15 January 2025

BCBS-CPMI-IOSCO Transparency and responsiveness of initial margin - consultation feedback and updated proposals

The Basel Committee on Banking Supervision (BCBS), the Bank for International Settlements' Committee on Payments and Market Infrastructures (CPMI) and the Board of the International Organization of Securities Commissions (IOSCO) published a consultative report titled *Transparency and responsiveness of initial margin in centrally cleared markets: review and policy proposals* ("the Phase 2 consultative report") on 16 January 2024. The BCBS-CPMI-IOSCO Joint Working Group on Margin ("the Margin Group") sought feedback on the ten policy proposals contained in the Phase 2 consultative report. The proposals focused on two of the six potential areas for further work identified in the *Review of margining practices* ("the Phase 1 report") published in 2022,[1] namely those related to additional transparency in centrally cleared markets, and the level of responsiveness of cleared initial margin (IM) models. The consultation period closed on 16 April 2024.

This note provides a summary of the feedback received from respondents on the proposals set out in the Phase 2 consultative report and the rationale for changes made as a result of that feedback.[2]

Twenty-seven responses were received on the Phase 2 consultative report from a variety of industry and public sector stakeholders, across six broad participant categories.[3] Those representing specific categories comprise: twelve from financial market infrastructure (FMI) corporate groups; three from industry associations representing FMIs; three from end-user industry associations; three from asset management associations; and one from an asset manager. The remaining five were from a variety of entities, including academic institutions, consultancies, authorities and individuals.[4] In addition to the written feedback, BCBS, CPMI and IOSCO held a series of virtual stakeholder outreach sessions in March 2024.

Overall, the consultation respondents supported the Margin Group's work to increase transparency and identify ways to evaluate the responsiveness of IM in centrally cleared markets. On balance, mirroring feedback received in Phase 1[5] of the Margin Group's work, respondents were relatively less supportive of proposals that would result in new or additional requirements in their own sector, while supporting or suggesting further work on the proposals affecting other sectors. This document summarises the responses received for each policy proposal (with the names of respondents redacted) and accompanies the publication of the final version of the report containing the final policy proposals.[6]

The relevant standard-setting bodies will consider how best to implement the ten proposals. It is anticipated that CPMI-IOSCO will undertake further work that may include potential amendments to the

1 The *Review of margining practices* was published by BCBS, CPMI and IOSCO in September 2022. Available at: https://www.bis.org/bcbs/publ/d537.pdf

2 A list of the final proposals can be found in Annex A. The original proposals are set out in Annex B.

3 The non-private consultation responses received are available on the BIS website at www.bis.org/bcbs/publ/comments/d568/overview.htm.

4 A list of respondents where comment letters have been made public can be found in Annex C.

5 Phase 1 of the Margin Group's work comprised the analytical work and industry engagement which concluded with the publication of the BCBS-CPMI-IOSCO *Review of margining practices* (2022)."

6 The Final report on *Transparency and responsiveness of initial margin in centrally cleared margin: review and policy proposals* is available on the BIS website at www.bis.org/bcbs/publ/d590.htm.

2017 publication of *Resilience of central counterparties (CCPs): further guidance on the PFMI*[7] and potential revisions to the 2015 *Public quantitative disclosure standards for central counterparties*.[8]

CCP transparency – proposals 1, 2 ,3, 4, 5 and 6

Proposals 1 and 2 – Margin simulators

The feedback received on proposals 1 and 2 was broadly positive. The majority of respondents across sectors acknowledged the value of margin simulation tools in helping clearing members (CMs) and clients anticipate changes in margin requirements. However, many CCPs noted that they already offer such tools to a broad set of users, yet usage by market participants is often limited.

CMs and clients strongly supported proposals 1 and 2 and noted the value of ensuring that margin simulation tools reflect, to the extent practicable, the underlying models used by CCPs to determine margin requirements, including by incorporating both core IM and the main margin add-on charges used by CCPs (eg liquidation or concentration add-ons). They also emphasised the value of quantifying how margin requirements might change under relevant stress scenarios to ensure the tools provide information on a spectrum of potential margin liquidity demands. CMs also advocated against increases in the costs of accessing these tools, such as fees.

