

Seminar programme 2025



A&O SHEARMAN

- Thank you for joining today's '**Ahead of the Curve – The UK's new regulatory regime for clearing**' seminar. We will begin shortly.
- On joining the session your microphone will be muted and your video turned off. You will not be able to activate these during the session.
- To submit a question please click on  and type your question into the chat box that appears.
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Ahead of the Curve: The UK's new regulatory regime for clearing

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15 OCTOBER 2025

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1 Background and Future
Regulatory Framework

2 Topics covered in BoE
consultation

3 Margin/Collateral

4 Porting and default funds

5 Overseas CCPs

But first, the news...

15 October 2025

Credit Suisse AT1 writedown unlawful

SWISS FEDERAL ADMINISTRATIVE COURT (FAC) DECISION

Credit Suisse's AT1 capital instruments were written down as part of its takeover by UBS in 2023. Around 3,000 complainants lodged appeals in a multiparty proceeding.

The FAC found that:



The conditions for a write-off were not fulfilled because the contractual viability event had not been triggered.



The bondholders' property rights had been seriously interfered with, without the required clear and formal legal basis.

Implications: The FAC has revoked FINMA's decree and made a partial decision in one appeal case. No decision has been made on the complainants' request to reverse the write-off.

The remaining cases are suspended until the decision regarding the revocation of the decree has become final.

The FAC's decision can be appealed.



European Commission deprioritisation of Level 2 acts

On 6 October 2025, the European Commission (EC) published a letter addressed to the European Supervisory Authorities and the EU Anti-Money Laundering Authority on deprioritization of Level 2 acts in financial services legislation

- ♦ Between 2019-2024, EC was empowered to adopt 430 Level 2 acts
- ♦ EC has identified 115 **non-essential** empowerments including:

EXAMPLE LEVEL 2 ACTS

CRR/CRD

- ♦ RTS on minimum information for assessing qualifying holdings
- ♦ ITS on templates for IPU monitoring threshold
- ♦ RTS for CIU Trading Book

MIFIR/MIFID

- ♦ ITS on position reporting in commodity derivatives
- ♦ Revised RTS specifying trading obligation for derivatives

EMIR

- ♦ RTS on periodic review of clearing thresholds
- ♦ DA to identify third countries whose entities cannot benefit from exemptions from intragroup transactions

CSDR

- ♦ RTS to specify the buy-in for settlement fails
- ♦ IA on suspension of the buy-in mechanism

For non-essential empowerments, EC will adopt two-step approach:

1. No adoption of Level 2 Act prior to 1 October 2027
2. Where there is an obligation to act within a specified deadline under the Level 1 text, EC proposes to amend or repeal the Level 1 text imposing the deadline



UK—International coordination

UK—U.S. NEW TASKFORCE

Announced 22 Sept 2025

- ◆ “Transatlantic Taskforce for Markets of the future”
- ◆ Goal: boost capital markets & digital assets collaboration
- ◆ Recommendations expected through FRWG within 180 days

UK—SWITZERLAND MOU

Signed 22 Sept 2025 | FINMA, FCA & Bank of England (including PRA)

- ◆ MoU under Article 14 of Berne Financial Services Agreement
- ◆ Framework for supervisory cooperation & information sharing in insurance & investment services sectors

UK—EU FINANCIAL REG FORUM

Held 1 Oct 2025 | Brussels

- ◆ Six key themes: macroeconomic outlook, banking, capital markets, asset management, digital finance & sustainable finance cooperation
- ◆ Agreed on T+1 settlement coordination & continued cooperation on MMF & digital finance priorities

UK—AUSTRALIA FINANCIAL REG FORUM

Held 24 Sept 2025 | Virtual

- ◆ Focus: regulatory reform, pensions regulation, digital assets
- ◆ Future cooperation on sustainable finance & open finance

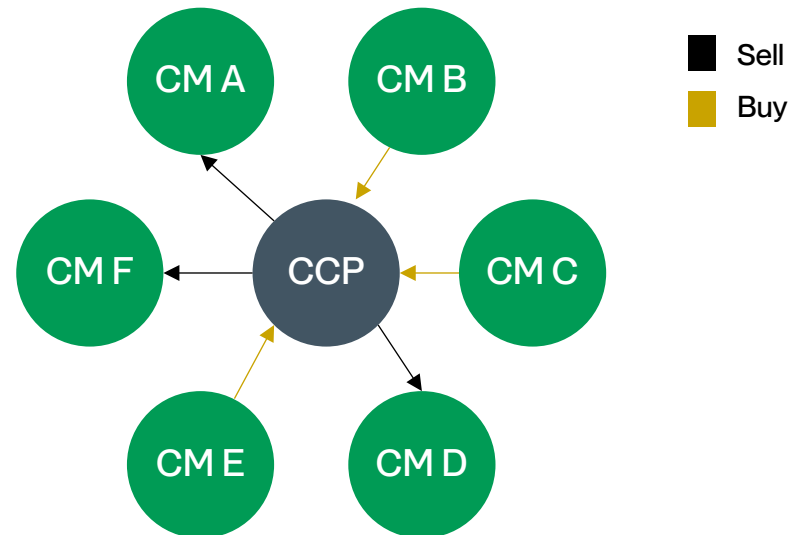
Background and Future Regulatory Framework

Central counterparties & clearing houses

Regulator: Bank of England (BoE).

Entities that facilitate the clearing and settlement process in financial markets.

CCPs become the buyer to each seller and the seller to each buyer under contracts made on a trading venue or which are done OTC and submitted for clearing.



Allows anonymous trading on trading venues without a need for credit assessments or AML checks on each possible counterparty.

If one clearing member fails, the CCP is still responsible for the trade.

UK CCPs are:

- ♦ LCH Ltd
- ♦ ICE Clear Europe
- ♦ LME Clear

Why and how are FMI regulated?



FMI are utilities, operated for the benefit of market participants. FMI must have transparent participation criteria and treat all users equally.



FMI perform a public function – public law statutory immunity.



To reduce overall market exposures.



Market confidence / trust.



Many FMI are systemically important; regulation helps manage the risk of failure of an FMI that would impact the UK financial system and knock-on effect for the real economy.



