in some markets, the European sovereign debt crisis, illustrate the importance of ensuring that stress periods used in model calibration capture a broad range of market conditions. A balanced approach, anchored in representative data and tailored by asset class, can enhance CCP resilience and protect against excessive reliance on default fund resources, in line with the established default waterfall principle.

As highlighted in FIA's recent survey of CSPs, CCP margin is by far the most impactful driver of margin requirements across the clearing chain, from CSPs to their clients. According to the survey, approximately 86.5% of clients are subject only to CCP margin, while 10.5% face CCP margin plus CSP add-ons. This underscores that any refinement to CCP margin design or simulation tools will have direct and broad downstream implications across the market.

Therefore, we recommend some refinements to the design of CCP simulation tools.

First, forward-looking scenarios should prioritise representativeness rather than materiality. Stress events that are material for an individual CCP may not be relevant for the wider population of CSPs, clients and end users. To address this, hypothetical scenarios should span all cleared asset classes and apply appropriate shocks, ensuring that the tools remain both practical and informative across the clearing chain.

Second, CCP simulation tools should include all margin add-ons and not only those selected by the CCP. Add-ons that appear representative to the CCP may not reflect the exposures most relevant to CSPs and clients. Including the full range of margin add-ons would enhance transparency, comparability, and the usefulness of the tools for all clearing participants. In cases where certain add-ons apply only to CSPs, for example, supplemental margin, concentration charges, or CCP-specific liquidity add-ons, these should be clearly indicated and included in the simulator. This remains an important area of transparency for CCPs to provide, ensuring that users can understand the full set of potential exposures across all clearing structures.

Finally, we recommend that, in certain circumstances, some of the information proposed to be disclosed only to the Bank could also be made available to CSPs on an anonymised or aggregated basis. For example, the proposal to require CCPs to disclose to the Bank the aggregate size and duration of manual overrides compared with unadjusted initial margin requirements could provide value to CSPs as well. Making this information available, in a form that safeguards confidentiality, would help clearing participants better anticipate potential implications for future margin requirements, reduce information asymmetries, and strengthen confidence in CCP risk-management practices.

We recognise that some disclosures may appropriately remain Bank-only, but we believe that carefully calibrated transparency would further align the proposals with their stated objectives of enhancing resilience and trust across the clearing ecosystem.

*Do you have any views on the Bank's expectations in relation to margin procyclicality, portfolio margining, the provision of a margin simulation tool, or the monitoring of margin as set out in the draft supervisory statement on CCP margin (Annex 5)?*

We broadly support the Bank's expectations in relation to margin procyclicality, as they align with EU EMIR requirements and international standards and should be retained.

However, FIA recognises that each of the anti-procyclicality (APC) tools set out under EMIR and reflected in the Bank's framework (namely the 25% buffer, the stressed period weighting, and the 10-year lookback period) has certain limitations that reduce its effectiveness in mitigating margin procyclicality. We recommend that the Bank consider refinements to each of the three options, as outlined in FIA's paper "Procyclicality and CCP Margin Requirements"<sup>3</sup>.

For instance, option "a" (the 25% buffer) has in practice sometimes been applied as a permanent add-on, meaning that the buffer is not reduced even when margin levels increase during stress, thereby limiting its intended counter-cyclical function and potentially amplifying liquidity strains when markets are volatile. In such cases, the logic of maintaining a fixed 25% margin add-on becomes questionable, as margin increases can become even more pronounced when both the buffer and the rising margin need to be met simultaneously, effectively exacerbating liquidity pressures rather than dampening them.

Option "b" (the stressed period weighting) has been interpreted differently across CCPs, and in some cases the calculation method dilutes the intended effect of the 25% weighting, leading to inconsistent outcomes between CCPs. Option "c" (the 10-year lookback period) can fail to capture significant historical stress events, for example, the 2008 financial crisis which remain relevant for certain asset classes.

In light of these observations, we would encourage the Bank to take a more flexible, outcomes-based approach that allows CCPs to select or combine measures best suited to their product mix, provided they can demonstrate through robust back-testing that their chosen approach delivers effective anti-procyclicality.

Specifically in relation to the 25% buffer measure, members expressed differing views regarding its effectiveness. While there was broad agreement that the other two APC tools (the stress-period weighting and the longer lookback) are generally adequate and operate as intended, opinions were more mixed on whether the 25% buffer, in its current form, provides effective anti-procyclicality. Some members view it as a simple and transparent mechanism, whereas others note that its static application, including instances where it is maintained even during stress periods, can reduce responsiveness and potentially amplify liquidity pressures.