In contrast, CCPs (and CCP-sponsored organisations) expressed concerns about how operational and financial costs for certain features in simulation tools could significantly exceed the anticipated benefits. Notably, CCPs strongly opposed forward-looking and customisable tools, such as those incorporating hypothetical stress scenarios, citing computational and cost-related challenges as well as the risk of overreliance by market participants. On the other hand, non-CCP respondents favoured the inclusion of these scenarios, although some CMs and clients recognised the associated challenges and proposed that CCPs could expand simulator functionality by using the set of stress-test scenarios already in place for other purposes, such as default fund calibration. As a result of these comments, proposal 2b was revised to focus on the set of (likely already existing) CCP stress test scenarios, as opposed to generally referring to historical and hypothetical market conditions.

CMs and clients supported having multiple ways of accessing CCP margin simulators, such as using both web-based and application programming interface (API)-based solutions. This flexibility could aid in ensuring that at least one solution supports the needs of a specific type of end-user. CCPs advocated for flexibility in deciding the appropriate means of access to simulators, noting that web-based solutions, though potentially more limited in functionality, are generally less costly than more powerful API solutions.

On the availability of CCP margin simulators, CCPs noted that tools could only be made available directly to clients who disclose themselves to the CCP, which could make direct tool access more challenging for certain account types (eg omnibus accounts). CCPs also noted that technological design and client sophistication could limit usage of these tools by some end-users, absent additional training. CMs and clients strongly supported direct access to clients, and to prospective users, where feasible. The Margin Group supports CCPs providing access to margin simulators to prospective CMs and clients, under non-disclosure agreements where appropriate, and revised proposal 2 accordingly.

End-users strongly supported the inclusion of CCP add-on charges in CCP margin simulators to ensure the tools are useful and used. CCPs, as well as certain CMs and clients, noted it may be difficult for CCPs to incorporate CM-specific add-ons in standardised simulation tools given these often depend on factors beyond those related to market events or portfolio characteristics. The Margin Group revised proposal 2b to clarify that CCP simulators should, at a minimum, incorporate the main add-on charges that are systematically required by CCPs across CMs, and may include add-ons charged to CMs based on their individual risk profile at the CCP's discretion.

[7] Available at: www.bis.org/cpmi/publ/d163.htm and www.iosco.org/library/pubdocs/pdf/IOSCOPD539.pdf.

[8] Available at: www.bis.org/cpmi/publ/d125.pdf and www.iosco.org/library/pubdocs/pdf/IOSCOPD475.pdf.

Public authorities generally supported the proposals but noted some concerns about the potential for enhancements to margin simulators to contribute to "false sense of security" for market participants and to contribute further to margin procyclicality. We note that simulators, as with all other tools, have limitations on the amount, and type, of predictive information they can provide. How close simulator output may be to actual margin requirements depends on a range of factors including realised market conditions, the potential for CCPs to make discretionary change, and the account type of focus.

Proposal 3 – Qualitative model disclosures to participants

Overall, responses on proposal 3 varied across sectors. CCPs argued they already provide sufficient transparency to market participants and challenged the need for additional qualitative disclosures, while non-CCP respondents provided general support for increased qualitative transparency from CCPs.

The large majority of CCPs argued they already provide sufficient information to market participants through a combination of public and private disclosures, with some CCPs arguing that the cost of providing additional information would outweigh the benefits of doing so. On the other hand, CMs and clients provided unanimous support for proposal 3 and argued for enhancements in, and harmonisation across, CCP qualitative disclosures. Market participant-sponsored organisations went further by providing recommendations on minimum disclosures to ensure that CCPs disclose a consistent set of qualitative information on their models. As stated in the Phase 2 consultative report, the objectives of the Margin Group's proposals in this space are not to mandate a specific form/template of communication, but to broadly increase the level and detail of information provided. The Margin Group therefore determines that the proposal is compatible with existing CCP disclosures. Further, to promote a consistent interpretation of the proposal across CCPs, the Margin Group decided to add indicative and non-exhaustive lists of the model components which CCPs are expected to provide information on.

Some clients and market participant-sponsored organisations argued that these qualitative disclosures should be made available to clients directly. The Margin Group decided to extend the provision of qualitative information by CCPs under proposal 3 to clients, where feasible, mirroring the approach for client access to CCP simulators under proposal 1.