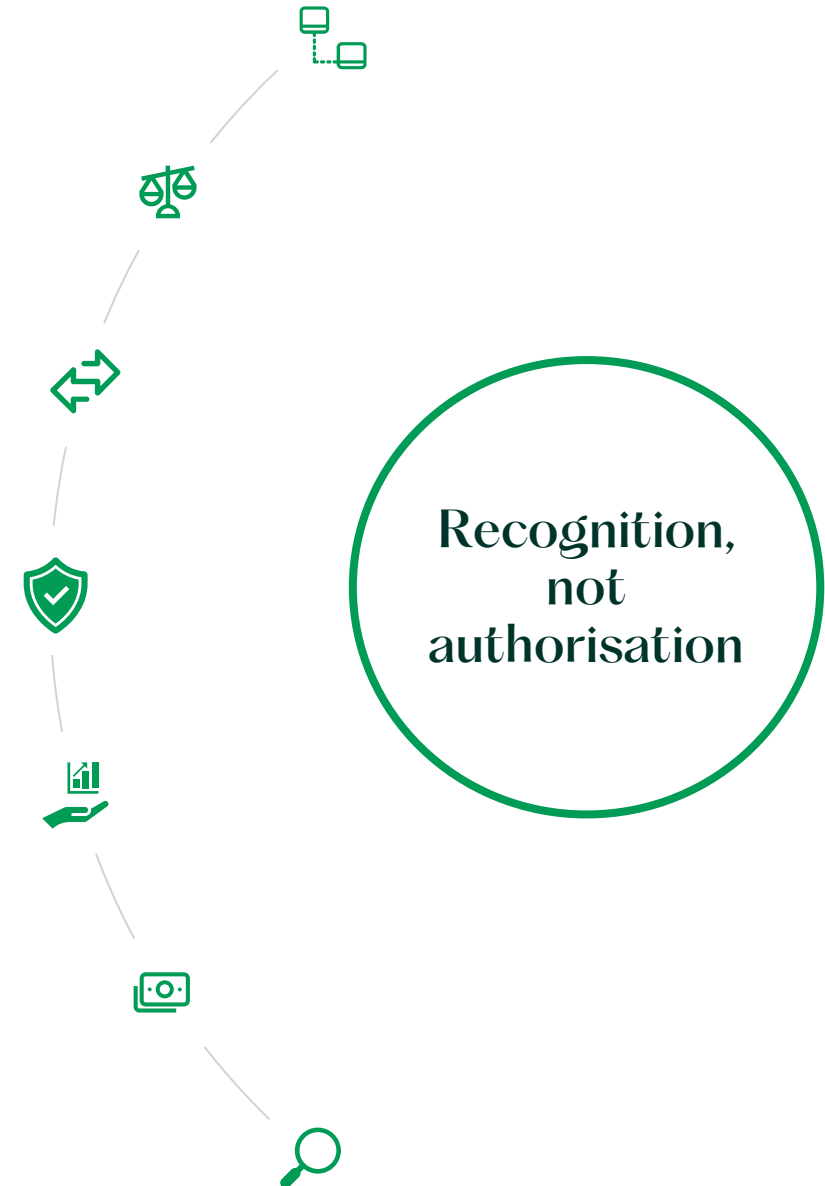
Maintain market integrity.



Recognised bodies have statutory immunity from damages, under FSMA and Companies Act 1989



Transparency.



Regulation of derivatives markets

UK EUROPEAN MARKET INFRASTRUCTURE REGULATION (UK EMIR)

- ♦ CCP authorisation and regulation.
- ♦ Trading repository registration and regulation.
- ♦ Derivatives clearing obligation (DCO).
- ♦ Reporting obligation.
- ♦ Equivalence and market access.
- ♦ Risk mitigation requirements.



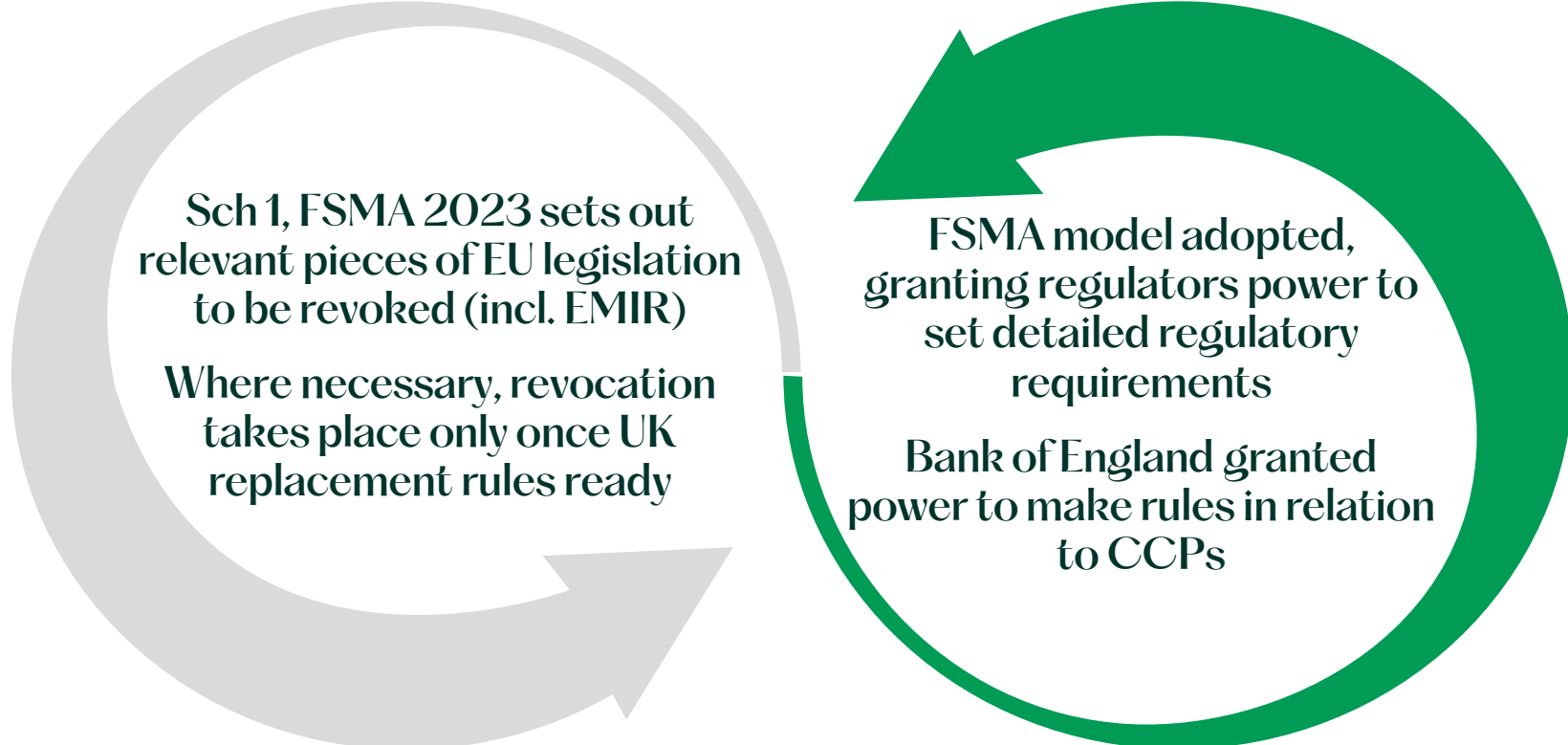
UK MARKETS IN FINANCIAL INSTRUMENTS REGULATION (UK MIFIR) AND DIRECTIVE (UK MIFID II)

- ♦ Exchanges/trading venue regulation.
- ♦ Derivatives trading obligation (DTO).
- ♦ Position limits for commodity derivatives.
- ♦ Reporting and transparency of transactions.