Given these diverging views, any reconsideration or recalibration of the 25% buffer measure would need to be approached carefully, particularly as changes to this measure may have broader regulatory implications, including the potential impact on ESMA's recognition of UK

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<sup>3</sup> [FIA WP Procyclicality CCP Margin Requirements 1.pdf](#)

CCPs under the third-country equivalence regime. For this reason, we suggest that the buffer tool, more than the other two options, may benefit from targeted refinement to ensure that it supports effective anti-procyclicality while maintaining international consistency.

One possible refinement could be to allow the 25% buffer to be dynamically sized (floored at 25%) and replenished, based on observed market stress and historical performance data. The framework could specify how the buffer is eroded and replenished, for instance by defining rule-based daily margin increase thresholds (e.g., 5% per day) to ensure predictability and limit abrupt liquidity calls. Such rule-based transparency would support both CCPs and participants in managing liquidity expectations under stress.

Taken together, such refinements would allow the Bank to maintain the core structure of the EMIR framework while enhancing its performance through more dynamic and transparent calibration. A recalibrated framework focused on performance outcomes rather than fixed thresholds would promote greater consistency, transparency, and resilience across UK CCPs while maintaining alignment with international standards.

We would also urge caution regarding the implementation of cross-product margining and portfolio-margining frameworks in the context of client clearing, particularly within fixed income and rates portfolios. Within the clearing ecosystem, CSPs already recognise and manage offsets between client and house portfolios, and in many cases, CSPs finance or absorb the difference between CCP margin requirements and the risk offsets achieved internally. If CCPs were to introduce broader cross-product margining, for example, across OTC and ETD rates products, this could result in double counting of offsets and effectively decrease leverage in the system.

Furthermore, FIA notes that broader cross-margining could create secondary or unintended consequences. For instance, client risk assessments and portfolio offsets are often managed by CSPs across multiple products and venues. If CCPs implement cross-product margining without providing adequate tools or transparency, this could shift additional risk onto CSPs, increase their regulatory capital (RWA), and potentially force deleveraging client portfolios. The interaction with margin and capital treatment should therefore be carefully considered to avoid undermining prudential outcomes.

This caution also applies to cross-product arrangements between CCPs. While there may be potential efficiency gains, these must be balanced against the operational complexity, systemic risk, and the capacity of CSPs to manage cross-venue exposure.

We recommend that any cross-margining arrangements be subject to careful calibration and transparent consultation with CSPs, ensuring that the framework does not undermine prudential outcomes or distort existing risk-management practices.

Finally, we recommend that consideration be given to applying some anti-procyclical measures to margin add-ons, particularly the most material ones. In some CCPs, add-ons can represent a significant proportion of total margin requirements, and their procyclical behaviours could materially impact CSPs and clients during periods of stress. Introducing appropriate anti-procyclical design elements for these add-ons would further enhance the resilience of CCPs

and reduce the likelihood of sudden, amplified margin calls, complementing the measures already proposed for initial margin.

*Do you have any views on the Bank's proposed approach to margin permissions as set out in the SoP on 'The Bank of England's approach to supervisory processes (model changes, recognition orders and variations of recognition orders) and margin permissions' (Annex 4)?*

We broadly support the Bank's proposed approach to supervisory processes and margin permissions, but recommend refining the criteria for review in light of recent CCP-proposed changes. In particular, the Bank should carefully consider the interplay between core elements of a change and secondary elements.

For example, a modification to the initial margin model, while benign at the CCP level, could have material implications for certain CSPs and clients. It could also materially affect other risk resources, including add-ons and default fund contributions.

We believe that a thorough impact assessment across the full spectrum of risk resources should be conducted, including analysis under stress conditions. Furthermore, the Bank should ensure that any material changes and their potential impacts are communicated individually to affected clearing members with sufficient notice to allow for effective risk management and onward communications with clients.

*Do you have any views on costs and benefits of the proposed changes to margin requirements?*  
No comments

## **Chapter 15: Default Procedures (material changes)**

*Do you have any views on our proposals, and do you think there are other ways the Bank could support industry efforts to increase the likelihood of successful porting after a clearing member default?*

We support the objective to strengthen portability and default management procedures, including its integration into default management drills which should be tested at least on an annual basis.

