

Reply form

Consultation Paper on a draft RTS on the conditions and the list of documents for an application for validation of changes to models and parameters under Articles 49 and 49a of EMIR

Responding to this paper

ESMA invites comments on all matters in the Consultation Paper and in particular on the specific questions in this reply form. Comments are most helpful if they:

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

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

Instructions

In order to facilitate analysis of responses to the Consultation Paper, respondents are requested to follow the below steps when preparing and submitting their response:

- Insert your responses to the questions in the Consultation Paper in this reply form.
- Please do not remove tags of the type <ESMA_QUESTION_VALID_1>. Your response to each question has to be framed by the two tags corresponding to the question.
- If you do not wish to respond to a given question, please do not delete it but simply leave the text “TYPE YOUR TEXT HERE” between the tags.
- When you have drafted your responses, save the reply form according to the following convention: ESMA_VALID_nameofrespondent.

For example, for a respondent named ABCD, the reply form would be saved with the following name: ESMA_VALID_ABCD.

- Upload the Word reply form containing your responses to ESMA’s website (**pdf documents will not be considered except for annexes**). All contributions should be submitted online at www.esma.europa.eu under the heading ‘Your input - Consultations’.

Publication of responses

All contributions received will be published following the close of the consultation, unless you request otherwise. Please clearly and prominently indicate in your submission any part you do not wish to be publicly disclosed. A standard confidentiality statement in an email message will not be treated as a request for non-disclosure. A confidential response may be requested from us in accordance with ESMA's rules on access to documents. We may consult you if we receive such a request. Any decision we make not to disclose the response is reviewable by ESMA's Board of Appeal and the European Ombudsman.

Data protection

Information on data protection can be found at www.esma.europa.eu under the headings 'Legal notice' and heading '[Data protection](#)'..

1. General information about respondent

Name of the company / organisation	Deutsche Börse Group, incl. Eurex Clearing AG and European Commodity Clearing AG
Activity	Central Counterparty
Are you representing an association?	<input type="checkbox"/>
Country/Region	Germany

2. Questions

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

<ESMA_QUESTION_VALID_1>

As both CCPs of Deutsche Börse Group (DBG), Eurex Clearing AG and European Commodity Clearing AG, will be subject to the new approval procedures as specified by ESMA, we are responding with a joint group statement. As such, DBG welcomes the opportunity to respond to ESMA's consultation on the proposed draft RTS for validation under Articles 49 and 49a EMIR.

We strongly support the political objectives of EMIR 3.0 to enhance the efficiency and thereby the attractiveness and competitiveness of EU CCPs by establishing swifter approval procedures for model changes. Clear timelines for significant changes under the regular procedures, the introduction of an accelerated procedure for non-significant changes and the formal exemption of already validated aspects as well as minor or so called "business-as-usual" (BAU) changes should allow EU CCPs to implement risk model changes more quickly and bring the EU regime closer to other jurisdictions. While we nevertheless had some reservations about the narrow conditions for some of those procedures that are already contained on Level 1, the further specifications of the respective conditions on Level 2 will significantly determine the effectiveness of the new procedures in practice.

We broadly agree with many proposals in the ESMA draft RTS, however, we respectfully consider some elements of the consulted draft RTS to be too prescriptive, increasing the number of changes requiring ex-ante verification and thereby the administrative efforts for both authorities and CCPs. In particular, we believe that based on the low thresholds and narrow definitions contained in the draft RTS, most model changes would be considered significant, be subject to the regular approval procedure and could thus not benefit from the accelerated process. Further, minor or BAU changes, which are considered approved under the current model and under the status

quo would not have gone through any approval procedure, would under the narrow definitions in the draft RTS at minimum fall under the accelerated process.