Onshoring of EU law and transfer to regulators' rulebooks

Post-Brexit, EU law was onshored onto the UK statute book. The Financial Services and Markets Act 2023 (FSMA 2023) provides the statutory framework for revocation and replacement of EU law in the context of financial services legislation.

FSMA 2023



Sch 1, FSMA 2023 sets out relevant pieces of EU legislation to be revoked (incl. EMIR)

Where necessary, revocation takes place only once UK replacement rules ready

FSMA model adopted, granting regulators power to set detailed regulatory requirements

Bank of England granted power to make rules in relation to CCPs

Onshoring and amendment of EU law

European Union (Withdrawal) Act 2018

- ♦ Converted EU law into UK domestic law
- ♦ Created powers to make secondary legislation and temporary powers to correct defects

Smarter Regulatory Framework + FSMA 2023

- ♦ Smarter Regulatory Framework and other initiatives (e.g., Edinburgh Reforms) set out policy proposals on UK's post-Brexit regulatory framework for financial services
- ♦ FSMA 2023 implemented policy proposals

FSMA and the Recognition Requirements Regulations

Financial Services and Markets Act 2000 (FSMA)	♦ Gives regulators the powers to approve recognition of exchanges, CCPs and CSDs (known collectively as recognised bodies) and to amend or revoke the recognition of a recognised body. ♦ Provides an exemption for certain recognised bodies from requirement to be authorised before carrying on regulated activities because some of their activities would otherwise be classed as ‘regulated activities’ requiring a separate authorisation and applying different supervisory approaches and requirements. ♦ Statutory immunity from damages for anything a recognised body does in discharging its regulatory functions, except for a breach of the Human Rights Act 1998 and anything done in bad faith. ♦ Gives BoE power to make rules relating to CCPs with respect to regulated activities or other activities they may carry out, as the BoE deems necessary to advance financial stability objective. ♦ Gives BoE power to give directions if a CCP has failed or is likely to fail to meet the recognition requirements or any other obligation imposed on it under FSMA 2000. Includes power to require CCP to grant access to premises and documentation. ♦ Gives the BoE as resolution authority significant powers to stabilise a CCP with the aim of ensuring continuity of clearing services, limiting contagion across the financial system and protecting public funds by ensuring CCPs and their clearing members bear losses. ♦ Introduces a Senior Managers and Certification Regime (SM&CR) for CCPs and CSDs (not yet in effect).
The Financial Services and Markets Act 2000 (Recognition Requirements for Investment Exchanges, Clearing Houses and Central Securities Depositories) Regulations 2001 (RRRs)	♦ Set out additional recognition requirements for recognised bodies. ♦ The RRRs set out the UK’s domestic framework for the recognition of exchanges, clearing houses, CCPs and CSDs. The RRRs were amended in 2013 to align with EMIR and in 2018 to align with MiFID II.

FSMA and the Recognition Requirements Regulations

BoE Approach to FMI Supervision	♦ Sets out the BoE’s approach to supervision of all FMI and critical third-party service providers to FMI. ♦ Discusses the changes to the BoE’s powers arising from the Financial Services and Markets Act 2023, including: ♦ Rulemaking power over CCPs and CSDs ♦ Power to require recognised UK CCPs and CSDs and systemic non-UK CCPs to take or refrain from taking a certain action. ♦ Sets out the BoE’s review process of significant changes, such as senior management changes, new products and model changes (CCPs only), changes to dividend policy or approach to capital. ♦ Describes the BoE’s approach to new firms, including those emerging in response to digital asset developments, and the Digital Securities Sandbox. ♦ Discusses the BoE’s approach to non-UK FMI and the transitional regimes for CCPs and CSDs.
Banking Act 2009	♦ Sets recognition requirements for payment systems.
Bank of England Act 1998	♦ Establishes the BoE’s FMI functions and the “have regards to” that the BoE must consider when exercising those functions in a way that advances financial stability, including a secondary objective to facilitate innovation in the CCP clearing services it regulates and a set of regulatory principles. ♦ FMI functions are: (1) making rules under FSMA 2000; (2) making technical standards under Chapter 2A of Part 9A of FSMA 2000; (3) preparing and issuing codes under FSMA 2000; and (4) determining the general policy and principles by reference to which it performs particular functions under FSMA 2000. ♦ Establishes the BoE’s FMI Committee through which the Bank must exercise its FMI functions. ♦ Grants HM Treasury power to make recommendations to the FMI Committee about aspects of the economic policy of the government to which the BoE should have regard.

Legislative framework for FMI

Financial Markets and Insolvency (Settlement Finality) Regulations 1999 (SFRs)	♦ Creates insolvency safe-harbours protecting “netting”, “transfer orders” and “collateral security” and determine which insolvency proceedings are applicable to participants. Industry proposal: amendments to treatment of security charges in favour of clearing houses and settlement systems under SFRs.
Companies Act 1989 (CA 1989), Part VII	♦ Establishes that default rules for certain categories of contract that are cleared will prevail over UK insolvency law. Industry proposal: amendments to address issues of legal uncertainty which may arise in the context of proprietary claims to collateral under Part VII.
Financial Collateral Arrangements (No. 2) Regulations (FCARs)	♦ Implemented the EU Financial Collateral Directive into UK law, including disapplication of certain UK insolvency law provisions and protection of close-out netting. Industry proposal: amendments to address issues of legal uncertainty in relation to security-based collateral structures under FCARs.

Industry proposals to amend legislation which have not been taken forward to date

Recent regulatory developments for CCPs

HM Treasury is working closely with the BoE to restate or replace provisions in Title III to V of UK EMIR once revocation of EMIR takes effect.



HMT APPROACH TO CCP FRAMEWORK

15 July 2025: HMT policy paper and draft statutory instruments updating UK regulatory framework for CCPs



BOE FUNDAMENTAL RULES FOR FMIS

18 July 2025: BoE fundamental rules for FMIs, supervisory statement on compliance with the rules and policy statement



HMT RECOMMENDATIONS FOR FMI COMMITTEE

15 July 2025: HMT letter to BoE Governor with recommendations for FMI Committee
18 July 2025: BoE response to HMT letter



BOE/FCA STATEMENT ON MOU FOR SUPERVISING FMIS

21 July 2025: BoE and FCA statement reaffirming effectiveness of MoU on supervision of FMIs



BOE CONSULTATION ON REGULATORY FRAMEWORK FOR CCPS

18 July 2025: BoE consultation paper on 'Ensuring the resilience of CCPs'



REGULATIONS EXTENDING OVERSEAS CCP TRANSITIONAL REGIME

17 September 2025: Central Counterparties (Transitional Provision) (Extension and Amendment Regulations 2025) published

Topics covered in BoE consultation

Other topics

The Bank of England consultation covers topics where there are no changes to UK EMIR, or minimal modifications only.

