FINANCIAL STABILITY BOARD

Leverage in Non-Bank Financial Intermediation: Consultation report

Response to Consultation

CCP Global

Recommendation 1

1. **Is the description of the financial stability risks from leverage in NBFI accurate and comprehensive? Are there additional vulnerabilities or risk dimensions related to NBFI leverage that authorities should consider for monitoring purposes?**

   The regulatory data gaps that exist in the NBFI sector have been identified by many institutions, including the International Monetary Fund ("IMF"). The IMF observed that "[r]egulatory data gaps for NBFIs are significant, and they inhibit the ability of the regulator to assess and monitor systemic risks. Although the availability of regulatory data has improved over time, gaps in most NBFIs remain meaningful and uneven among jurisdictions (...)."

2. **What are the most effective risk metrics that should be considered by authorities to identify and monitor financial stability risks arising from NBFI leverage?**

   Access to appropriate data on NBFI is paramount for different stakeholders, including for authorities, to be able to continue to monitor and mitigate systemic risk arising from this sector of the market.

3. **What are the most effective metrics for the monitoring of financial stability risks resulting from:**

   (i) specific market activities, such as trading and investing in repos and derivatives

   Non-bank financial intermediary firms also play a role in centrally cleared markets and providing CCPs a more holistic view of their members' and clients' over-the-counter ("OTC") activity, exposures, and concentration levels, thus, supports ongoing risk management practices, to the benefit of the whole clearing ecosystem.

   (ii) specific types of entities, such as hedge funds, other leveraged investment funds, insurance companies and pension funds

   Non-bank financial intermediary firms also play a role in centrally cleared markets and providing CCPs a more holistic view of their members' and clients' over-the-counter ("OTC") activity, exposures, and concentration levels, thus, supports ongoing risk management practices, to the benefit of the whole clearing ecosystem.

   (iii) concentration and crowded trading strategies

Non-bank financial intermediary firms also play a role in centrally cleared markets and providing CCPs a more holistic view of their members' and clients' over-the-counter ("OTC") activity, exposures, and concentration levels, thus, supports ongoing risk management practices, to the benefit of the whole clearing ecosystem.

Recommendation 3

4. **What types of publicly disclosed information (e.g. transaction volumes, outstanding amounts, aggregated regulatory data) are useful for market participants to enhance their liquidity or counterparty credit risk management? Are there trade-offs in publicly disclosing such information and, if so, what would be the most important elements to consider? What is the appropriate publication frequency and level of aggregation of publicly disclosed information?**

   CCP Global strongly supports the FSB's intention, described in the Consultation's Recommendation 3 in the "Public disclosure" section, to collect and disseminate more data from NBFI entities.

   This would include data related to the level of NBFI activities, exposures, concentration, crowdedness, and liquidity.

   While CCP Global recognizes the benefits of more transparency in the NBFI sector, we question who should be responsible for the provision of the appropriate public disclosures.

   In particular, the Consultation's Recommendation 3 states that "[a]uthorities should review the level of granularity, frequency, and timeliness of existing public disclosures and determine the degree to which additional or enhanced disclosures should be provided to the public, either by (i) authorities, including disclosure based on regulatory reporting data, (ii) the relevant financial market infrastructure providers or (iii) directly by financial entities, balancing the costs and benefits of doing so."

   CCP Global strongly opposes that CCPs (i.e., a type of FMIs) be required to provide additional or enhanced disclosures in order to increase visibility into NBFI leverage, particularly, since, as recognized in the Consultation, CCPs themselves are not "leveraged non-bank financial entities" or "leverage providers."

   CCPs already provide an exceptionally high level of transparency, that is not replicated in other segments of the market.

   CCPs have a long-established practice of publishing their rules and also of providing detailed insights into their activities and risk management practices through their public qualitative and quantitative disclosures, which are in line with the CPMI-IOSCO's "Disclosure framework and Assessment methodology" and CPMI-IOSCO's "Public quantitative disclosure standards" ("PQDs").

   CCPs are also subject to detailed reporting requirements vis-à-vis trade repositories, and have spent significant resources to provide such a vast amount and high quality of disclosures.