Some CCPs and CCP-sponsored organisations voiced concerns on the meaning of "data used for the calculation of margin add-ons" in proposal 3b. The Margin Group updated the proposal to clarify that CCPs are expected to provide "descriptions" of the data used for calculation of margin add-ons, rather than the underlying data.

Proposal 4 – Qualitative disclosures of anti-procyclicality (APC) tools to participants

Similar to proposal 3, CCPs pointed to existing disclosures and argued that the costs of providing additional information may outweigh the benefits. Most CCPs that commented on the form of proposal 4 argued for the Margin Group to retain the non-prescriptive and high-level structure of the proposal. On the other hand, CMs and clients unanimously supported proposal 4, though market participant-sponsored organisations challenged the value of high-level disclosures and set out more granular recommendations on what this public disclosure should include. On balance, the Margin Group decided not to make any changes to proposal 4, in line with the objectives of the Margin Group's proposals in this space to broadly increase the level and detail of information provided.

Proposal 5 – Public quantitative disclosures

CMs and client associations expressed support for this proposal and highlighted the value of more detailed information in the public quantitative disclosures (PQDs), where feasible, to provide clarity on the major drivers of changes in liquidity demand (for IM and variation margin (VM). Non-market participant respondents also supported the proposal, citing the benefits of enhancing publicly available data on margin practices for the wider public. On the other hand, CCP respondents disagreed with the proposal and notably challenged the proposal to increase the frequency of PQD reporting.

CCP respondents were concerned that the increased burden of more frequent publication (or a shorter period prior to publication) would not be balanced by the value of more timely transparency. In addition, CCPs pointed to the risk of faster publication leading to increased reporting errors in the PQDs, resulting in misleading, rather than beneficial, transparency.

As a result of these comments, the Margin Group updated proposal 5 in two key respects. First, by explicitly including in the proposal itself the new data fields and a description of the additional details/breakdown that would be expected. This aims to ensure that the scope and nature of the PQD changes are fully clear. Most of these enhancements represent additional detail associated with existing PQD fields, with the exception of the new measure detailed in proposal 6 (see summary of responses to proposal 6 below).

Second, differing views within the comments received regarding the appropriate frequency and lag of an updated version of the PQDs resulted in insufficient data for the Margin Group to reach a definitive conclusion on this portion of the proposal. As a result, the Margin Group is recommending additional consultation by CPMI-IOSCO to identify an effective and informative frequency and lag of PQD reporting.

Regarding the format of publication, market participant-sponsored organisations expressed a preference for the disclosures to be made on a dedicated CCP webpage. The Margin Group decided not to provide prescriptive guidelines on the publication format, while noting there is potential value in standardisation across CCPs and that the chosen format should be easily accessible and usable by CMs and clients.

Proposal 6 – Measuring and publicly disclosing margin responsiveness

Respondents provided mixed views on both the value and the content of the proposed standardised risk measure. Non-CCP respondents generally supported the proposed measure while some CCPs argued that publishing the change in volatility coupled to the change in margin requirements could be misleading and overly complex, in particular for portfolios with non-linear IM requirements. In addition, there were differing views on the most effective definition of the measure given the parameter choices outlined in the consultation, notably on the trade-off regarding the length of the metrics' observation period (ie between capturing historical procyclical behaviour and building up a data series over time which is not "drowned out" by past episodes). Additionally, some respondents argued that the appropriate parameter choice can be highly dependent on the product or asset class of interest, making it challenging to identify a single standardised metric that would be useful for the broad set of cleared markets.

The Margin Group acknowledges the challenges in defining an appropriate measure that is understandable, tractable, and informative. In light of received comments, the Margin Group determined that the disclosure should be made at product level,[9] where: (i) calculations for the individual components of the measure are more straightforward (eg realised volatility is well-defined for individual products); and (ii) there is usually a more direct connection between the metric's components, such that the "change in IM" can more easily be compared to the "change in risk" (eg change in volatility).