01 Capital requirements

02 Management and governance

03 Change in control

04 Recordkeeping

05 Business continuity

06 Conduct of business

07 Exposure management

08 Liquidity risk controls
*(note that guidance elements of the ESMA
Opinion on Liquidity Risk assessment is
being upgraded to rules)*

09 Investment policy

10 Settlement

11 Capital calculations and reporting

12 Interoperability

Supervisory processes, stress testing and back testing

The Bank of England consultation also includes proposals relating to the Banks' supervision of model reviews, applications for recognition and extensions of recognition to cover additional services or activities.



Establishing a simplified and more proportionate 'materiality' threshold



Introducing a 'pre-notify only' requirement for non-material model changes



Simplifying and shortening the model review process for material changes



Simplifying processes and shortening timelines for authorising CCPs and extending authorisations

Proposals for shorter timelines

PROCESS	PROPOSED DEADLINE
Authorisations/recognition	120 working days
Extensions of authorisation/variations of recognition (non-expedited)	80 working days
Extensions of authorisation/variations of recognition (expedited)	10 working days
Model changes (material)	60 working days
Model changes (non-material)	10 working days

Margin/Collateral

Restating (and enhancing) requirements

The current UK EMIR rules on margin are being restated (subject to certain changes) in the new Margin Requirements Part of the CCP rules.

Current requirements: UK EMIR

UK EMIR

- ♦ articles 38(6) and (7)
- ♦ article 41

Commission Delegated Regulation 153/2013

- ♦ articles 24-28
- ♦ article 56(1)
- ♦ article 61(1) (part)



Proposed: Bank rules and supervisory statement

Margin Requirements Part

- ♦ margin framework
- ♦ calculation of regulatory initial margin
- ♦ margin transparency
- ♦ margin simulator

Supervisory statement:

Bank expectations regarding

- ♦ CCP management of initial margin procyclicality
- ♦ portfolio margining
- ♦ providing a margin simulation tool
- ♦ monitoring of margin

Margin requirements

ESMA GUIDELINES

Guidelines on EMIR Anti-Procyclicality Margin Measures for CCPs (April 2019)

BCBS-CPMI-IOSCO FINAL REPORT ON INITIAL MARGIN

Transparency and responsiveness of initial margin in centrally cleared markets (January 2025)



FSB REPORT ON MARKET TURMOIL

Holistic review of the March market turmoil (November 2020)

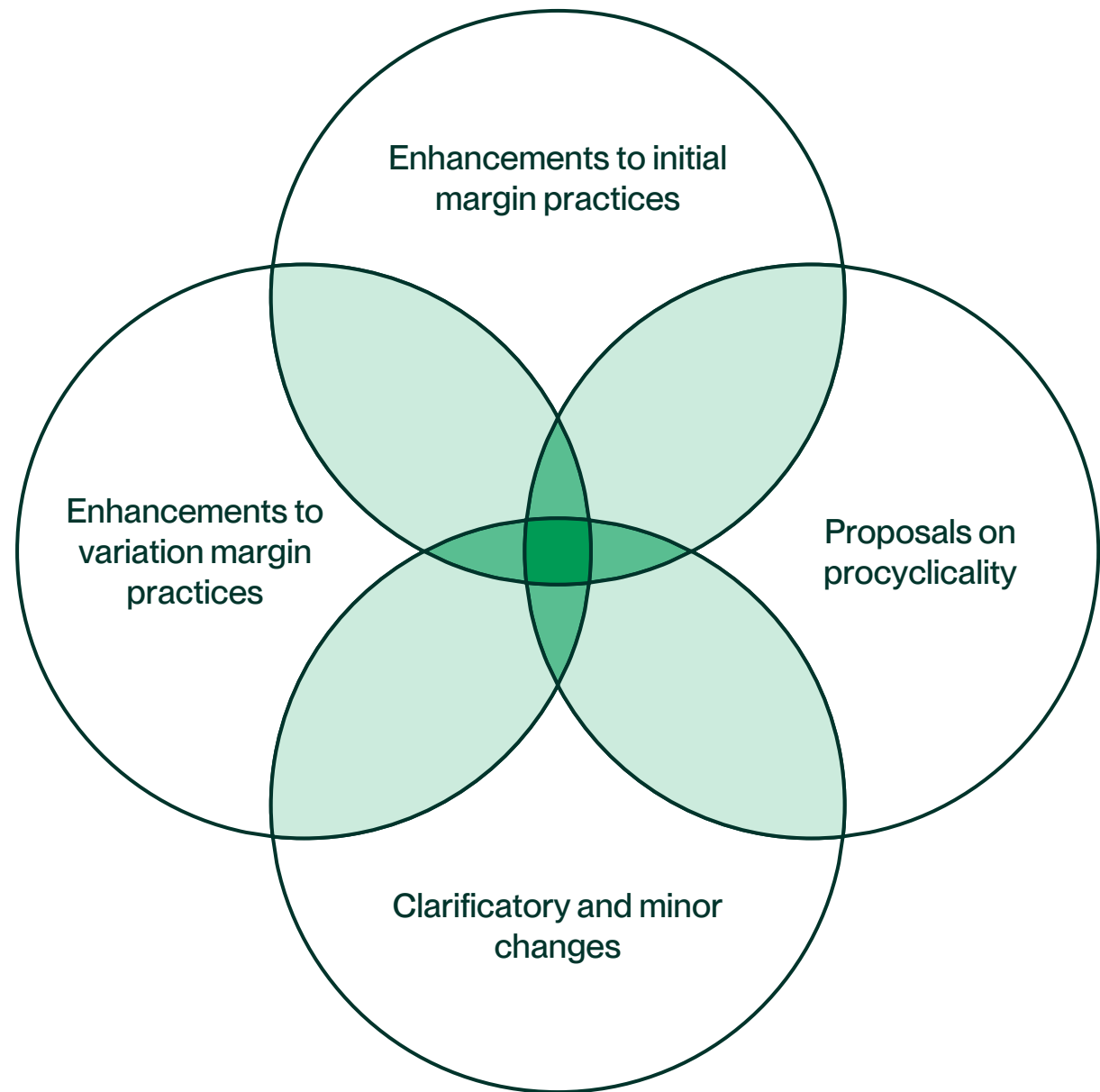
CPMI-IOSCO FINAL REPORT ON THE RESILIENCE OF CCPs

Resilience of central counterparties (CCPs): Further guidance on the PFM (July 2017)

CPMI-IOSCO FINAL REPORT ON VARIATION MARGIN

Streamlining variation margin in centrally cleared markets – examples of effective practices (January 2025)

Margin – four key proposals



Initial margin enhancements – overview

The proposed enhancements take into account the BCBS-CPMI-IOSCO proposals in the final report on initial margin: Transparency and responsiveness of initial margin in centrally cleared markets (January 2025).

Timing: 6 months, except CCPs would have 12 months to implement the requirements on margin simulation tools.

MARGIN SIMULATION TOOLS

Must be provided to CMs and (if requested) CM clients, and prospective CMs and their clients. Plus the Bank proposes to specify minimum functionality.