However, we strongly oppose any approaches that seek to create financial incentives for clearing members that may result in increased likelihood of porting through financial mechanisms, such as adjustments to default fund contributions. The feasibility of porting is inherently uncertain and not solely within the CCP's control, as it ultimately depends on the operational capacity of surviving clearing members to assume defaulted portfolios. Any financial incentives would risk unintended consequences, such as disproportionately benefiting riskier clearing members relative to others and potentially disincentivising backup clearing arrangements.

Instead, we recommend the Bank to explore further, possibly as part of an international workstream, the use of non-financial measures, including enhanced transparency, standardised procedures, and pre-agreed contingency plans, and clear communication of obligations across CCPs, clearing members, and clients. These measures would reduce operational risks, increase

predictability, and strengthen confidence in porting outcomes without creating systemic distortions.

FIA welcomes the Bank's proposal to allow CCPs to trigger porting without proactively seeking client consent, as this removes a significant operational obstacle and aligns with recent EU EMIR changes. Other potential measures include exploring time-limited waivers or exemptions from KYC and prudential requirements. However, it should be noted that EU waiver relying on KYC performed by another clearing member is impractical, as each institution applies its own KYC standards and policies, which may vary significantly even within the same jurisdiction. We suggest further exploring via industry dialogue how KYC requirements can be met more efficiently given the typically short porting window.

To further facilitate effective porting, the Bank could also encourage both CSPs and clients to establish operational and contractual backup arrangements that support continuity of clearing in the event of a member default. It is important to emphasise, however, that mandating backup clearing arrangements is neither practical nor desirable. Such a requirement could force CSPs to allocate capital to potential portfolios that may never generate business or compel CSPs to accept positions without commercial viability. Additionally, porting might not be the best course of action and liquidation might provide a better outcome.

While in principle, clients maintaining relationships with multiple clearing members or identifying potential backup CSPs could strengthen overall resilience, this is not always practical or feasible, particularly for smaller clients or in markets with limited clearing capacity. Clients must actively acknowledge their responsibility to evaluate the merits and costs of maintaining a robust backup clearing relationship and to understand the consequences of failing to do so, which is crucial for market stability and individual firm resilience.

Additionally, structural challenges such as net omnibus account structures can make porting more difficult, since the transfer of an omnibus account requires the movement of the entire client group, potentially creating delays. CCPs are also able to port only accounts that are individually identified, meaning that anonymity under net omnibus models may hinder the speed and certainty of porting. Porting can also be limited if some clearing members do not clear all products within a portfolio. Longer porting windows (e.g., 1–2 days), portfolios with sufficient margin, and the ability to move collateral with positions can materially increase the likelihood of successful porting. These complexities underline the importance of developing realistic and coordinated procedures, rather than prescriptive requirements, to ensure that porting arrangements are operationally viable across client segments and market structures.

Porting protections in the UK are set out in different pieces of legislation. While we appreciate that this is a consultation on changes to UK EMIR, we encourage the Bank to work with HM Treasury and market participants to explore whether porting protections in Part VII of the Companies Act 1989, the Settlement Finality Regulations, the Financial Collateral Arrangement Regulations and the Banking Act, which are generally seen as offering a robust framework for defences against insolvency law challenges, could be further enhanced.

By way of example, we believe that targeted changes to Part VII of the Companies Act 1989 would help improve porting protections in the context of indirect clearing arrangements. Section 155A(4) of the Companies Act 1989 aligns the definition of ‘qualifying property transfer’ to EU legislation, the effect of which ought to be to shield positions and margin ported by clearing members to non-defaulting clients in indirect clearing cases from challenge. If so, indirect clearing in a GOSA structure (and, for OTC derivatives, where the clearing obligation applies) ought to be effective. However, Part VII protects only actions relating to ‘defaulters’ and certain other persons listed in section 158(2). This limits the scope of Part VII in porting cases to persons in respect of whom action is taken under a CCP’s default rules. A defaulting client would not qualify as a defaulter as defined in Part VII, so porting in indirect clearing appears to be out of scope unless the CCP takes action against the client. This interpretation is reinforced by section 155(2D) which excludes from Part VII porting in indirect clearing if the CCP does not transfer the CCP-CM positions (which would not be usual in an indirect clearing scenario). How the courts would reconcile the discrepancy between sections 155A and 158 is not clear and we believe that other protections afforded to Client-indirect Client transactions (a species of what Part VII calls ‘client trades’) are too limited to protect porting in indirect clearing, so a targeted amendment here would be welcome.