In addition, some documentation requirements appear unproportionally extensive in relation to the model change and would require significant effort for preparing and assessing the application. One example is the proposed lookback period outlined in Article 10, which would require the CCP to perform a de-facto simulation of its entire risk framework under a proposed model change – even for the most minor changes – calculated over a continuous period of 6 months for all productive portfolios in a manner that is production-parallel.

As a result, the new approval procedures would not meet the political objectives of EMIR 3.0 of enhancing the time-to-market of EU CCPs, but risk decreasing the ability of CCPs to change risk models more swiftly compared to EMIR 2.2.

We therefore appreciate the opportunity to provide ESMA with targeted counterproposals how those three core areas could be recalibrated for a more proportional approach and enhanced efficiency for both authorities and CCPs. In a nutshell, we propose

- I. adapting the conditions of significance to allow more non-significant changes to benefit from the accelerated procedure,
- II. broadening the scope of changes already considered approved by the current model (including a clear categorization of more minor and BAU changes), and
- III. ensuring more proportional documentation requirements in relation to the change.

A more proportional scope of significant, non-significant and minor model changes would more robustly balance between ex-ante review of significant and non-significant changes and ex-post review of minor modifications. Such minor modifications could be captured by comprehensive ex-post assessments under the Article 21 EMIR comprehensive annual review by the authorities. Combining such an approach with slightly reduced documentation requirements to ensure they are more proportional to the foreseen change and leverage of the Article 21 review process for more holistic assessments, would further increase efficiencies for both CCPs and authorities. While Article 21 may only explicitly refer to ex-post reviews of service extensions, we believe that the legislation is phrased flexibly enough to also allow authorities to look into risk model validations as part of the broader compliance evaluation of CCPs.

With regard to Q1, we are broadly in agreement but would recommend a higher threshold of 20%. As outlined above, we believe that under the current draft RTS most changes would meet one of the significance criteria under Article 49(1i) EMIR. Hence, a change of the threshold for Article 49(1i), point a, from 15% to 20% would support a larger number of minor changes to benefit from the accelerated procedure. |

<ESMA_QUESTION_VALID_1>

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

<ESMA_QUESTION_VALID_2>

[We are concerned with ESMA’s proposal defining the threshold at a different level than indicated in the Regulation as it may be subject to future legal challenges. In our view the threshold shall be set on the output of the margin model level at a CCP level.

In addition, we would recommend a higher threshold of 20%. Consistent with our response to Q1 above, we believe that the increase to 20% would allow for a larger number of minor changes to fall under the accelerated procedure.]

<ESMA_QUESTION_VALID_2>

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

<ESMA_QUESTION_VALID_3>

[It is not clear to us what is meant under the term “portfolio” upon which the threshold is supposed to be set. As a way of example, it can be the case that there is only one instrument within a portfolio; in such a scenario it wouldn’t make sense from a financial point of view to trigger a “significant change” process.]

<ESMA_QUESTION_VALID_3>

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

<ESMA_QUESTION_VALID_4>

[We are concerned about the proposed thresholds. The thresholds introduced in points a and b differentiate between CCPs with multiple default funds and CCPs with a single default fund. Specifically, for CCPs with a single default fund the threshold proposed seeks to track impacts at a lower level than CCPs default fund referring to segments or liquidation groups. This additional distinction:

- a) Has no clear basis in the Regulation which in no way refers to liquidation groups, segments or compartmentalisations of the default fund
- b) Is not connected in any way to the risk that the default fund will not be sufficiently sized because of a model change. The entirety of a CCP’s default fund stands ready to cover potential losses beyond margins, irrespective of any compartmentalisation, segmentation or liquidation groups that a CCP introduced for other purposes (e.g. grouping of products to be liquidated jointly).

c) Is impractical to calculate as the default fund is calculated at a clearing member group level (considering two largest exposures) following multiple aggregation layers. Thus, it is impossible to simply decompose by liquidation groups due to lack of additivity between portfolios of individual clients and the exposure at a clearing member group level.

