

MEMO# 29624

January 7, 2016

Draft ICI Global Comment Letter to ESMA on the Liquidation Period Applied by Central Counterparties for Calculating Client Margin; Member Feedback Requested by January 14

[29624]

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TO: DERIVATIVES MARKETS ADVISORY COMMITTEE No. 2-16
ICI GLOBAL TRADING & MARKETS COMMITTEE No. 1-16
REGISTERED FUND CPO ADVISORY COMMITTEE
SECURITIES OPERATIONS ADVISORY COMMITTEE RE: DRAFT ICI GLOBAL COMMENT LETTER TO ESMA ON THE LIQUIDATION PERIOD APPLIED BY CENTRAL COUNTERPARTIES FOR CALCULATING CLIENT MARGIN; MEMBER FEEDBACK REQUESTED BY JANUARY 14

As previously reported, the European Securities and Markets Authority (“ESMA”) recently issued a consultation paper on the review of regulatory technical standards (“RTS”) concerning the liquidation period applied by central counterparties (“CCPs”) for the calculation of client margin. [\[1\]](#) The consultation arises in the context of equivalence and recognition of U.S. CCPs under the European Market Infrastructure Regulation.

ICI Global’s draft comment letter on the proposal is attached for your review. If you have any comments on the draft letter, please send them to George Gilbert at george.gilbert@ici.org or (202) 326-5810 by close of business on January 15.

The proposal would revise existing RTS that establish a two business day liquidation period for financial instruments other than over-the-counter (“OTC”) derivatives to allow CCPs the option of offering accounts with a one day liquidation period, subject to certain conditions. The draft letter generally supports the proposal. The letter argues that the draft RTS would promote a consistent global regulatory framework for the clearing of non-OTC derivatives and facilitate cross-border transactions, i.e., transactions between U.S. and EU counterparties, by increasing the likelihood that U.S. and EU regulators will recognize each other’s clearing regimes as equivalent. In addition, the proposal would provide increased protections to the collateral that funds post to secure their cleared positions. The letter further suggests that ESMA modify one of the proposed conditions on the new account

types. Specifically, the proposal would require a CCP to implement procedures to calculate margin requirements for each account at least hourly and to collect margin within one hour where the new margin requirement exceeds specified thresholds. The letter urges ESMA to adopt a modified version of this proposal that would be more aligned with U.S. margin requirements for CCPs.

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[Attachment](#)

endnotes

[1] See ICI Memorandum No. 29559, available at <https://www.iciglobal.org/iciglobal/pubs/memos/ci.memo29559.global>.

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