Within the specified product-level reporting, a few other choices were made in response to the received comments as follows:

- To balance the value of transparency with the cost of data collection and publication, the Margin Group recommends prioritising the "most relevant products" in any future publication. This aims to ensure the provision of indicative responsiveness data for the most critical risk factors at the CCP (ie those that would be of interest to the widest set of CMs and clients).

[9] This choice is also supported by the data collection in the first phase of the Margin Group's work, in which product-level IM requirements were shown to be positively correlated with the reported volatility measure (ie the 60-day rolling standard deviation calculated on the price returns).

- To provide information on both historical short- and medium-term liquidity demands, the Margin Group recommends the publication of metrics associated with large call windows of both one and 20 business days.
- To ensure the metrics capture information on historical responsiveness as well as providing insight on recent events, the Margin Group recommends the disclosure of the standardised responsiveness metric under both a three-month and one-year observation period.
- To align with metrics already in common use in markets, volatility will be represented by the standard deviation of one-day returns over the prior three months.

Governance and review of margin models – proposals 7 and 8

Proposal 7 – Framework for assessing model performance and taking appropriate action

The feedback on proposal 7 was broadly positive across sectors. CMs and clients largely supported the proposal which mandates that CCPs identify and define a framework for measuring and assessing responsiveness. Most CCPs provided some level of support for proposal 7, subject to concerns on the risks associated with oversimplifying this framework or impeding CCPs' flexibility in risk management.

Almost all respondents agreed with the three balancing factors identified by the Margin Group (ie margin coverage, margin cost and margin responsiveness). Respondents who commented on the weighting between each factor systematically cited margin coverage as the most important. A few CCPs suggested the framework should consider other elements to avoid oversimplification, either as part of assessing the main factors (eg considering idiosyncratic risk profiles when assessing coverage) or in addition to those dimensions (eg idiosyncratic risks on individual markets). A majority of CCPs argued the final proposal should give flexibility to CCPs to tailor their framework to their products, markets and models. On balance, the Margin Group decided to retain the three balancing factors as identified in its Phase 2 consultative report, noting that the proposal does not aim to be prescriptive and allows CCPs to design their framework for assessing margin responsiveness beyond these three "base" dimensions.

Some non-CCP respondents argued the CCP's risk committee should be consulted when defining the analytical and governance framework. We see value in ensuring CCPs consider a range of perspectives when designing the key aspects of its internal analytical and governance arrangements on margin procyclicality. The Margin Group amended proposal 7 such that CCPs are expected to seek views from market participants (eg through that CCP's risk committee) when defining or making material changes to its analytical and governance framework for assessing margin responsiveness.[10]

Additionally, a few respondents queried whether CCPs would be expected to publicly disclose the framework set out in proposal 7. The Margin Group added the term "internal" to the proposal to clarify that it does not intend a public disclosure.

Proposal 8 – Governance and review of margin models where CCPs apply discretion

Overall, responses on proposal 8 varied. CMs and clients provided strong support, notably on the proposed disclosures on model overrides. Other respondents, including CCPs, expressed mixed views on the proposal, notably on the disclosures set out under proposal 8c.

Some CCPs supported the proposal, and a few CCPs pointed to existing internal frameworks. However, other CCPs expressed concerns that proposal 8 could restrict CCPs' use of discretion. On balance, having determined that proposal 8 does not prescribe a specific implementation of the governance

[10] This is consistent with *Further guidance on the PFMI* 2.2.24. To ensure that the CCP obtains a range of perspectives from relevant stakeholders, it should consider a variety of channels for feedback. These could, for example, include formal groups or committee structures established by the CCP, such as risk advisory or risk working groups (including, as appropriate, risk committees) involving participants and other relevant stakeholders who represent the views of either their respective institution or their peers (for example, a category of CCP participant). Other channels might include formal and/or informal dialogue with relevant stakeholders, either in bilateral or multilateral forums, or comment periods on proposed changes to a CCP's rules, procedures or operations. A CCP should also consider obtaining external, expert feedback.

procedures related to discretion, the Margin Group made minor adjustments to clarify that discretion may be a necessary tool for CCPs to ensure adequate coverage. This includes removing the reference to "triggers" for the use of discretion (in proposal 8a) and replacing "scenarios" with "instances" (in proposal 8b) to reflect the fact that CCPs may not be able to define "triggers" or "scenarios" which capture all potential cases of manual adjustments.

