Keynote speech

The EU clearing landscape in light of EMIR 3 and the SIU

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Señoras y señores, Ladies and Gentlemen,

Introduction

It is a pleasure to be here with you today in Madrid. As you are all aware, one of ESMA's main focus these days is on **supporting the broader European ambitions under the Savings and Investment Union (SIU)**.

The SIU strategy, as unveiled by the European Commission in March, seeks to enhance the efficiency of our financial system, to offer citizens broader access to capital markets and to provide companies with improved financing options. By developing integrated capital markets, the SIU aims to connect savings with investment needs, to bolster economic growth and competitiveness across the EU.

An essential part of these ambitions is the strengthening of the foundations of the EU post-trade ecosystem, making it more resilient, more attractive, and more competitive on the global stage. In that context, **ensuring a smooth and effective implementation of EMIR 3** will be a foundational step towards the SIU.

At the heart of this are three priorities, which are reflected in the new EMIR legislation:

1. Improving the supervision of EU CCPs;

2. Enhancing attractiveness, competitiveness and resilience of the EU clearing landscape; and
3. Tackling the risks stemming from the overreliance of the EU on third-country clearing services.

Let me briefly take you through each of these areas.

First - reinforcing the supervision of EU CCPs

Central counterparties are critical to safeguarding financial stability across Europe. Every day, the EU financial markets rely on the proper functioning of your infrastructures. That is why effective, state-of-the-art and consistent prudential supervision of CCPs is indispensable.

While discussions about a more integrated supervision at EU level continue in the context of the SIU, ESMA will make full use of the tools EMIR 3 already has granted ESMA. These include:

- Further aligning supervisory practices through ESMA opinions and compliance reviews,
- Co-chairing the 14 supervisory colleges to drive consistency, and
- Strengthening NCAs' accountability through a new "comply or explain" procedure when disagreements arise.

I am convinced that these measures will help building a stronger, more convergent supervisory culture, that enhances risk management and supports healthy competition among EU CCPs.

Second, making the EU clearing ecosystem more dynamic and resilient

Competitiveness and resilience cannot be disentangled. To make our clearing landscape more attractive, we are removing unnecessary barriers and streamlining processes — while at the same time further bolstering its capacity to withstand stress. On a side note, I would like to observe that EU CCPs have again demonstrated their resilience in light of the recent market stress events and economic uncertainty, despite historic market volumes and values traded and cleared. It is a testimony to the continuous improvements made in terms of risk management and the ability (on the side of industry and supervisors) to learn from past crisis events.

On the competitiveness side, ESMA will accelerate time to market for new products and models by significantly streamlining supervisory processes. In particular:

- EMIR 3 introduces drastically **shortened approval timelines** to speed up the launches of new activities and the review of model changes What once took up to two years will now take between four to six months, or even less for non-material changes that will benefit from the newly introduced accelerated procedures, provided that all act within the new framework.
- Moreover, to further reduce approval delays and improve predictability, we're also working on **defining and standardising the documentation** that CCPs will be required to submit when applying for extensions of activities or validations of model changes.
- And finally, we're **embracing digitalisation to improve operational efficiency**. ESMA will build a centralised data platform that will help CCPs interact more efficiently with all its supervisors at once. This central platform will serve as a single point of access for CCPs, significantly cutting administrative burden and facilitating an expedient assessment of their applications.

As you are aware, our public consultation on the conditions and documents for extension of authorisation and validation of model changes closed early April and drew the attention of many stakeholders. I want to take this opportunity to assure you that we will make every effort to ensure that our final RTS creates the conditions for a clear and efficient approval process, while limiting the burden on applicants CCPs.

I also would like to note that I understand that the industry has expressed concerns that the elements just mentioned could make the EU CCPs framework more formalistic, and time-consuming. While I appreciate that it will require some adjustments from the industry and buy-in from the national authorities, I remain convinced that these new procedures will bring much-needed ex-ante clarity and predictability and as importantly will ensure full convergence and level playing field across EU CCPs, which EMIR 2.2. had only partially achieved.