Standardised procedures for porting, clear communication of obligations across CCPs, clearing members, and clients, and explicit recognition of trust or statutory arrangements governing client margin, would collectively improve predictability and confidence in porting outcomes. These non-financial measures, combined with regular default management drills, longer porting windows, adequate margin, and the ability to move collateral with positions could materially increase the likelihood of successful portfolio porting without introducing unintended financial incentives or systemic distortions.

Overall, we would like to emphasise that the first-order priority should be ensuring portfolios have sufficient margin. Adequate margin levels buy time to make operational porting arrangements and mitigate liquidity risks during a default event. Any proposal to link porting outcomes to default fund allocation or financial incentives should be strongly rejected, as this could undermine backup clearing arrangements, distort market behaviour, and introduce unnecessary risk.

*Do you have any comments on the costs and benefits of the proposed changes related to porting?*

No comment

#### **Chapter 16: Default Fund (material changes)**

*Do you have any views about the proposal to factoring portability into the allocation of default fund contributions?*

We support the Bank’s objective of ensuring that default fund contributions reflect the risks that each clearing member brings to the CCP and support overall resilience.

However, we strongly oppose factoring the likelihood of portability into the allocation of default fund contributions or any other financial mechanism. As noted in our response under Chapter

15, the feasibility of porting is inherently uncertain and depends on factors outside the CCP's direct control, including market conditions, portfolio composition, and the operational capacity of surviving clearing members to assume defaulted positions. It would be inappropriate to imply that clearing members who are unable or unwilling to assume additional risk during a stress event should face higher default fund requirements, as this would conflate risk-taking behaviour with risk exposure.

As noted in our response to Chapter 15, linking default fund contributions to portability outcomes would create unintended and even perverse incentives, rewarding clearing members who take on riskier portfolios or portfolios perceived as more "portable," rather than reflecting actual credit and market risk exposures. Moreover, classifying certain portfolios as "less portable" could have the unintended consequence of making them even less portable in practice, by discouraging clearing members or clients from engaging with such portfolios or by limiting incentives to maintain readiness for their transfer. It is also unclear how CCPs could effectively or objectively determine the "likelihood of portability," given the number of variables involved and the absence of consistent, quantifiable measures across markets and product types.

Default fund allocations should remain grounded primarily in measurable, quantifiable risk exposures, such as positions, stress-test losses, and margin shortfalls, which directly relate to the CCP's potential exposure in a default scenario. Any attempt to incorporate uncertain operational outcomes, such as likelihood of porting, into financial allocations could distort incentives, undermine prudential objectives, and reduce transparency. As highlighted in Chapter 15, improving porting outcomes should focus on non-financial levers such as enhancing transparency, reducing operational risk through standardized procedures, reviewing margin adequacy, extending porting windows, and enabling the concurrent movement of positions and collateral to mitigate double funding challenges. Additionally, consideration should be given to products within portfolios that may not be cleared by all clearing members, as these can hinder the practicality of porting.

We believe the Bank should further explore other incentive alternatives.

Members have different views on potential approaches: some support exploring mechanisms such as juniorisation to incentivise voluntary porting, while others are concerned that such mechanisms could be perceived as punitive financial incentives. Any further proposals should therefore be explored and discussed with industry stakeholders before consideration.

For instance some FIA members suggested that, in a default scenario, where a non-defaulting clearing member voluntarily assumes a portfolio of porting clients, that clearing member's default fund contribution should not be at risk for loss mutualisation, or should be subject to a lower order of mutualisation (juniorisation), consistent with the treatment afforded to clearing members who successfully bid in an auction process. If such a mechanism were introduced, it should be time-limited, with a juniorisation reset following each default test or actual default event. Any criteria for determining juniorisation should be grounded in objective and transparent factors, such as outcomes of annual porting drills or actual default events, and should avoid reliance on elements outside the control of CCPs or clearing members. CCPs should

also be expected to clearly disclose to clearing members and relevant stakeholders the methodology and criteria used to determine such juniorisation, ensuring transparency and predictability.