   Moreover, CCPs commonly do not have direct relationships with NBFI entities, thus, it is inappropriate for CCPs to be required to provision additional and/or enhanced disclosures related to NBFI leverage.

Broadly speaking, disclosures regarding NBFI leverage should come from the source (i.e., the leveraged NBFI entities), particularly given that they will have the most appropriate and accurate information on their own leverage.

CCP Global has been a long-standing proponent of enhancing transparency related to market participants.

With that in mind, CCP Global prepared a concept paper for Market Participant Public Quantitative Disclosures ("MPPQD"), which would complement regulatory statistics (e.g., Bank for International Settlements' statistics) and mirror those available from CCPs through their PQDs.

We stand ready to further discuss the details of this proposal with applicable stakeholders in the industry, and assist the FSB in setting appropriate requirements related to NBFI transparency.

Recommendation 5

5. **Do Recommendations 4 and 5 sufficiently capture measures that would be used to address the scope of non-bank financial entities under consideration in this report? In what ways may the policy measures proposed in the consultation report need to be adjusted to account for different types of non-bank financial entities?**

   CCP Global commends the FSB for the recognition of the numerous benefits that central clearing brings to financial markets and of central clearing's favorable impact on financial stability.

   We also welcome proposals for measures which may further incentivise central clearing, such as prescribing minimum margin requirements in non-centrally cleared markets or reviewing the effectiveness of the existing thresholds in this regard.

   It should also be noted that global standards for regulating securities financing transactions ("SFTs") markets have been implemented differently around the world.

   This leads to an uneven playing field between centrally and non-centrally cleared markets, and different legal approaches.

   While the PFMIs and the European Market Infrastructure Regulation regulate the application of haircuts for centrally cleared markets, the FSB recommends the consideration of minimum haircuts also for non-centrally cleared SFTs.

   CCP Global therefore welcomes that the FSB recently confirmed its view and believes that global consistency should be promoted to ensure that haircuts are generally risk-adequate.

6. **In what circumstances can activity-based measures, such as (i) minimum haircuts in securities financing transactions, including government bond repos, (ii) enhanced margin requirements between non-bank financial entities and their derivatives counterparties, or (iii) central clearing, be effective in addressing financial stability risks related to NBFI leverage in core financial markets, including government bond markets? To what extent can these three types of policy measures complement each other?**

CCP Global commends the FSB for the recognition of the numerous benefits that central clearing brings to financial markets and of central clearing's favorable impact on financial stability.

We also welcome proposals for measures which may further incentivise central clearing, such as prescribing minimum margin requirements in non-centrally cleared markets or reviewing the effectiveness of the existing thresholds in this regard.

7. **Are there benefits to dynamic approaches to minimum margin and haircut requirements, e.g. where the requirements change based on changes in concentration or system-wide leverage? If so, what types of indicators capturing concentration or system-wide leverage should the requirements be linked to?**

Margin requirements are fundamentally designed by CCPs, using their expertise and knowledge of the markets they clear, to appropriately cover the unique risk characteristics presented in their markets.

These can include the use of concentration-related measures (e.g., margin add-ons).

CCPs take a similar approach when designing the haircuts for the collateral types they accept, which reflect the unique credit, market, and liquidity risks of the given collateral type, while balancing the need to potentially liquidate in stressed market conditions.

Further, as has been a focus of the industry recently, CCPs also provide a substantial amount of transparency with regard to their margining and collateral haircut practices.

This transparency, in part, provides participants the tools and resources to both reasonably anticipate changes in margin as it relates to market conditions, as well as accordingly plan for liquidity needs.

8. **Are there any potential unintended consequences from activity-based measures beyond those identified in the consultation report?**

CCP Global does not support regulatory input in setting margin and collateral haircut levels, which could add uncertainty to the industry, especially in times of stress.

Such a practice would likely result in market participants no longer being able to rely on the disclosures and margin simulation tools provided by CCPs, which could result in behaviors that exacerbate stressed markets.

This careful design should not be inappropriately modified for the purpose of managing NBFI's leveraged activities.

9. **For non-centrally cleared securities financing transactions, including government bond repos, what are the merits of margin requirements compared to minimum haircuts?**

While the PFMIs and the European Market Infrastructure Regulation regulate the application of haircuts for centrally cleared markets, the FSB recommends the consideration of minimum haircuts also for non-centrally cleared SFTs.