For the reasons outlined above, our proposal is to remove point b and make the threshold outlined in point a (20% of any of the default funds) apply in all cases.

Furthermore, we are concerned about threshold introduced in point c(ii). Our concern lies in the fact that, considering the large set of clearing members who may have vastly different strategies both structurally as well as over time, it is very likely for at least one to trigger condition c(i). Unfortunately, this problem with condition c(i) is not easily resolvable by changing the threshold. Consequently, it may be the case that the threshold in condition c(ii) is the only aspect which may safeguard against unnecessarily triggering review of the material model change despite a change having little impact on CCP resilience. For that reason, we believe a higher threshold in c(ii) would be more appropriate, 15%. |

<ESMA_QUESTION_VALID_4>

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

<ESMA_QUESTION_VALID_5>

|No, segmentation or compartmentalisation of the default fund does not affect the resources available against the stress scenario. The entirety of the default fund is available to be utilised against losses, even if those losses crystallise in a specific liquidation group or segment. |

<ESMA_QUESTION_VALID_5>

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

<ESMA_QUESTION_VALID_6>

|Analogous to our response to Q4, we are concerned that with a large set of clearing members and products across currencies, it is very likely that the materiality of the liquidity needs across various single currencies is vastly different. Without further specifying the set of single currencies for example to major or material currencies, it appears very likely that even smaller model changes might regularly breach the threshold in b(i) for at least one single currency. The relative thresholds for individual minor currencies may be easily breached, e.g. for a minor currency with only single source of liquidity need on a given date. Thus, our recommendation in this case is also to increase the threshold for condition b(ii) to 15%. |

<ESMA_QUESTION_VALID_6>

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

<ESMA_QUESTION_VALID_7>

[We have concerns regarding the relative threshold, analogous to those raised in Q4. Namely, the relative threshold for the CCP's liquidity exposure towards an individual counterparty might very likely trigger condition (a) for at least one individual counterparty, resulting from a large set of individual counterparties including clearing members with very different strategies both structurally as over time. Consequently, trigger condition (b) is the only safeguard from unnecessarily triggering a review of a material model change despite the change having very little impact on a CCP's aggregate liquidity resources. Therefore, we recommend increasing the threshold for condition (b) to 15%.

Furthermore, there is some ambiguity with regards to the category of changes which may be relevant for monitoring this condition. Reading Article 49(1i)(g) one has to conclude that they should not be any methodology change, e.g. margin model change would not be relevant for conditions in CDR Article 6. On the other hand, it would be beneficial to provide clarity by reformulating Article 6 to e.g., '*For the purpose of Article 49(1i), point (g), of Regulation (EU) 648/2012, where a change of CCP's liquidity exposure concentration risk methodology results in the CCP's liquidity exposure towards an individual counterparty, including the entities listed in Article 32(4) of Delegated Regulation 153/2013, decreasing or increasing by an amount corresponding to both: (...)*'.]

<ESMA_QUESTION_VALID_7>

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

<ESMA_QUESTION_VALID_8>

[We have concerns with regards to the proposed thresholds.

Firstly, the change in the value of collateral might be a result of a change to total margin requirements and/or default fund contributions. We believe these drivers of changes to the total value of collateral are not meant to trigger this condition (as both have their own, explicit conditions), but it would be helpful to make it clear in the text of the RTS.

Assuming that our understanding above is correct and this issue is clarified, we believe a threshold of 10% is more appropriate.

In case our understanding is not correct, and the condition is meant to also incorporate the effect of potential change of margin (and/or default fund) requirements, then we would suggest that this threshold is set to at least 15% commensurate with condition (a) in Q1 above.]