However, juniorisation is not a silver bullet. It could, for instance, inadvertently discourage backup clearing arrangements, as clearing members concerned about potential juniorisation risk may perceive less benefit in maintaining costly backup arrangements capacity. That is why any potential mechanisms, and any alternatives, should be explored further with the industry stakeholders and assessed carefully to avoid unintended consequences, including those related to maintaining backup clearing capacity.

Complementary non-financial measures, including enhanced transparency, standardised porting procedures, and pre-agreed contingency plans, can be explored to increase the likelihood of successful porting without distorting incentives or introducing unintended consequences. Such measures, together with adequate margining, extended porting windows, and simultaneous transfer of positions and collateral, represent more effective and proportionate means of improving porting outcomes than linking financial contributions to inherently uncertain operational factors.

*Question: Do you have any comments on the costs and benefits of the proposed changes?*  
No comment

#### **Chapter 17: Default Waterfall (material changes)**

*Question: Do you have any feedback on our proposal to mandate CCPs to hold an additional tranche of resources, or SSITG?*

We welcome and support the proposal to mandate CCPs to hold SSITG. We recommend clarifying that both tranches of skin in the game should be applied in the event of a non-default loss, with CCP resources used upfront in such cases. We also note that the current level of skin in the game remains low relative to the scale of exposures managed by CCPs and it is therefore important that the rule clearly prevents CCPs from splitting existing “skin in the game” in a manner that effectively reduces the size of the first tranche. Clear wording is therefore essential to ensure that both tranches of skin in the game genuinely enhance the CCP’s contribution to loss absorption and do not dilute the first tranche’s effectiveness.

Regarding sizing, a more risk-sensitive approach should be considered, for example by linking both tranches of skin in the game to a percentage of the default fund rather than solely linking it to regulatory capital requirements.

Regarding implementation, we believe the proposed two-year phase-in period is too long. Consistent with our earlier comments on implementation timelines, we suggest a faster schedule. CCPs should be required to hold 50% of required capital within six months of the rules coming into effect, and achieve full compliance by the end of year one.

*Question: Do you have any comments on the cost-benefit analysis related to the proposal to introduce SSITG?*

As noted in our introductory remarks and under Chapter 1 and Chapter 3, it is essential to ensure that CCPs pass additional compliance of the SSITG costs downstream to CSPs and their clients.

## **Chapter 18: Liquidity Risk Controls (material changes)**

*We have no comments under this chapter.*

## **Chapter 19: Collateral**

*Do you have any comments on the Bank's proposals relating to collateral requirements?*

The Bank's proposals to incorporate the UK EMIR collateral requirements into its rules, with targeted modifications, generally appear well-considered and pragmatic. The approach to restate the core requirements of Article 46 of UK EMIR and associated provisions in CDR 153/2013, while introducing clarificatory changes, should help maintain alignment with EU and international standards and provide continuity for clearing participants.

The decision to remove certain demonstration requirement, such as CCPs needing to evidence risk management capabilities directly to the Bank in specific instances, seems sensible given the Bank's ongoing supervisory powers and the established approval processes for changes to eligible collateral. This streamlining should reduce unnecessary administrative burdens without compromising the Bank's ability to ensure robust risk management.

Notably, the proposal to delete the requirement for commercial bank guarantees to be 'subject to limits agreed with the Bank' is a positive step towards greater operational flexibility. In addition, we support the Bank's proposal to retain all other conditions set out in Section 2 of CDR 153/2013 establishing robust and stringent criteria for bank guarantees to be fully backed by low risk, readily available collateral effectively making such collateral functionally equivalent to cash.

That said, FIA members highlight that the construct of such guarantees between parties is critical, particularly in a default scenario. A fully backed guarantee may be sound in principle, but in practice, the guaranteed party under such an arrangement is typically the clearing service provider (CSP), not the CCP. This means that a bank guarantee provided by a client cannot usually be passed through to the CCP, as the underlying obligation is owed to the CSP. Conversely, where a guarantee is provided directly to the CCP, the CCP itself becomes the guaranteed party, not the client or CSP. Given that the CSP already guarantees its clients' obligations to the CCP, permitting further layers of guarantees could introduce structural and legal complexity, especially in the event of a default, without necessarily enhancing financial resilience.

By focusing oversight on higher-risk areas and leveraging clear, objective standards, the Bank can allocate its resources more efficiently and support market innovation. This should be particularly beneficial for CCPs, as it allows them to manage collateral more dynamically and reduces the need for case-by-case approvals.