On the resilience side:

- We are refining margin transparency, collateral rules, and prudential requirements to ensure these standards remain both robust and balanced. For example, collateral requirements will be reviewed to allow CCPs to accept, under the appropriate conditions, uncollateralised bank guarantees as collateral. ESMA will also (re)introduce new rules to limit the procyclicality of the collateral haircuts set by CCPs. As regards transparency, I expect ESMA to publish in the coming weeks a first consultation paper on transparency requirements, including margin simulation tools for clearing members and clients which I 'm sure you will study closely.
- Further, a new Joint Monitoring Mechanism will enhance our system-wide monitoring of clearing risks and dependencies. The JMM, which is chaired and managed by

ESMA, will encompass a broad range of EU and national bodies responsible for the supervision of EU CCPs, clearing members and clients. It is tasked with monitoring the effectiveness of the implementation of the AAR, but will also be responsible for monitoring risks arising from the interconnectedness of the different EU financial actors.

- And we are also investing in crisis readiness — as EMIR 3 reinforces the crisis management framework, with an increased coordination role for ESMA and the CCPSC during crisis situations.

In short: we want to enable EU CCPs to innovate and grow — but never at the expense of resilience and stability.

Third, reducing the EU dependency on third-country CCPs – the AAR

Despite some changes over the last few years, for example in relation to the clearing of EUR repos and CDS, significant challenges remain, especially in the rates derivatives segment where reliance on offshore CCPs remains unsustainably high.

To address this, following complex legislative discussions and a hard-fought compromise, EMIR 3 introduced the **Active Account Requirement (AAR),** under which major EU clearing participants will need to maintain operational and representative accounts at EU CCPs to clear certain interest rate derivatives contracts (EUR OTC IRD, PLN OTC IRD and EUR STIR). Let me take a minutes to take you through the main features of the AAR.

As you are aware, in November 2024 ESMA published a Consultation Paper outlining its proposal for specifying the AAR conditions. In particular, the Level 1 leaves it to ESMA to specify the conditions under which a counterparty would comply with (i) the operational conditions, (ii) the so-called “representativeness obligation”, and (iii) should report its activity to the competent national authority.

Operational conditions

As a minimum requirement, AAR requires counterparties falling within the AAR scope (i.e. subject to the clearing obligation and clearing more than 3bn EUR in the relevant derivatives) to maintain a functional account at an EU CCP, that should be operationally able of to withstand a substantial increase in clearing activity under short notice. Additionally, the operational capacities of the account should be stress-tested on a regular basis.

While ESMA has considered different metrics and evidence to demonstrate the **operational capacities of the account**, we are now reflecting on the comments received to the consultation, with the aim of limiting the burden on counterparties while ensuring the credibility of the clearing arrangements set out for the purpose of the AAR.

Representativeness obligation

In addition to the operational conditions, counterparties with exposures exceeding EUR 6 billion in the relevant derivatives are required to clear a minimum number of **representative trades** in their active account.

ESMA is tasked with determining the specifics of the representativeness obligation, including the classes of derivatives, the number of most relevant subcategories and the duration of the reference period over which such representativeness should be assessed. In doing so, ESMA staff analysed over 90 million trades across different derivatives classes, from more than 1,700 EEA counterparties, using mostly EMIR TR data. ESMA also considered actual portfolios of counterparties likely subject to the representativeness, and took into account different factors that could influence the maturity and size of trade buckets.

This led us to elaborate a proposal that should give EU counterparties as much flexibility as possible in meeting the representativeness obligation, especially for less liquid products (e.g. PLN OTC IRD), without compromising the effectiveness of the AAR requirement. On the basis of the feedback to the consultation, I believe this approach has been well received and understood by the industry.

Reporting requirements

Finally, the monitoring of the AAR requires counterparties to **report their activity and risk exposures** to NCAs on a regular basis.

It is fair to say that the approach initially proposed by ESMA has drawn significant attention from stakeholders, who expressed concerns over the increased operational burden for counterparties subject to the AAR.

I can assure you that we have taken due note of these comments, will make our utmost to limit any reporting duplication in the final draft RTS that we are now on track to deliver to the European Commission before June 2025.

Our aim is clear: to manage external dependencies prudently while safeguarding Europe's financial stability.