<ESMA_QUESTION_VALID_8>

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

<ESMA_QUESTION_VALID_9>

[We have major concerns about the elements to be considered when assessing whether one of the conditions referred to in paragraph 1i of the Regulation is met. The formulation of the proposed Article 10 would require the CCP to perform a de-facto simulation of its entire risk framework under a proposed model change calculated over a continuous period of 6 months for all productive portfolios in a manner that is production-parallel. Such a simulation will likely require major technological changes at the CCPs pre-dating regulatory application, would require significant investment in IT infrastructure and would extend the submission preparation timeline. Note that these are merely elements to be considered when assessing whether the conditions are met and thus the CCP would need to perform these calculations for all model changes, irrespective of how immaterial they might be. While we understand the motivation of ESMA to consider all possibilities and the aim to completely eliminate the risk of potentially allowing a model change to be validated using the accelerated procedure, even though it is actually material, we believe that the methods used are disproportionate and to a large extent defeat the objective of having the accelerated procedure.

We propose that for the purposes of assessing whether conditions are met, the simulation should, at a minimum, consider the elements that are directly affected and thus:

- For changes to margin models: conditions laid down in Article 2 and Article 3 would need to be analysed
- For changes to stress testing models: conditions laid down in Article 1 and Article 4 would need to be analysed
- For changes to liquidity stress testing models: conditions laid down in Article 5 and Article 6 would need to be analysed
- For changes to collateral haircut models: conditions laid down in Article 7 would need to be analysed.

Furthermore, we understand the motivation to avoid covering only a snapshot view but would urge reconsidering the need for continuous (presumably daily) assessment of the condition. We believe an assessment over a period of 6 months with at least monthly frequency satisfies the objective. It would hopefully mitigate ESMA's concern about CCPs cherry-picking the convenient day while at the same time drastically reducing the burden of running such impact analysis.

The RTS should also allow that a CCP may perform a limited or qualitative assessment where it can demonstrate in its application that the impact of the change is minimal and running quantitative simulation would not add value to that assessment or running the impact assessment would

be unreasonably burdensome. If a NCA or ESMA disagree with the CCP assessment (the impact being demonstrably minor without quantitative assessment), they would have the opportunity to reject the application because of incompleteness.

We have significant concerns regarding the proposed 12-month lookback period. This timeframe would effectively restrict the CCP to only 6 months for completing the application for submission. In our opinion, preparing a major model change requires at least 1-year for thorough preparation, including both internal and external governance processes before submission. Therefore, we strongly recommend extending the lookback period to at least 24 months prior to initial application date and providing some flexibility regarding the measurement of its start date relative to the model change submission. Without such adjustments, there is a risk that missing a deadline by a few weeks could automatically render a submission incomplete, despite the substantive content of the submission remaining unaffected.

Instead of stipulating a specific lookback period, we suggest considering a formulation such as "using at least a representative and sufficiently recent 6-month assessment period." This approach would address concerns around seasonal behaviour ("at least" implying the period could be longer if necessary to be representative), ensure that the assessment period is representative and mitigate issues arising from unnecessarily rigid deadlines associated with a fixed lookback period.

We also have serious concerns regarding the requirement to consider a change "significant" if any condition is met for any point in time. As outlined before it is not feasible to provide a continuous impact assessment and the condition "at any time in the period" is nearly impossible to evaluate. We propose to change the formulation to "if one condition is triggered for the majority of times".

<ESMA_QUESTION_VALID_9>

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

<ESMA_QUESTION_VALID_10>

[We agree with some of the proposed elements to be considered when assessing whether condition (b) is met.

Point a: We agree with the existing elements except for the (volatility) filtering which is currently mentioned alongside the lookback period in point b but would logically belong better in point a. The refined point a could then read "*Implementation of a new type of model including moving from/to a para-metric model, historical simulation and Monte Carlo simulation or introduction of (volatility) filtering scheme where one was not previously use*". Alternatively, the introduction of filtering could be provided as a stand-alone point.