Rules 5.1 – 5.3 of the Margin Requirements Part

See BCBS-CPMI-IOSCO Proposals 1 and 2

MARGIN MODEL INFORMATION

Enhancements made to the qualitative information to be provided by CCPs to CMs and (if requested) CM clients.

Rule 4.3 of the Margin Requirements Part

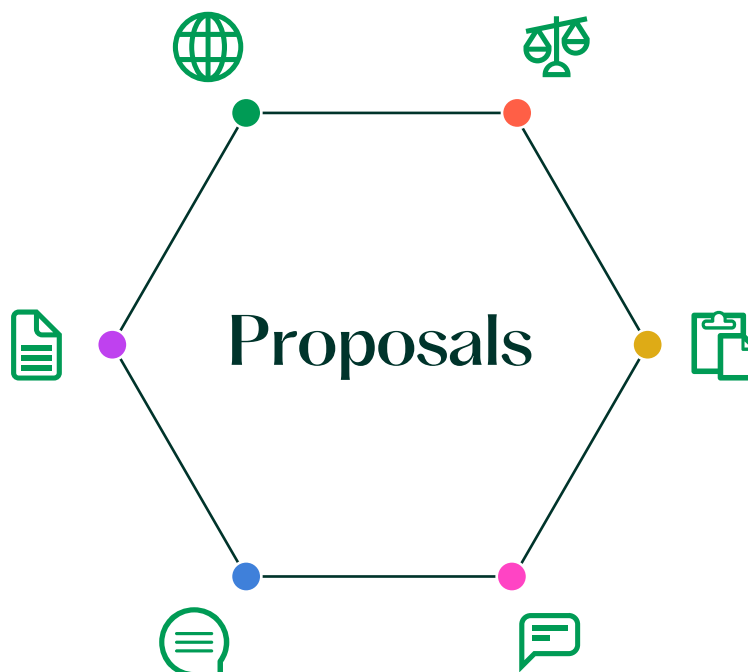
See BCBS-CPMI-IOSCO Proposal 3

PUBLIC DISCLOSURE OF INITIAL MARGIN MODELS

Information must be disclosed, including in relation to procyclicality, to support the replication of regulatory initial margin.

Rules 4.5-4.7 of the Margin Requirements Part

See BCBS-CPMI-IOSCO Proposal 4



FRAMEWORK FOR ASSESSING MARGIN PROCYCLICALITY

Requirement for an analytical framework for assessing margin procyclicality.

Rules 3.20-3.23 of the Margin Requirements Part

See BCBS-CPMI-IOSCO Proposal 7

GOVERNANCE AND REVIEWS

Requirement to identify governance procedures for **overriding initial margin models**, and to undertake ex post reviews where such discretion has been applied.

Rules 3.28-3.29 of the Margin Requirements Part

See BCBS-CPMI-IOSCO Proposal 8

DISCLOSURES FOR OVERRIDING INITIAL MARGIN MODELS

Disclosures to the Bank and to clearing members, and public disclosures, in relation to the use of the procedure to override initial margin models.

Rules 4.1, 4.2, 4.4 and 4.8 of the Margin Requirements Part

See BCBS-CPMI-IOSCO Proposal 8

Variation margin enhancements

Streamlining variation margin in centrally cleared markets –effective practices (BCBS-CPMI-IOSCO)

Effective Practice 3

Where allowed, practical and efficient, offsetting VM calls against other payment obligations, such as initial margin calls and product payment flows (e.g. coupons), in order to reduce liquidity demands on participants.

Effective Practice 6

Providing information regarding the CCP's processes and timing for ITD VM calls in order to facilitate its participants' ability to predict and manage liquidity requirements. This could be achieved by clearly defining and making available to participants (through the CCP's rulebook or other relevant documentation) the following:

- a. the **circumstances and any related thresholds** according to which the CCP may make ITD VM calls;
- b. the **timing and relevant notice periods** for its ITD VM calls;
- c. the **CCP's processes and rules concerning the netting of payments** across margin accounts for each type of margin call, **where excess collateral can be used to meet VM requirements**, and any **other provisions which have an impact on the amounts to be called** from CMs; and
- d. **granular information to help CMs understand the composition of VM calls** [...]



Proposed rules in the Margin Requirements Part, on variation margin

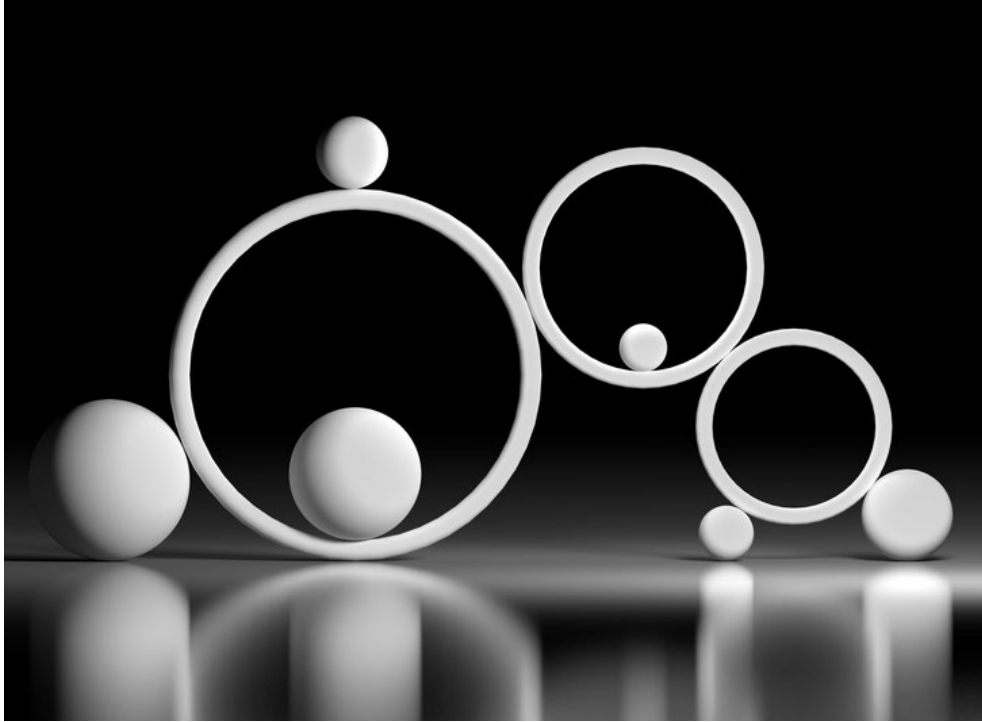
Rule 2.7

A CCP must consider the potential impacts of intraday collections of margin and payments on the liquidity position of its clearing members.

Rule 4.9

A CCP must provide its clearing members with information regarding the CCP's processes and timing for variation margin calls, including intraday calls in order to facilitate clearing members' ability to predict and manage liquidity requirements. That information must:

- (1) clearly describe the **circumstances and any related thresholds** according to which the CCP may make variation margin calls;
- (2) clearly explain the **timing and relevant notice periods** for variation margin calls;
- (3) clearly describe the **CCP's processes and rules concerning the netting of payments** across margin accounts for each type of initial margin call **where excess collateral can be used to meet variation margin requirements**, and any **other provisions which have an impact on the amounts to be called** from clearing members; and
- (4) include **granular information to help clearing members understand the composition of variation margin calls**.