CCPs' support was weighted towards proposals 8a and 8b. CCP respondents generally did not support the proposed PQD disclosure under proposal 8c. Notably, some CCPs argued that disclosures on the aggregate size and duration of manual margin overrides may create false expectations on CCPs' use of discretion, or could lead to a "race to the bottom" by disincentivising CCPs from making manual adjustments (even when it is more prudent to do so). To address these concerns, the Margin Group split proposal 8c into two subparagraphs: (i) under the updated proposal 8c, only regulators would be provided the aggregate size and duration of model overrides, accompanied by a qualitative explanation for the underlying reasons for their use; and (ii) under new proposal 8d, CMs would only receive a supporting qualitative explanation of the reasons for the overrides they are subject to.

Similar to proposal 7, some non-CCP respondents argued the CCP's risk committee should be involved in discussing the circumstances and impact of margin model overrides. We see value in ensuring CCPs consider a range of perspectives when determining their processes for using discretion and in considering the findings of ex post reviews, without prejudice to CCPs' ability to make manual adjustments when necessary. The Margin Group decided to amend proposal 8 such that CCPs are expected to seek their members' views (eg through the risk committee) on the design of the governance procedures related to the use of discretion and the outcome of the reviews set out in proposal 8a.[11]

CM transparency – proposals 9 and 10

Proposal 9 – CM-to-client transparency

Overall, responses on proposal 9 varied across sectors. CCPs regularly emphasised CMs' role given CCPs generally do not have a direct relationship with the end client. CCPs therefore called for some responsibility on CMs to ensure that clients have access to sufficient transparency related to their aggregate margin requirements (ie the CCP margin requirement as well as any deviations imposed by the CM). In contrast, CMs regularly argued that proposal 9 was disproportionate relative to the size and frequency of average CM deviations from CCP requirements. However, most CMs noted that they appreciated the importance of transparency to clients and highlighted their interest in aiding in these efforts in a proportionate way.

CMs also highlighted concerns with the proposal's description of their role in aiding clients with CCP model transparency. CMs highlighted that decisions made by the CCP, such as the design of CCP margin models or the use of discretion, may not be fully visible to the CM. Given this, concerns were raised regarding the ability for CMs to fully "ensure" client understanding of CCP practices as previously set out in consultative proposal 9a.

End-users showed general support for more transparency from CMs, particularly for CMs to provide sufficient information regarding the mechanism by which client add-ons are calculated (original proposal 9c) as well as providing appropriate notice when adjusting client margin add-ons (original proposal 9d).

In the light of this feedback, a few changes were made to the proposal. First, in response to concerns expressed by CMs, the updated proposal attempts to provide more clarity around the expectations on CMs to facilitate client understanding of CCP documentation. The updated proposal marks a distinction between the instances where client margins are simply "passed through" by CMs (where CMs should act as a conduit for information that originates from the CCP (9a), and where client margins deviate from those that would be charged by CCPs and where CMs should provide sufficient transparency on those deviations (9b)).

[11] See footnote 10

Where client margins are identical to those charged by the CCP, CMs should help facilitate client access to CCP disclosures, including the items outlined in the prior proposals, where appropriate. As raised in consultation feedback, part of this facilitation also includes transparency on how client margin calls are aggregated across multiple CCPs, where this is the case; this facilitates understanding of the individual factors, or groups of factors, driving changes in liquidity demands for clients.

In contrast, in cases where requirements charged by CMs differ from those set by the CCP, CMs should be responsible for sharing information on those deviations, in addition to any relevant information related to the CCP margin component. Commenters noted that these differences are not always represented by add-ons placed on base CCP requirements, and that deviations can result in either higher *or* lower final requirements. As a result, the language in the proposal has shifted from an emphasis on "add-ons" to the use of "deviations" to describe the difference between "base" CCP requirements and the requirement charged by CMs to their clients (9b). The Margin Group also revised the disclosure under original proposal 9e (now in updated 9b) to cover only the deviations which individual clients are subject to, given potential confidentiality concerns resulting from disclosures on requirements for other clients. In addition, commenters expressed confusion regarding the distinction between the "analytical framework" and the "governance framework" included in the prior wording. The updated proposal separates these two concepts and tries to clarify their differences and respective purposes.