Point b: Point b would then speak to the lookback period only. It is an important parameter of the model and Article 25 of the RTS specifies the minimum value of this parameter. Nonetheless, a change of the lookback period is not a change to “the structure or the structural elements of the margin model” and for that reason we believe it should not be included. The regulatory validation of compliance of the parameter used by CCP model against the mentioned Article of regulatory standards is trivial and should fit well within the timelines of the accelerated procedures.

Point c: We note that, similarly to the lookback period, changes to the confidence level are not changes to the structure or structural elements and would strongly recommend not to include this as an element for condition (b) for that reason. Similarly to the lookback period, it should fit well within the timelines of the accelerated procedures.

A case could be made that a CCP changing between the use of value-at-risk (VaR) and expected shortfall (ES) or vice versa should be interpreted as a changing a structural element of the model, but that does not extend to the change of the parameter itself within the chosen risk metric. We strongly recommend not to include the percentile parameter per se. While we recognize the confidence level parameter is important for the model outputs, significant change would manifest, for instance, in triggering condition(c) of the Regulation as proposed in Article 2 of these standards. Furthermore, the regulatory validation of the value chosen by the CCP against Article 24 of the RTS should fit well within the timelines of accelerated procedures (in case none of the conditions is met).

Point d: As per the above points, changes to the liquidation horizon are not structural changes and shouldn't be reflected in this condition. Indeed, the change of the liquidation period does not affect the model's property in any way, and its resilience remains unaffected provided that the liquidation horizon is adequate for the real liquidation process of the CCP. This is continuously validated, during the fire drills already mandated under EMIR. Obstacles to the CCP's ability to adapt its liquidation horizon to its actual liquidation process (beyond reasonable evidence of the length of such process) likely discourages CCPs to invest in improving the Default Management Process or other components of this period (such as porting).

Point e: We broadly support this formulation. |

<ESMA_QUESTION_VALID_10>

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

<ESMA_QUESTION_VALID_11>

| Regarding point a, we believe this would be better reflected in the standards for extension of activities rather than in the standards relating to model changes.

Regarding point b, we are broadly in support of the conditions but would suggest avoiding the ambiguous term 'new asset class' by referring to an established construct such as the asset classes laid out in Table 2: Classes of financial instruments covered by the CCP's authorisation as already maintained by ESMA.]

<ESMA_QUESTION_VALID_11>

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

<ESMA_QUESTION_VALID_12>

[We welcome the clarification in Art. 11 of the RTS and agree that prescriptive recommendations should be considered as already covered by the approved model.]

<ESMA_QUESTION_VALID_12>

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

<ESMA_QUESTION_VALID_13>

[We note that ESMA's proposal is extremely narrow in its scope, and would de-facto mean that any model changes introduced by the CCP other than the narrow case of implementing prescriptive recommendations and the explicit exclusion as per Art.49(1h) would have to be processed under the revised procedures. This will have the impact opposite to the intended goal of EMIR 3.0, namely the acceleration of the approval procedures and increased global competitiveness of EU CCPs. While until the latest revisions of EMIR only significant changes to a model would have been subject to the Article 49 process, now all changes to models and parameters (bar the narrow exceptions mentioned above) will be subject to the formalised approval process. This is exacerbated by the extent of quantitative analysis against the conditions that the CCP is expected to provide for each and every model change (see our response to Q9).

We believe that a more reasonable approach would be to:

- a) Re-use qualitative conditions to ensure the change is not material as per Articles 8 and 9 of the consulted RTS, reflecting our proposed changes to those Articles
- b) Leverage the format of quantitative conditions as laid out in Articles 1 to 7 but modifying the thresholds to reflect that these changes are sufficiently minor to be considered as already covered by the approved model, i.e.:
 - i. In Article 1, use a threshold of 10% of total pre-funded resources

- ii. In Article 2, use a threshold of 10% of total margin as a CCP level
- iii. In Article 3, use a threshold of 10% of the total margin requirements for the financial instruments subject to portfolio offsets
- iv. In Article 4, use a threshold of 10% of the size of any of the default funds
- v. In Article 5, use a threshold of 10% total liquidity needs
- vi. In Article 6, use a joint threshold of 10% of the CCP's liquidity exposure to an individual counterparty AND 5% of the aggregate liquid resources
- vii. In Article 7, use a threshold of 5% of the CCP's total value of collateral (assuming a clarification that this should not be affected by changes to margin & default fund requirements arising from changes to margin and stress testing models rather than collateral haircut model, see our answer to Q8 above).