CCP Global therefore welcomes that the FSB recently confirmed its view and believes that global consistency should be promoted to ensure that haircuts are generally risk-adequate.

10. **In what circumstances can entity-based measures, such as (i) direct and (ii) indirect leverage limits be effective in addressing financial stability risks related to NBFI leverage in core financial markets?**

CCP Global does not support regulatory input in setting margin and collateral haircut levels, which could add uncertainty to the industry, especially in times of stress.

Such a practice would likely result in market participants no longer being able to rely on the disclosures and margin simulation tools provided by CCPs, which could result in behaviors that exacerbate stressed markets.

This careful design should not be inappropriately modified for the purpose of managing NBFI's leveraged activities.

11. **Are there ways to design and calibrate entity-based measures to increase their risk sensitivity and/or their effectiveness in addressing financial stability risks from NBFI leverage?**

    Margin requirements are fundamentally designed by CCPs, using their expertise and knowledge of the markets they clear, to appropriately cover the unique risk characteristics presented in their markets.

    These can include the use of concentration-related measures (e.g., margin add-ons).

    CCPs take a similar approach when designing the haircuts for the collateral types they accept, which reflect the unique credit, market, and liquidity risks of the given collateral type, while balancing the need to potentially liquidate in stressed market conditions.

    Further, as has been a focus of the industry recently, CCPs also provide a substantial amount of transparency with regard to their margining and collateral haircut practices.

    This transparency, in part, provides participants the tools and resources to both reasonably anticipate changes in margin as it relates to market conditions, as well as accordingly plan for liquidity needs.

12. **Are there any potential unintended consequences from entity-based measures beyond those identified in the consultation report?**

    CCP Global does not support regulatory input in setting margin and collateral haircut levels, which could add uncertainty to the industry, especially in times of stress.

    Such a practice would likely result in market participants no longer being able to rely on the disclosures and margin simulation tools provided by CCPs, which could result in behaviors that exacerbate stressed markets.

    This careful design should not be inappropriately modified for the purpose of managing NBFI's leveraged activities.

13. **To what extent can activity-based and entity-based measures complement each other? What are the main considerations around using these two types of measures in combination?**

    Margin requirements are fundamentally designed by CCPs, using their expertise and knowledge of the markets they clear, to appropriately cover the unique risk characteristics presented in their markets.

    These can include the use of concentration-related measures (e.g., margin add-ons).

    CCPs take a similar approach when designing the haircuts for the collateral types they accept, which reflect the unique credit, market, and liquidity risks of the given collateral type, while balancing the need to potentially liquidate in stressed market conditions.

Further, as has been a focus of the industry recently, CCPs also provide a substantial amount of transparency with regard to their margining and collateral haircut practices.

This transparency, in part, provides participants the tools and resources to both reasonably anticipate changes in margin as it relates to market conditions, as well as accordingly plan for liquidity needs.

Recommendation 6

14. How could counterparty credit risk management requirements for leverage providers be enhanced to be more effective in addressing financial stability risks from NBFI leverage in core financial markets, such as government bond repo markets? In what circumstances can they be most effective?

Non-bank financial intermediary firms also play a role in centrally cleared markets and providing CCPs a more holistic view of their members' and clients' over-the-counter ("OTC") activity, exposures, and concentration levels, thus, supports ongoing risk management practices, to the benefit of the whole clearing ecosystem.

Recommendation 7

15. Would a minimum set of disclosures to be provided by leverage users to leverage providers be beneficial in improving counterparty credit risk management and reducing financial stability risks from NBFI leverage, including concentration risks? If so, which types of information and what level of granularity should (and should not) be included in this minimum set and why?

Broadly speaking, disclosures regarding NBFI leverage should come from the source (i.e., the leveraged NBFI entities), particularly given that they will have the most appropriate and accurate information on their own leverage.

16. What are the main impediments that leverage users face in sharing additional or more granular data with their leverage providers? Is there a risk that a minimum recommended set of disclosures may lead leverage users to limit the information they share with their leverage providers to that minimum set?