The clarifications regarding terminology, such as replacing references to ‘equivalent third country institution’ and updating definitions to reflect UK-specific legislation, are also welcome, as they provide greater legal certainty and ensure the rules remain clear and up to date. However, it will be important to monitor the practical impacts of these changes to ensure they do not inadvertently create gaps in oversight or risk management, particularly as new types of collateral or instruments are considered in the future (as referenced in Chapter 26). It is important to ensure that the Bank’s supervisory processes remain sufficiently robust to identify and address emerging risks, especially as the regulatory environment evolves.

## **Chapter 20: Investment Policy**

We have no comments under this chapter.

## **Chapter 21: Supervisory Processes (model reviews, recognition and extensions), Stress Testing and Back Testing (material changes)**

*To what extent do you consider the proposed changes constitute an improvement on the previous regime, particularly with respect to clarity, transparency and efficiency?*

We consider the proposed changes constitute a material improvement on the previous regime. The clearer articulation of supervisory processes, including definitions of material model changes and the treatment of recognition orders, provides greater predictability for CCPs and their participants.

We also welcome the closer alignment with the EU framework, which supports consistency across jurisdictions and reduces the risk of regulatory fragmentation. In our view, the proposals also enhance transparency and efficiency by setting out more structured timelines and expectations, giving both CCPs and clearing members a clearer basis for planning.

However, we believe the benefits of clarity and predictability could be further reinforced by requiring CCPs to communicate the implications of proposed changes to their clearing members in a timely and sufficiently detailed manner, so that firms can assess operational and risk impacts effectively.

*Do you have any comments on the materiality threshold for model changes and variations of recognition orders as set out in the Statement of Policy on The Bank of England’s approach to supervisory processes (model changes, recognition orders and variations of recognition orders) and margin permissions? Do you consider that it is appropriately calibrated and that the descriptions of changes deemed to be ‘material’ are clear? If not, how could the criteria and wording be modified?*

We welcome the proposed improvements to the supervisory process, but, in our view, the materiality thresholds for model changes and variations of recognition orders should be refined to capture impacts across the clearing chain. Thresholds calibrated only at the clearing segment level may miss changes that are material to particular clearing members or clients.

We recommend that, in addition to CCP-level metrics, CCPs be required to provide member-level and, where appropriate, anonymised aggregated impact analyses. These analyses should cover

primary and secondary effects, for example changes to add-ons, default fund sizing and contributions, and liquidity requirements, and should include outcomes under stressed scenarios, as we previously note in Chapter 14.

Numerical thresholds should be treated as indicative, not mechanical pass-fail gates. A tiered review process would be appropriate, whereby limited changes may follow an expedited route supplemented by proportionate disclosure, while larger or less predictable changes undergo full qualitative and quantitative review.

Finally, CCPs should communicate material impacts to affected clearing members with sufficient lead time to enable effective risk management.

*How do you think we could offer greater clarity about application requirements for any or all of the supervisory processes described above?*

No comment

*How else could the processes described above be improved?*

No comment

*Do you have any other comments about the proposals set out above?*

No comment

## **Chapter 22: Settlement and Chapter 23: Capital Calculations and Reporting**

We have no comments under chapter 22 and 23.

## **Chapter 24: Interoperability (material changes)**

*Question: Do you agree with our proposal to bring all products directly into scope of the existing requirements for interoperability arrangements?*

FIA members broadly agree. The Bank's proposal to restate and expand the scope of interoperability provisions to all asset classes, including derivative, will address current regulatory ambiguity and align with supervisory best practice. FIA members support the expansion of scope to include all asset classes and the formalisation of approval procedures. This will provide legal certainty and a level playing field for all CCPs and clearing participants.

The Bank's proposals recognise the international dimension of CCP interoperability, by broadening the definition of "trading venue" and ensuring high regulatory standards across borders. The focus on materiality and risk-proportional oversight seems appropriate given differences in CCP business models and market structures.

FIA members recommend continued coordination with overseas regulators and international standard-setters to promote cross-border consistency and avoid regulatory fragmentation.

In conclusion, FIA members endorse the proportionate approach, but recommend regular impact assessments, particularly as the UK's clearing landscape evolves following the UK's departure from the EU. We also recommend, as per our response to Chapter 14, that while

interoperability may provide potential efficiency gains, these must be balanced against the operational complexity, systemic risk, and the capacity of CSPs to manage cross-venue exposure.