These proposals take into account ESMA Guideline V.1 on anti-procyclicality margin measures

The ESMA Guidelines are incorporated in the Bank's draft supervisory statement on CCP margin

Procyclicality proposals

Bringing existing expectations into the rulebook



FRAMEWORK TO ASSESS PROCYCLICALITY

As set out under the **initial margin enhancements overview**

Rules 3.20-3.23 of the Margin Requirements Part



REQUIREMENT TO ASSESS PROCYCLICALITY

Requirement to assess procyclicality, and review and adjust policies

Rules 3.25-3.27 of the Margin Requirements Part

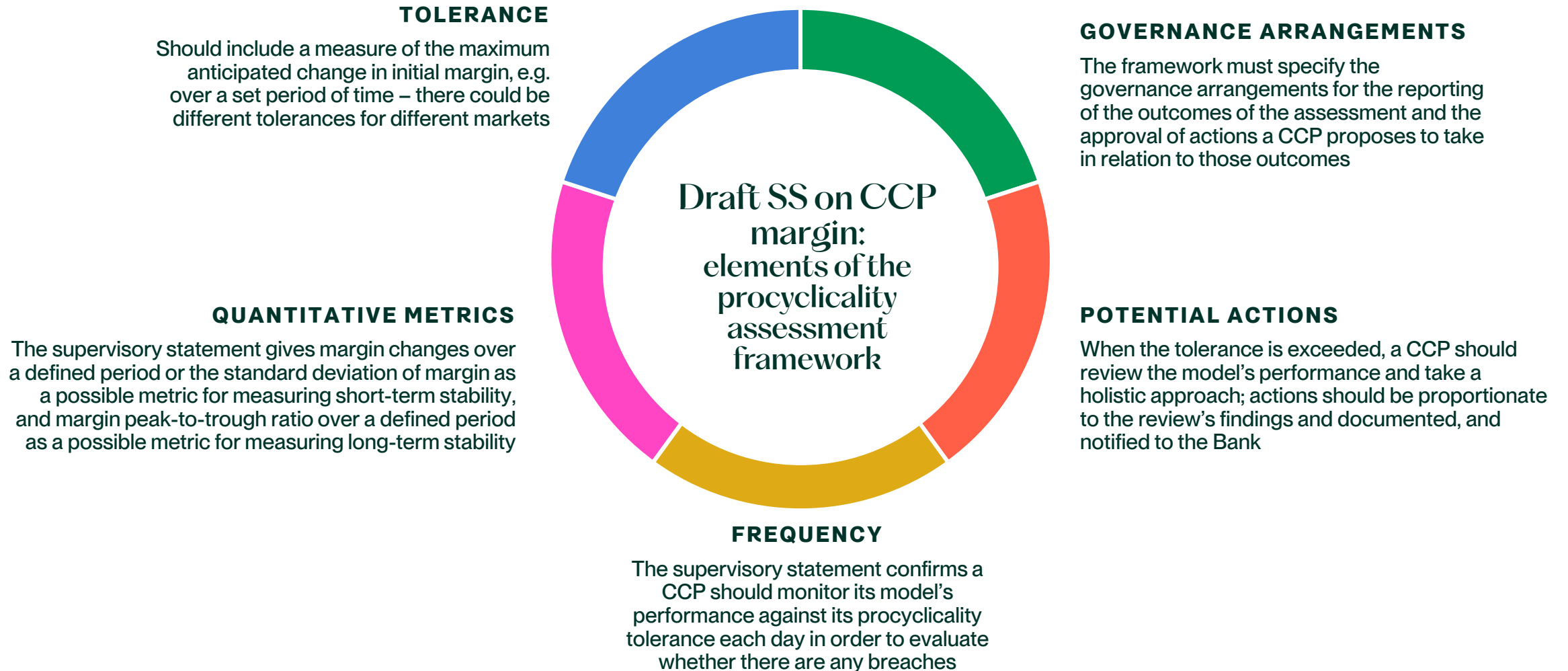


REQUIREMENT TO DEFINE TOLERANCE

Requirement to define a tolerance for procyclicality among other elements (quantitative metrics; frequency; potential actions; governance for reporting outcomes and approval of actions) of the assessment framework

Rule 3.24 of the Margin Requirements Part

CCP management of initial margin procyclicality



Draft supervisory statement on CCP margin

Other key areas of guidance

01

PORTFOLIO MARGINING

- ♦ Different instruments and products
- ♦ Situations where a CCP may apply more than 80% of margin reduction

02

MARGIN SIMULATION TOOLS

- ♦ Simulation tool should only be accessible on a secured access basis, and the results of the simulation should not be binding
- ♦ Access may be paired with appropriate non-disclosure agreements

03

MONITORING MARGIN

- ♦ Rules contain continuous monitoring requirement (rule 2.3 of the Margin Requirements Part)
- ♦ The rule does not require continuous calculation of IM and VM
- ♦ Guidance suggests a system of predefined thresholds and alerts that indicate intraday risk

Porting and default funds



Porting

Three proposals



PROPOSAL 1

Requirement for CCPs to include porting in default management fire drills



PROPOSAL 2

Requirement for CCPs to trigger porting without proactively seeking client consent



PROPOSAL 3

Allocation of default fund contributions to a clearing member should factor in portability

Client porting to be included in fire drills

The Bank is proposing to amend article 49(2) of UK EMIR to specify that all aspects of default management, including porting procedures, should be part of default management fire drills.

Current requirement: UK EMIR article 49(2)

A CCP **shall** regularly test the key aspects of its default procedures and take all reasonable steps to ensure that all clearing members understand them and have appropriate arrangements in place to respond to a default event.



Proposed change: Default Procedures Part draft rule 2.11

A CCP **must** take all reasonable steps to ensure that all clearing members:

- (1) understand key aspects of its default procedures, **including the testing of its default procedures in Chapter 3 and the validation and testing frequency in Chapter 4**; and
- (2) have appropriate arrangements in place to respond to a default event.

Porting to a pre-agreed clearing member

The Bank is proposing to amend article 48(5) (for omnibus accounts) and article 48(6) (for individual accounts) of UK EMIR so that CCPs no longer need to seek client consent proactively within the porting window.

Omnibus accounts – proposed amendment

Default Procedures Part – draft rule 2.7(1)

Where assets and positions are held in an omnibus account in accordance with 5.2 of the Conduct of Business Part for the account of the clients of a clearing member that is in default, a CCP must:

- (a) contractually commit itself to trigger the procedures for the transfer of those assets and positions to another clearing member designated by all of those clients and **ensure that it does not need the consent of the defaulting clearing member for the transfer**; and
- (b) transfer such assets and positions to the other clearing member **unless all of those clients object** to the transfer before the transfer of assets and positions is concluded.