Besides for significant changes to models subject to the Article 49 process, this approach still significantly extends quantitative analysis for changes to models and parameters when compared to the last revisions of EMIR. Yet, the proposed alternative approach harmonizes the classification across regular procedures, accelerated procedures and exemptions, while ensuring a high ex-ante certainty on classification outcomes for ESMA, the NCA and CCPs. The regular ex-post notification of exempted changes which should be considered as already covered by the approved model, combined with annual model validation and review by the NCA under Article 21 provide sufficient safeguards to ensure CCP remains compliant with EMIR and the EMIR RTS without creating unwarranted burden for minor change activities relating to models. |

<ESMA_QUESTION_VALID_13>

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

<ESMA_QUESTION_VALID_14>

| As highlighted in Q13, we believe that the ESMA proposal is extremely narrow in its scope. Consequently, we expect that de facto all changes to models and parameters would be subject to the Article 49 process. Further, given the narrow scope definition for non-material changes, we expect a larger number of changes being classified as material – as very likely one of the extremely narrow conditions will be met most of the time. Moreover, changes that we would view as minor BAU changes would mostly be classified as non-material changes and would consequently also be subject to the Article 49 process. In sum, we would expect a significantly increased burden for changes to risk models that would affect CCPs, NCAs as well as ESMA. This outcome would have the impact opposite to the intended goal of EMIR 3.0.

If the EMIR RTS is realized (largely) unchanged to the draft proposal, optimal response by CCPs will likely be to group a wider range of changes into one material change per year. The remainder of potential changes would then be either postponed or not pursued as not justified given the limited resources.

To reach an outcome more aligned with the intended goal of EMIR 3.0, we have proposed a more reasonable approach for the conditions of Art. 49 1(i) in Q1-Q11 and for the classification of minor changes in Q13.

While we are not able to simulate all the conditions, indicative numbers based on our more reasonable approach are as follows:

- 1) Material changes: 1 per annum
- 2) Non-material changes: 2 per annum
- 3) Changes considered as covered under the existing model approval: 2-3 per annum

The outcome of classifications for this more reasonable approach would still extend the number of model changes subject to the Article 49 procedure, when compared to the legislative Article 49 procedure prior to the EMIR 3.0 review. Nevertheless, we believe the alternatively proposed approach would lead to a more meaningful classification of changes, consistent with the proportionality principle based on a risk-based approach. As a result, the classification of risk model changes would be more balanced across the classification categories and recognize the need for minor adaptations to models. Consequently, this outcome would significantly ease the burden for changes to risk models for the affected CCPs, NCAs, and ESMA – while still resulting in a broader and more robust approach to risk model changes compared to the Article 49 procedures prior to the EMIR 3.0 review.

In sum, we believe that the more reasonable approach still increases the rigour to assess risk model changes compared to the status quo, yet avoids leading to an exacerbation of efforts that would be required by the CCPs, NCAs, and ESMA for each and every model change. |

<ESMA_QUESTION_VALID_14>

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

<ESMA_QUESTION_VALID_15>

| Yes, the general provisions are almost clear. However, considering the two-tier board structure of some CCPs with a supervisory board and a management board, we would appreciate a clarification that the certification of the “CCP’s board” does not refer to the supervisory board but to the management board. We would therefore prefer if either the management board is explicitly referenced or a less ambiguous term such as executive management is used. We agree that the general provisions are provided regardless of whether they concern significant or non-significant

model changes. Nevertheless, we would like to highlight that the scope and depth of provided information shall be proportionate to the significance of the model change.]