*Do you agree that there should be an explicit requirement for CCPs to seek approval from the Bank when making material changes to interoperability arrangements? Do you have any views on what changes to interoperability arrangements should be considered ‘material’?*

By requiring CCPs to obtain permission for both new arrangements and material changes, the Bank ensures comprehensive oversight. The introduction of a clear framework for permissions, including revocation and variation, will enhance regulatory certainty for clearing participants.

As interoperability arrangements for exchange traded derivatives (ETD) constitute a material change, we encourage the Bank to maintain ongoing dialogue with all stakeholders to ensure such arrangements are and remain robust.

*Do you agree that the Bank should have a clear mechanism to revoke permission for interoperability arrangements?*

The proposals enhance risk management by requiring robust procedures for identifying and mitigating risks associated with interoperability, particularly for derivatives, which are inherently more complex. The Bank’s explicit power to revoke permissions for non-compliance adds an important supervisory safeguard. The framework also addresses the risk of contagion and systemic risk transmission between CCPs.

We endorse the introduction of materiality thresholds for changes, ensuring supervisory resources are focused on arrangements with the greatest potential impact on financial stability.

We recommend that the Bank regularly reviews and, if necessary, updates the risk assessment criteria in light of market developments and evolving international standards.

*Do you have any comments on the proposed Statement of Policy – The Bank of England’s approach to interoperability permissions (in Annex 3)?*

No comment

*Do you have any comments on the costs and benefits of the proposed changes related to interoperability arrangements?*

By clarifying the status of interoperability arrangements for derivatives and reducing ambiguity, the proposals may foster innovation and competition among CCPs, potentially lowering costs for clearing participants and improving access to central clearing.

FIA members endorse the proposal’s consistency with the Bank’s Secondary Innovation Objective and recommend that the Bank remain attentive to market feedback, particularly as novel interoperability arrangements or asset classes arise.

## Chapter 25: Recognition of non-UK CCPs

We have no comment under chapter 25.

## Chapter 26: Eligible Collateral – Uncollateralised Bank Guarantees (for discussion)

*What are the risks and benefits of permitting uncollateralised bank guarantees as eligible collateral? What measures would help mitigate these risks?*

The key risk of uncollateralised bank guarantees (UBGs) is that they substitute liquidity risk with credit risk. In practice, UBGs cannot be converted into cash or high-quality liquid assets (HQLA) in a timely manner. If a clearing member defaults while also having posted UBGs, this will leave part of their exposures uncollateralised. Surviving clearing members would then be forced to mutualise this shortfall through the default fund, effectively redistributing the credit risk of the defaulting guarantor bank to the wider clearing community. This represents both a misalignment of incentives and a potential amplification of systemic stress.

The main benefit of such instruments is flexibility during periods of severe market disruption, where they may provide a temporary means of sustaining participation and mitigating liquidity strains. However, these benefits are situational and do not outweigh the risks if UBGs are adopted on a routine basis.

If the Bank were to allow UBGs as eligible collateral, mitigating measures would be essential. These could include: (i) strict concentration and exposure limits, (ii) mandatory bank-committed funding lines or collateralisation of UBGs within a short timeframe, (iii) clear frameworks to redistribute risk fairly within the default fund, and (iv) rapid recourse mechanisms to convert UBGs into cash in the event of bank failure. Such conditions would be necessary to ensure that UBGs do not undermine CCP resilience or unfairly shift risks to surviving members.

*Should uncollateralised bank guarantees be permitted as eligible collateral? If yes, should their use be restricted only to specific markets or specific participant types?*

FIA takes a cautious view of permitting UBGs as eligible collateral, as eluded above. While we would not object to their use in exceptional circumstances, such as crisis events where temporary relief is needed, we believe the adoption of UBGs as a standard form of collateral raises significant risks that must be carefully mitigated.

Any acceptance of such instruments should be subject to strict conditions, including unconditional availability within the liquidation period, robust risk management by CCPs (e.g. concentration limits and committed funding arrangements), and integration into the CCP's overall exposure monitoring to the issuing bank.

In addition and as referred under our response to Chapter 19, FIA members note that the practical construct of bank guarantees within the clearing ecosystem raises important legal and operational limitations. In most cases, the guaranteed party under a client-issued bank guarantee would be the clearing service provider (CSP), not the CCP, meaning such guarantees cannot be effectively passed through to the CCP to meet margin or default fund requirements.