Broadly speaking, disclosures regarding NBFI leverage should come from the source (i.e., the leveraged NBFI entities), particularly given that they will have the most appropriate and accurate information on their own leverage.

17. Should such a minimum set of disclosures rely on harmonised data and metrics to ensure transparency and efficiency in the use of such information for risk management purposes? Do respondents agree that such a minimum set of disclosures should be based on the list of principles outlined in the consultation report? If not, which principles should be added, deleted or amended?

Broadly speaking, disclosures regarding NBFI leverage should come from the source (i.e., the leveraged NBFI entities), particularly given that they will have the most appropriate and accurate information on their own leverage.

18. Should leverage users be required or expected to provide enhanced disclosures (beyond that provided in normal market conditions) to their leverage providers during times of stress?

Broadly speaking, disclosures regarding NBFI leverage should come from the source (i.e., the leveraged NBFI entities), particularly given that they will have the most appropriate and accurate information on their own leverage.

19. **Should authorities design a minimum set of harmonised disclosures and guidelines on its application, or should they convene a cross-industry working group to do so? How do respondents believe such a standard should be incorporated into market practice? Through regulation, supervisory guidance, and/or via a Code of Conduct or similar approach?**

Broadly speaking, disclosures regarding NBFI leverage should come from the source (i.e., the leveraged NBFI entities), particularly given that they will have the most appropriate and accurate information on their own leverage.

Recommendation 8

20. **Are there areas where the principle of “same risk, same regulatory treatment” should be more consistently applied? Are there circumstances in which the principle should not apply or should not apply comprehensively?**

CCP Global commends the FSB for the recognition of the numerous benefits that central clearing brings to financial markets and of central clearing's favorable impact on financial stability.

We also welcome proposals for measures which may further incentivise central clearing, such as prescribing minimum margin requirements in non-centrally cleared markets or reviewing the effectiveness of the existing thresholds in this regard.

It should also be noted that global standards for regulating securities financing transactions ("SFTs") markets have been implemented differently around the world.

This leads to an uneven playing field between centrally and non-centrally cleared markets, and different legal approaches.

While the PFMIs and the European Market Infrastructure Regulation regulate the application of haircuts for centrally cleared markets, the FSB recommends the consideration of minimum haircuts also for non-centrally cleared SFTs.

CCP Global therefore welcomes that the FSB recently confirmed its view and believes that global consistency should be promoted to ensure that haircuts are generally risk-adequate.

February 28, 2025

VIA ELECTRONIC SUBMISSION (Link)
Financial Stability Board
Centralbahnplatz 2
CH-4002 Basel
Switzerland

Re: Financial Stability Board's Consultation report "Leverage in Non-bank Financial Intermediation"

The Global Association of Central Counterparties ("CCP Global") is the international association for central counterparties ("CCPs"), representing 42 members who operate over 60 individual CCPs across the Americas, EMEA, and the Asia-Pacific region.

CCP Global appreciates the opportunity to respond to the Financial Stability Board's ("FSB") Consultation report "Leverage in Non-bank Financial Intermediation"[1] ("the Consultation" and "the Report"). We commend the FSB for continuing to prioritize financial stability, including as it relates to risks arising from leverage in non-bank financial intermediation ("NBFI"). As evidenced in the FSB's "Global Monitoring Report on Non-Bank Financial Intermediation" from 2024,[2] the NBFI sector is growing in size, and as such it is important to address any vulnerabilities stemming from this space. CCP Global would like to contribute to the Consultation by making a few targeted comments in response to specific recommendations found in the Report, as outlined below.

We welcome that the Consultation explicitly states that "[e]ntities in scope are non-bank financial firms that use leverage"[3] and that "Financial Market Infrastructures (FMIs), such as central counterparties (CCPs), are non-bank financial entities that are excluded from the meaning of "leveraged non-bank financial entities" as well as "leverage providers" for the purposes of this report"[4].