Towards a Savings and Investment Union (SIU)

Now, while the successful implementation of EMIR 3 is one of ESMA’s priorities, it should also be seen as a foundational step towards a broader and more ambitious goal: the establishment of **a fully-fledged SIU**. At its core, the SIU is about unlocking Europe's financial potential to fund innovation, accelerate the green and digital transitions, and foster sustainable economic growth across all Member States.

By ensuring that EU-based clearing services are robust, efficient, and globally competitive, EMIR 3 strengthens the infrastructure needed for deeper capital market integration. But achieving the SIU will require more than just technical reforms. It will demand **greater harmonisation of rules**, **enhanced supervisory convergence**, and **political commitment** to overcoming longstanding barriers such as market fragmentation and differing national approaches to regulation.

Given their EU wide systemic importance, CCPs must operate within a supervisory framework that is not only robust but also truly European. Fragmented prudential supervision and financial stability oversight limits our ability to identify cross-sectoral and cross-border build-up of risk, concentrations and dependencies and to respond coherently to such challenges. This in turn undermines confidence in the single market. As mentioned already, a more integrated supervisory architecture — with greater consistency, accountability, and coordination — is essential to ensure that critical market infrastructures are safe, resilient, and trusted across the Union.

In parallel, we must also advance toward a **more integrated and consolidated post-trading landscape**. Today's clearing and settlement infrastructures still largely reflect national boundaries that act as barriers to efficient cross-border capital flows. A more integrated post-trading system would not only reduce costs and complexity for market participants but also support the liquidity and depth needed for EU capital markets to compete globally.

The challenge of innovation

At the same time, more integrated and interconnected markets are essential to unlocking the benefits of technological innovation, which can bring significant gains in terms of efficiency, transparency and cost-effectiveness for both investors and issuers.

The EU's move to a T+1 settlement cycle is a clear example. As you well know, over the course of last year, ESMA has worked diligently to assess the opportunities of shortening the settlement cycle in the EU, and in November 2024 we proposed to the co-legislators that the EU should transition to a T+1 settlement cycle in the last quarter of 2027.

The transition to T+1 is expected to bring significant benefits for EU capital markets, as it should lower margin requirements, reduce counterparty risk and improve liquidity. However, the move to T+1 is not without challenges, as it will impact all entities across the trading and settlement chain, and it will demand legal adjustments, better liquidity management as well as investment in new technology.

It will also require a high level of coordination across trading and post-trading, which is why ESMA, together with the European Commission and the ECB, has put in place a specific governance structure to help the industry coordinate the shift.

Beyond T+1, the changes that may be induced by innovation are multiple and could re-shape this industry as we know it, by significantly transforming the role and functioning of CCPs. The introduction of new technologies such as the use of the cloud, DLT or artificial intelligence could enhance the efficiency, transparency and the security of the clearing and settlement process. For example, new technologies could facilitate real-time trade verification and settlement, reducing counterparty risk and reduce the need for collateral. New actors (financial as well as non-financial) could emerge, offering new or alternative business models (e.g. 24/7 clearing processes or fully integrated trading/clearing/settlement offers) that may shake up the traditional functioning of FMIs.

Of course, these innovations entail challenges, including heightened cyber resilience risks, and regulatory uncertainties. As co-chair of the CPMI-IOSCO Operational Resilience Group, this is one of the reasons why I believe that it will be essential to further assess the need for further guidance on a holistic approach to operational resilience, including cyber-security and third-party risk management.

Conclusion

The coming three years offer a real opportunity to build a stronger, safer, and more competitive EU clearing infrastructure. By rolling out EMIR 3 successfully and consolidating the gains made under EMIR 2.2, we can create a framework that goes some (but not all the) way towards the goals of the Capital Markets Union and the Savings and Investment Union.

But this cannot be achieved by regulators alone. It will require genuine partnership — between policymakers, sectoral supervisors, and market participants alike.

If we maintain our focus, draw on our shared expertise, and invest the right energy and commitment, I am confident that we can achieve our vision: an EU post-trade ecosystem that would become ever more resilient, more attractive and more competitive on the global stage, and which as a result would be able not only withstands today's risks but also embraces tomorrow's opportunities.

Thank you for your attention.