Conversely, where a guarantee is provided directly to the CCP, the CCP, not the client or CSP, would be the beneficiary, potentially disrupting the established guarantee structure under which CSPs already guarantee their clients' obligations to the CCP. These features introduce complexity in both the enforceability and usability of such instruments, particularly during a default, and suggest that UBGs may not function as an effective substitute for cash or other high-quality collateral in practice. Even where UBGs are accepted by the CCP, this would not imply that CSPs will be willing or able to accept UBGs from their clients, as CSPs must independently assess the credit and operational risks of holding such guarantees to cover their client exposures.

We further recommend that the potential use of UBGs be carefully assessed on a sector-specific basis, recognising that certain activities or markets may face unique liquidity dynamics that could justify limited and temporary use. For example, the energy commodity sector may occasionally experience acute but short-term liquidity pressures, such as those driven by seasonal or crisis-related price spikes, where UBGs could serve as a targeted and temporary liquidity management tool. However, broad adoption of UBGs across other sectors, particularly within the financial industry, could amplify systemic risk, especially in scenarios involving correlated credit downgrades or market-wide stress.

Accordingly, if permitted, UBGs should also only be accepted under a tightly controlled framework, including use restricted to well-defined circumstances or sectors, acceptance only from a list of pre-approved and creditworthy banks, and with CCPs retaining full discretion over eligibility criteria and ongoing monitoring of issuers.

*What are your views on permitting tokenised assets as eligible collateral, including the risks and benefits? What barriers currently exist to their use?*

FIA recognises that tokenised assets could offer potential benefits in the future, including improvements in settlement processes, greater operational efficiency, and enhanced transparency. However, a number of practical and legal considerations remain that may limit their immediate adoption as eligible collateral in CCPs.

First, the necessary infrastructure for CCPs to hold securely and manage tokenised assets, including robust custody solutions and management of cryptographic keys, is still developing and not yet tested extensively in CCP environments. This may introduce operational and security risks that would need to be addressed.

Second, legal uncertainty remains around the treatment of tokenised assets in many jurisdictions, including the UK. In particular, the enforceability of security interests and collateral arrangements involving tokenised assets is not yet fully tested. Further analysis is needed to determine whether tokenised assets would fall within the definition of "financial collateral" under the Financial Collateral Arrangements (No. 2) Regulations 2003 (FCARs), which provide the legal framework for insolvency-remote collateral arrangements. Clarity on this point will be important for both CCPs and clearing participants when assessing legal and counterparty risk.

From a prudential perspective, FIA believes that where the underlying collateral is already eligible (for example, sovereign debt or high-quality bonds), its tokenised form should also be

eligible under the same conditions, provided the tokenisation process does not alter the underlying risk characteristics. Member feedback indicates that haircuts should not be driven by the technology alone. Instead, any haircut should be based on the risk of the underlying asset, while any technology-related considerations (if relevant) should be assessed separately and transparently. FIA also recognises that further industry discussion will be needed on how to calibrate haircuts for tokenised assets, including the distinction between initial and variation margin.

At the same time, it is important to distinguish between (i) the use of tokenised assets themselves as collateral, and (ii) the use of DLT technology to record, transfer, or settle collateral movements in traditional financial assets. These two uses raise different risk and policy considerations. Given the range of member views, FIA would welcome further dialogue with the Bank and industry participants on both elements.

Consistent with FIA's paper "Tokenisation: Accelerating the Velocity of Collateral" (June 2025)<sup>4</sup>, FIA supports a phased and use-case-based approach to adoption, prioritising interoperability, legal certainty, and standardisation, which are critical to ensuring that tokenised collateral can move seamlessly across venues and be supported by enforceable legal rights.

Given these considerations, FIA supports continued exploratory work to assess the conditions under which tokenised assets could be incorporated into eligible collateral frameworks in the future. Any adoption should be accompanied by clear risk management standards, regulatory oversight, and robust infrastructure, potentially starting with well-defined use cases or specific asset classes where these risks can be effectively mitigated.

*Are there any other types of instruments that should be permitted as eligible collateral or options that could improve the availability of existing collateral? What barriers currently exist to their use?*

No comment

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<sup>4</sup> [FIA - Tokenisation - Accelerating the velocity of collateral.pdf](#)