Recommendation 3: Requirements related to transparency

CCP Global strongly supports the FSB's intention, described in the Consultation's Recommendation 3 in the "Public disclosure" section, to collect and disseminate more data from NBFI entities. This would

[1] FSB, Consultation report, "Leverage in Non-bank Financial Intermediation" (December 2024): Link.
[2] FSB, "Global Monitoring Report on Non-Bank Financial Intermediation" (December 2024): Link.
[3] FSB, Consultation report, op. cit., p. i.
[4] Ibid., p. 3.

include data related to the level of NBFI activities, exposures, concentration, crowdedness, and liquidity. The regulatory data gaps that exist in the NBFI sector have been identified by many institutions, including the International Monetary Fund ("IMF"). The IMF observed that "[r]egulatory data gaps for NBFIs are significant, and they inhibit the ability of the regulator to assess and monitor systemic risks. Although the availability of regulatory data has improved over time, gaps in most NBFIs remain meaningful and uneven among jurisdictions (…)."[5] Access to appropriate data on NBFI is paramount for different stakeholders, including for authorities, to be able to continue to monitor and mitigate systemic risk arising from this sector of the market. Non-bank financial intermediary firms also play a role in centrally cleared markets and providing CCPs a more holistic view of their members' and clients' over-the-counter ("OTC") activity, exposures, and concentration levels, thus, supports ongoing risk management practices, to the benefit of the whole clearing ecosystem.

While CCP Global recognizes the benefits of more transparency in the NBFI sector, we question who should be responsible for the provision of the appropriate public disclosures. In particular, the Consultation's Recommendation 3 states that "[a]uthorities should review the level of granularity, frequency, and timeliness of existing public disclosures and determine the degree to which additional or enhanced disclosures should be provided to the public, either by (i) authorities, including disclosure based on regulatory reporting data, (ii) the relevant financial market infrastructure providers or (iii) directly by financial entities, balancing the costs and benefits of doing so."[6] CCP Global strongly opposes that CCPs (i.e., a type of FMIs) be required to provide additional or enhanced disclosures in order to increase visibility into NBFI leverage, particularly, since, as recognized in the Consultation, CCPs themselves are not "leveraged non-bank financial entities" or "leverage providers."

CCPs already provide an exceptionally high level of transparency, that is not replicated in other segments of the market. CCPs have a long-established practice of publishing their rules and also of providing detailed insights into their activities and risk management practices through their public qualitative and quantitative disclosures, which are in line with the CPMI-IOSCO's "Disclosure framework and Assessment methodology"[7] and CPMI-IOSCO's "Public quantitative disclosure standards"[8] ("PQDs"). CCPs are also subject to detailed reporting requirements vis-à-vis trade repositories, and have spent significant resources to provide such a vast amount and high quality of disclosures. Moreover, CCPs commonly do not have direct relationships with NBFI entities, thus, it is inappropriate for CCPs to be required to provision additional and/or enhanced disclosures related to NBFI leverage. Broadly speaking, disclosures regarding NBFI leverage should come from the source (i.e., the leveraged NBFI entities), particularly given that they will have the most appropriate and accurate information on their own leverage.

CCP Global has been a long-standing proponent of enhancing transparency related to market participants. With that in mind, CCP Global prepared a concept paper for Market Participant Public

[5] IMF, "Global Financial Stability Report" (April 2023): Link, p. 66.
[6] FSB, Consultation report, op. cit., p. 20.
[7] CPMI, IOSCO, "Principles for financial market infrastructures: Disclosure framework and Assessment methodology" (December 2012): Link.
[8] CPMI, IOSCO, "Public quantitative disclosure standards for central counterparties" (February 2015): Link.

Quantitative Disclosures ("MPPQD"),[9] which would complement regulatory statistics (e.g., Bank for International Settlements' statistics) and mirror those available from CCPs through their PQDs. We stand ready to further discuss the details of this proposal with applicable stakeholders in the industry, and assist the FSB in setting appropriate requirements related to NBFI transparency.

Recommendation 5: enhanced margining requirements and concentration measures in cleared markets

The Consultation proposes under Recommendation 5, under "Enhanced margining requirements in derivatives markets," that "[a]uthorities, in cooperation with SSBs, should review margining requirements for non-bank financial entities engaging in leveraged strategies in centrally cleared and non-centrally cleared derivatives markets." CCP Global does not support this proposal with regard to centrally cleared markets, in particular the activity- and entity-based measures which are outlined in the Consultation. CCPs already are subject to stringent standards and regulations, and have robust rules and risk management practices in place, which have proven very effective even in times of unprecedented market stresses. The existing local regulations implementing CPMI-IOSCO's "Principles for financial market infrastructures"[10] ("PFMIs") related to margining practices have been designed pursuant to stringent standards, and are a result of thorough discussions among regulators, CCPs, and market participants alike. They appropriately make clear that CCPs are responsible for the margining process, including setting margin levels for the products they clear.