<ESMA_QUESTION_VALID_15>

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

<ESMA_QUESTION_VALID_16>

[The requirement is appropriate and clear.]

<ESMA_QUESTION_VALID_16>

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

<ESMA_QUESTION_VALID_17>

[We have concerns regarding the granularity of requested information on the change implementation (Article 14, point d.) and the scope requirements for the assessment of the model change against the relevant requirements of the Regulations (Article 14, point f.).

Article 14 point d: We understand that NCA and ESMA want to understand the planned timeline and uncertainties of the change implementation. Yet, while we agree with providing high-level milestones on the change implementation, in our view it remains at the responsibility of the CCP to continuously identify, assess and manage project risks and mitigations of the change implementation. This process begins prior to the official application date and continues thereafter so that at the application date only a snapshot could be provided anyway. Therefore, we propose to provide only high-level milestones of the change implementation.

Article 14 point f: We are concerned that the requirement to assess the extension against the relevant regulatory requirements results in redundant efforts for the NCA, ESMA, and the CCP. EMIR Article 21 already mandates an annual comprehensive review and evaluation of the CCP's compliance. Therefore, we propose that only the specific regulatory aspects impacted by the model change be assessed by the CCP at the time of the model change application. The remaining aspects should be reviewed by the NCA during the annual evaluation as required by EMIR Article 21.

Differentiation between significant and non-significant model changes: We welcome ESMA's clarification and agree that non-significant model changes are not required to provide an assessment

of the model change against relevant regulatory requirements (point f.) in line with the general objective to accelerate the approval procedure for non-significant model changes.

|

<ESMA_QUESTION_VALID_17>

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

<ESMA_QUESTION_VALID_18>

| We broadly agree with the required documentation but have concerns with regards to some points:

- Point c: This requirement appears to confuse the purpose of the model description and the model change description. We believe the role of a model change document is to document the model change and not to repeat the model description, especially in the context of the requirement under point i. In our view the proposed point c should only include the first sentence as the remainder is simply the role of the model description, which shouldn't be duplicated in the model change documentation, i.e. point c should read: "A detailed description of the model change, including mathematical specifications such as details of the calculations, logical steps and mathematical and statistical details."
- Point f. and g.: Consistent with point c., within the model change description the list of parameters (point f.) and list of assumptions (point g.) should be limited to those affected by the model change only.
- Point i: The term technical documentation is ambiguous and could be interpreted as either (i) the model description documented to a standard sufficient to enable the reader to replicate the model or (ii) the technical documentation concerning implementation of the model in CCP IT systems, e.g. system specifications, functional and non-functional requirements, etc. We believe that (i) is more appropriate for a regulatory validation of a model change and thus recommend using the term 'model description documented to a standard sufficient to enable the reader to replicate the model'.

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<ESMA_QUESTION_VALID_18>

Q19 Are the requirements on documentation in relation to governance of the model change, including independent validation and risk committee advice, clear and ad-

equate to ensure that reliable information on the governance of a review of significant model change is provided? Should ESMA consider requesting additional information on the validation process or clarifying any aspects of the information provided?

<ESMA_QUESTION_VALID_19>

[We broadly agree with the proposal. Our concern is only with regards to the level of granularity and scope in point c and specifically the use of the word “processes” which could then include operational processes for the daily operation of the model. Typically, the regulatory governance and the IT implementation run in parallel, which means that at the time of the application the CCP does not yet have the operational-level procedures governing daily operations of its systems with regards to new functionalities available. Moreover, consistent with our response to Q18 above, the detailed description of the processes that the applicant CCP will use to analyse and monitor of the model performance following the model change should be limited to those affected by the model change only.