Individual accounts – proposed amendment

Default Procedures Part – draft rule 2.8(1)

Where assets and positions are held in an individual account in accordance with 5.3 of the Conduct of Business Part for the account of a client of a clearing member that is in default, a CCP must contractually commit itself to trigger the procedures for the transfer of those assets and positions to another clearing member designated by the client, on the client's request, and **ensure that it does not need the consent of the defaulting clearing member for the transfer.**

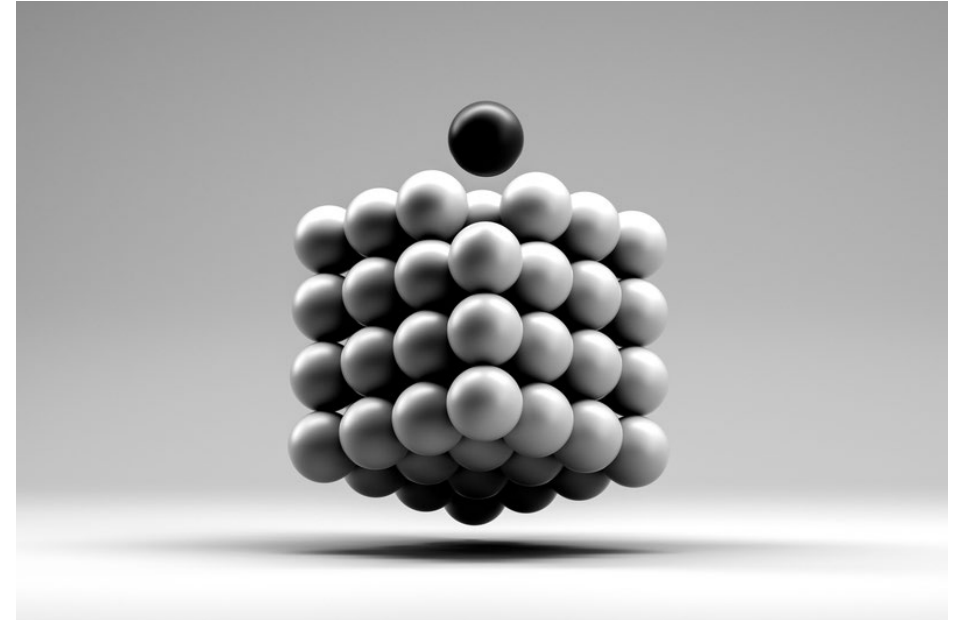
Portability factored in to allocation of default fund contributions

DEFAULT FUND PART

Draft rule 2.3 elements:

- ♦ A CCP must establish the minimum size of contributions to the default fund and the criteria to calculate the contributions of each clearing member
- ♦ A CCP must ensure that the contributions of each clearing member are proportionate to the exposures of that clearing member
- ♦ In calculating the exposures of a given clearing member for these purposes, **a CCP must take into account the extent to which it considers that that clearing member's assets and positions for the account of clients are eligible for transfer** pursuant to 2.7 and 2.8 of the Default Procedures Part

New element



Default waterfall

ARTICLE 45 UK EMIR (CURRENT)



Defaulting clearing member margins used first
(article 45(1))



Defaulting clearing member default fund contribution used second
(article 45(2))



CCP dedicated own resources (skin in the game)
used next
(article 45(4) read with article 45(3) and article 43(1))



CCP uses **default fund contributions** (but not margin) of **non-defaulting clearing members**
(article 45(3) read with article 45(4) and article 43(1))



Second tranche of skin in the game

New requirements are proposed in the draft Default Waterfall Part in relation to second skin in the game (SSITG), referred to as “further dedicated financial resources”.

DRAFT RULE 2.2(2) AND 2.4

Requirement to maintain “further dedicated financial resources”

Requirement for those resources to be

12.5% for the first two years after the rules come into force, then

25% of the CCP’s risk-weighted capital requirement

DRAFT RULE 3.4

“Further dedicated financial resources” to be used **with the default fund contributions of non-defaulting clearing members**

Requirement to use those resources **in the same proportion** as the default fund contributions of non-defaulting clearing members



Proposed default waterfall

The Bank is proposing a “second skin in the game” requirement, referred to in the draft rules as “further dedicated financial resources” which will be used in conjunction (and on a pro rata basis) with default fund contributions of non-defaulting clearing members.

Article 45 UK EMIR (current)

-  **Defaulting clearing member margins** used first
(article 45(1))
-  **Defaulting clearing member default fund contribution** used second
(article 45(2))
-  **CCP dedicated own resources (skin in the game)** used next
(article 45(4) read with article 45(3) and article 43(1))
-  CCP uses **default fund contributions** (but not margin) of **non-defaulting clearing members**
(article 45(3) read with article 45(4) and article 43(1))

Default Waterfall Part (proposed)

-  **Defaulting clearing member margins** used first
(draft rule 3.1)
-  **Defaulting clearing member default fund contribution** used second
(draft rule 3.2)
-  **CCP dedicated own resources (skin in the game)** used next
(draft rule 3.3 read with draft rule 2.2(1))

-   CCP uses **further dedicated financial resources (second skin in the game (SSITG))** with, on a pro rata basis, **default fund contributions** (but not margin) of **non-defaulting clearing members**
(draft rule 3.4 with rule 3.6) (draft rules 2.2(2) and (4) provide that resources be **12.5%** for the first two years, then **25%**, of the CCP’s risk-weighted capital requirement)

Overseas CCPs

Overseas CCPs operating in the UK

The BoE lists recognised non-UK CCPs and temporary recognised non-UK CCPs on its [website](#) as follows:

Australia

ASX Clear (Futures) Pty Limited
ASX Clear Pty Limited

Brazil

B3

Canada

Canadian Derivatives Clearing Corporation
ICE NGX Canada Inc.

France

LCH SA*

Germany

Eurex*

European Commodity Clearing

Greece

Athens Exchange Clearing House (Athex Clear)

Hong Kong

HKFE Clearing Corporation Limited
Hong Kong Securities Clearing Company
OTC Clearing Hong Kong Limited
The SEHK Options Clearing House Limited

Italy

Cassa di Compensazione e Garanzia S.p.A.
(CC&G)

India

Clearing Corporation of
India*

Japan

Japan Securities Clearing
Corporation
Tokyo Financial Exchange

Malaysia

Bursa Malaysia Derivatives
Clearing

Mexico

Asigna Compensacion y
Liquidacion

The Netherlands

ICE Clear Netherlands B.V.
Cboe Clear*

Singapore

ICE Clear Singapore
Singapore Exchange
Derivatives Clearing
The Central Depository (Pte)
Limited

South Korea

Korea Exchange, Inc.