Margin requirements are fundamentally designed by CCPs, using their expertise and knowledge of the markets they clear, to appropriately cover the unique risk characteristics presented in their markets. These can include the use of concentration-related measures (e.g., margin add-ons). CCPs take a similar approach when designing the haircuts for the collateral types they accept, which reflect the unique credit, market, and liquidity risks of the given collateral type, while balancing the need to potentially liquidate in stressed market conditions. Further, as has been a focus of the industry recently, CCPs also provide a substantial amount of transparency with regard to their margining and collateral haircut practices. This transparency, in part, provides participants the tools and resources to both reasonably anticipate changes in margin as it relates to market conditions, as well as accordingly plan for liquidity needs.

CCP Global does not support regulatory input in setting margin and collateral haircut levels, which could add uncertainty to the industry, especially in times of stress. Such a practice would likely result in market participants no longer being able to rely on the disclosures and margin simulation tools provided by CCPs, which could result in behaviors that exacerbate stressed markets. This careful design should not be inappropriately modified for the purpose of managing NBFI's leveraged activities.

[9] The proposal for MPPQDs can be found in the appendix to the CCP Global submission: Link.
[10] CPMI, IOSCO, "Principles for financial market infrastructures" (April 2012): Link.

Recommendation 5: central clearing mandates and incentives

Furthermore, under Recommendation 5, the Consultation also encourages authorities to "consider mandating central clearing in SFT and derivatives markets where not yet in place."[11] It further states that "CCPs set initial margin requirements that must comply with regulatory minimum coverage requirements for all transactions with clearing members, while enhancing transparency and providing centralised counterparty default management processes."[12] In addition, the FSB suggests that "[a]uthorities may choose to expand central clearing by mandating it or by incentivising voluntary adoption, for example by prescribing minimum margin requirements in non-centrally cleared markets, which would lead to a more consistent treatment of similar risks and remove a disincentive to central clearing. Authorities should review the effectiveness of existing thresholds for being in scope of minimum margining requirements for non-centrally cleared derivatives and enhance them, as appropriate."[13]

CCP Global commends the FSB for the recognition of the numerous benefits that central clearing brings to financial markets and of central clearing's favorable impact on financial stability. We also welcome proposals for measures which may further incentivise central clearing, such as prescribing minimum margin requirements in non-centrally cleared markets or reviewing the effectiveness of the existing thresholds in this regard. It should also be noted that global standards for regulating securities financing transactions ("SFTs") markets have been implemented differently around the world. This leads to an uneven playing field between centrally and non-centrally cleared markets, and different legal approaches. While the PFMIs and the European Market Infrastructure Regulation[14] regulate the application of haircuts for centrally cleared markets, the FSB recommends the consideration of minimum haircuts also for non-centrally cleared SFTs. CCP Global therefore welcomes that the FSB recently confirmed its view and believes that global consistency should be promoted to ensure that haircuts are generally risk-adequate.

[11] FSB, Consultation report, op. cit., p. 23.
[12] Ibid.
[13] Ibid., p. 24.
[14] EMIR: Link.

About CCP Global

CCP Global is the international association for central counterparties ("CCPs"), representing 42 members who operate over 60 individual CCPs across the Americas, EMEA, and the Asia-Pacific region.

CCP Global promotes effective, practical, and appropriate risk management and operational standards for CCPs to ensure the safety and efficiency of the financial markets it represents. CCP Global leads and assesses global regulatory and industry initiatives that concern CCPs to form consensus views, while also actively engaging with regulatory agencies and industry constituents through consultation responses, forum discussions, and position papers.

For more information, please contact the office by e-mail at office@ccp-global.org or through our website by visiting www.ccp-global.org.

CCP Global MEMBERS