We believe it is more feasible that, at the time of the application, the CCP provides a high-level description of the planned analysis and monitoring of the performance of those parts of the model affected by the change. The full operational-level procedures governing daily operations of its systems with regards to new functionalities and full model scope can be assessed subsequently as part of the ongoing supervision.]

<ESMA_QUESTION_VALID_19>

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

<ESMA_QUESTION_VALID_20>

[While we understand the ESMA rationale to see how the model change fits into the overall risk framework, we would like to highlight that Article 21 EMIR already foresees a comprehensive review of all policies and procedures on an annual basis. We believe it is an unproportional administrative burden to submit the full set of policies and procedures relevant for model changes, even though those policies and procedures have not been amended. It would also be disproportionate for the authorities having to provide a full review of all policies for each model change. Instead of requiring the submission of all policies and procedures, we therefore propose that CCPs only need to submit and highlight any amended sections of existing policies and procedures that are relevant for the model change, provided amendments have been conducted, to ensure a more proportional approach.

Furthermore, it would be helpful to add wording that the validation of the model change should not be confused with a revalidation of the existing model or a re-assessment of the existing risk frame-

work to ensure that the regulatory authorities stay within the confines of the scope of the application according to Article 49 and Article 49(1) respectively. Such phrase may limit unrelated, often duplicating enquiries. |

<ESMA_QUESTION_VALID_20>

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

<ESMA_QUESTION_VALID_21>

The information related to testing methodologies is helpful but we have the following concerns:

- 1) Point a:
 - First point should refer to the analysis performed for the purposes of Article 10 (see our response to Q9 for proposed changes to Article 10) which would already cover actual portfolios.
 - Additional point to be added which would stipulate that changes to margin models should also consider margin impacts on selected hypothetical portfolios.
 - Providing analysis of the impact of hypothetical portfolios in the context of aggregate metrics (e.g. Cover-2 or Default Fund) is not only extremely difficult to implement (as it requires creating production-parallel account structures) but also barely interpretable as such metrics are not built based on individual portfolios but rather on combinations of portfolios, ordered in hierarchical structures reflecting legal segregation.
- 2) Point b: While we understand the rationale of requesting backtesting results for actual and selected hypothetical portfolios over an appropriate observation window, we would urge a more flexible formulation such as 'Where relevant, back testing results for actual or actual-like portfolios as well as selected hypothetical portfolios over (..)'.
- 3) Point c: We would welcome additional details on how ESMA would like the CCP to evaluate a model change in relation to procyclicality and periods of stress. Our proposal would be to assess the model change with regards to standardized measures of margin responsiveness as laid out in Proposal 6 of the recently published BCBS-CPMI-IOSCO final report "Transparency and responsiveness of initial margin in centrally cleared markets – review and policy proposals" using the same observation window as per point b. Reference to measures introduced in policy proposal 6 would allow for global convergence and utilizing the same observation window as per point b would allow the CCP to use the same simulations as for backtesting analysis.
- 4) Point d: We would welcome a clearer formulation of this point. Our current interpretation is that this point becomes relevant when a CCP attempts to change the model used to size

the default fund. In such a case a CCP should recalculate the default fund size under the model change proposal and demonstrate that the default fund and the other financial resources (margin, CCP's own dedicated resource) will be sufficient to withstand the default of at least the two clearing members to which it has the largest exposures under extreme but plausible market conditions as simulated using the CCP's stress testing model.

- 5) Point e: As per above, it would be beneficial to confirm that these testing results are relevant for model changes concerning the liquidity stress testing. |

<ESMA_QUESTION_VALID_21>

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

<ESMA_QUESTION_VALID_22>

| The 12-month period for credit and liquidity stress tests deviates from the generally applicable 6-month period laid out in Article 10. In order to not generate excessive efforts for the CCP needing to perform this simulation and to harmonize assessment approaches, we recommend consistently amending the period used in points d and e to 6 months. |

<ESMA_QUESTION_VALID_22>