Spain

BME Clearing

Sweden

Nasdaq Clearing AB

Switzerland

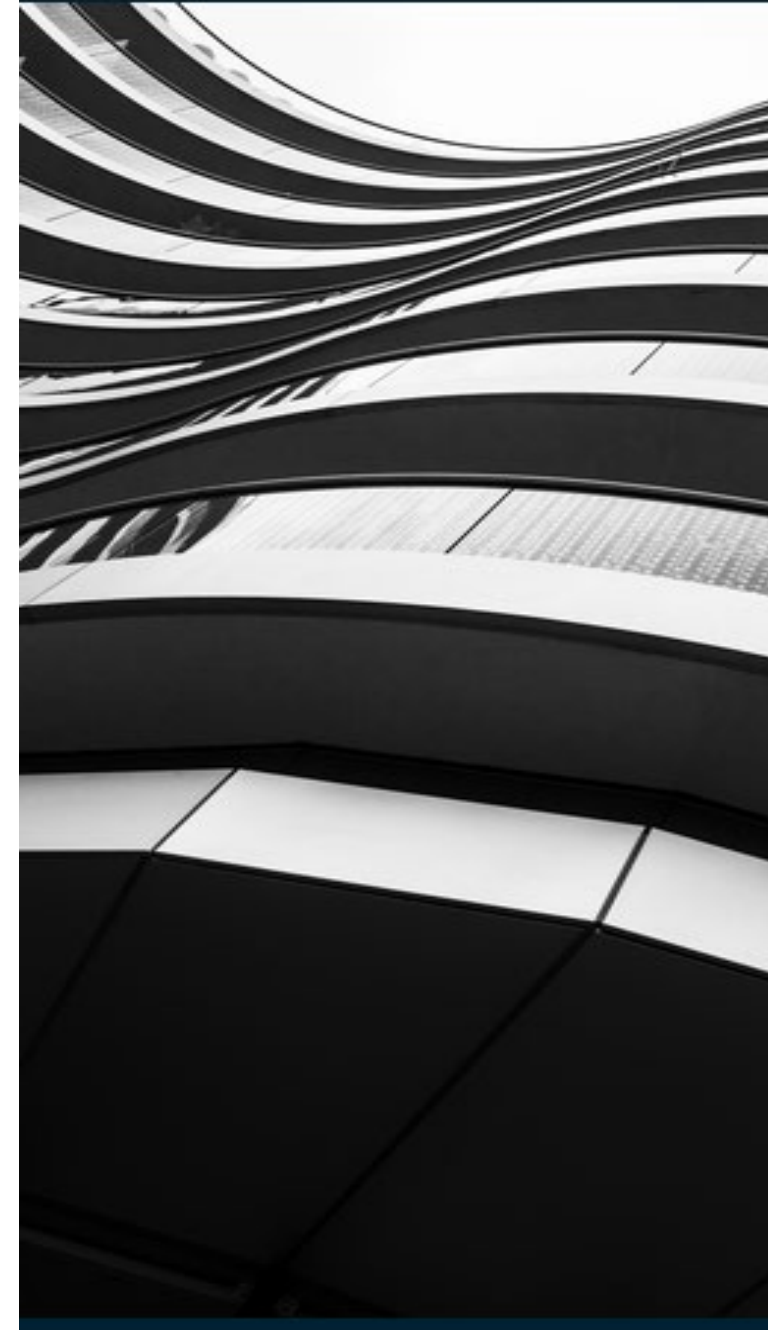
SIX x-clear AG

United States of America

CME*

Fixed Income Clearing Corporation
ICE Clear Credit LLC
ICE Clear US, Inc.
MIAX Futures Exchange, LLC
National Securities Clearing
Corporation
Nodal Clear, LLC
The Options Clearing Corporation

*Recognised non-UK CCPs



New overseas CCP regime

In July, HM Treasury published a policy paper setting out its intention to replace the existing equivalence regime with a new overseas CCP regime, with a draft statutory instrument: The Central Counterparties (Amendment) Regulations 2025.

Current position: Equivalence under UK EMIR article 25

- ♦ Under article 25, **HMT** may grant equivalence to other **jurisdictions**
- ♦ Individual CCPs from **equivalent jurisdictions** may then become recognised by the **Bank of England**
- ♦ **Recognised CCPs** are able to provide services (as set out in the recognition order) directly to UK firms



Proposed position: Overseas recognition regime under FSMA

- ♦ **HMT** will legislate to make **jurisdictional designations**
- ♦ Firm-level **recognition decisions** will be made by the **Bank of England**
- ♦ HMT intends for **equivalence** and **recognition** decisions under the current regime to continue to have effect under the new regime (although the Bank of England may request updated information)
- ♦ Firms in the **temporary recognition regime** (or its **run-off regime**) will continue to be able to benefit from these regimes

Location, location, location

TIER 3 CCPS?

Draft section 300EG FSMA provides for **location regulations**, meaning that HMT may make regulations for the purpose of requiring that **some or all** of the clearing services of a CCP may only be provided to trading venues or clearing members in the UK where that CCP is a **recognised central counterparty**



The **Bank of England** would have the power to determine that an overseas CCP is **systemically important**



HMT would have the power to make regulations following a **recommendation from the Bank of England**



HMT is required to give notice **to the relevant CCP** in writing, giving a reasonable period within which **the CCP may make representations**



Temporary recognition and QCCP transitional regimes

CENTRAL COUNTERPARTIES (TRANSITIONAL PROVISION) (EXTENSION AND AMENDMENT) REGULATIONS 2025



Extends the **temporary recognition regime** for overseas central counterparties to **31 December 2027**



This means overseas CCPs in the temporary recognition regime **may continue to offer clearing services in the UK** while their recognition applications are being assessed by the Bank of England



Extends the **transitional regime for overseas qualifying CCPs (QCCPs)** under the UK Capital Requirements Regulation **by 12 months** (for a significant proportion of firms, this means the expiry date will be extended to 31 December 2026)



This aims to mitigate **the impact of the increase in capital requirements** when the QCCP expires



The Regulations are due to enter into force on **28 November**

QCCP STATUS: CURRENT POSITION

- ♦ QCCP status ensures UK firms are **not subject to higher capital requirements** in relation to exposures to that CCP
- ♦ QCCP status **does not** permit overseas CCPs to provide services directly to UK clearing members and trading venues
- ♦ Overseas CCPs **recognised under article 25 UK EMIR** have QCCP status
- ♦ Overseas CCPs **within the temporary recognition regime** benefit from QCCP status
- ♦ CCPs **in the run-off regime** (exiting the temporary recognition regime) benefit from QCCP status (for up to three and half years)



QCCP status

HMT intends to establish two permanent routes enabling non-UK CCPs to become QCCPs in the UK



ROUTE 1: DESIGNATED JURISDICTION

CCPs in **jurisdictions designated by HMT** would be considered as a QCCP in the UK



ROUTE 2: BOE-GRANTED STATUS

The **Bank of England** (supported by the **PRA**) would have power to **grant QCCP status** to CCPs in other jurisdictions



EXCEPTION

CCPs which conduct a **significant amount of business** with UK firms would need to be **recognised** in order to have QCCP status (i.e. it would not be sufficient to be established in a designated jurisdiction)

Questions?

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