Finally, some CMs emphasised the importance of retaining the ability to apply margin add-ons at pace where necessary. The updated proposal notes the value of having discretion, especially during periods when margin levels are changing rapidly, but also states that CMs should provide clients notice when discretion is used where possible, or when CMs make changes to the material components of their own model or methodology for setting client margin requirements.

Proposal 10 – CM-to-CCP transparency

CCPs provided near unequivocal support for enhanced disclosures from CMs. On the specific list of disclosures noted under proposal 10, some CCPs viewed the entire list as important information they should be receiving from their CMs, though some commented that disclosures from CMs should avoid disclosing proprietary client information and should not lead to a higher risk of destabilisation in extreme market events.

In contrast, CMs by and large pushed back against the set of proposed disclosures. They argued that CCPs should only receive information that they would use in their risk management practices and flagged that the requested information either: (i) fell into this category but was already commonly collected by CCPs; or (ii) did not fall into this category and so would only create additional burdens on CMs with little offsetting benefit.

In general, specific comments on the proposed set of disclosures were few in number. The one point of agreement across respondents is a general support for a standardised disclosure set, though there was disagreement on the set of information that would ideally be part of this disclosure.

Because of the limited commentary, as well as disagreement in key areas, there was not enough evidence collected from the consultation to support an explicit list of mandatory CM-to-CCP disclosures. As a result, the updated proposal highlights the value of standardised and timely disclosures and the Margin Group suggests that future work in this area could be taken forward by the relevant standard-setting bodies.

Annex A – Final policy proposals

Final policy proposals addressing transparency and responsiveness of IM in centrally cleared markets

Table 2

	Policy proposal
1.	Margin simulation tools should be made available by all central counterparties (CCPs) to all clearing members (CMs) and, where feasible, their clients, including prospective CMs and clients. Where necessary, this access may be paired with appropriate, non-disclosure agreements.
2.	Margin simulation tools should include, at a minimum, functionality allowing the following: a. The calculation of margin requirements for a number of the CCP's stress test scenarios, including key historical market stress events, for current and hypothetical portfolios. b. In addition to baseline (or "core") initial margin, the incorporation of the CCP's main add-on charges that are systematically required across CMs. CCPs should ensure that margin simulation tools reflect all material components of the underlying quantitative methodologies.
3.	CCPs should make information about margin models available to CMs and, where feasible, their clients at a level that enables them to understand material aspects of the CCP's margin model and its approach to risk management. This information should include the following: a. Explanations of, and rationale for, the model used (eg SPAN, VaR,) and the calibration of key model parameters, including relevant components which affect the size and speed of margin requirement changes during periods of elevated stress (eg lookback period, liquidation horizon, confidence interval and model method-specific parameters). b. The logic, applicable thresholds and descriptions of the data used for the calculation of margin add-ons.
4.	CCPs should publicly disclose and describe the anti-procyclicality (APC) tools used in their model. CCPs should also publicly disclose and describe, at a high level, the model components that affect the level of model responsiveness.
5.	Public quantitative disclosure (PQD) standards for CCPs should include the following additional breakdowns of margin-related data, wherever available: a. Split between core initial margin and margin add-ons for total initial margin required (PQD item 6.1). b. Results of backtesting of initial margin for the most relevant contracts per clearing service (PQD item 6.5). c. Split by clearing service and currencies of the average and maximum of total variation margin paid to the CCP by participants (PQD items 6.6 and 6.7). d. Measure of initial margin responsiveness for the most relevant contracts per clearing service as detailed in proposal 6 (new PQD item). All PQD data should be reported consistently and accurately.
6.	CCPs should compute and disclose standardised measures of margin responsiveness, as described in the explanatory text. The disclosure should be included in the PQD framework for the most relevant contracts per clearing service (see proposal 5). CCPs should make available to regulators, upon request, the computed daily time series of the standardised measures for monitoring purposes.
7.	CCPs should identify and define an internal analytical and governance framework, appropriate to their business lines and risk profile, for assessing responsiveness within the broader context of margin coverage and cost, with the framework and parameter choices communicated to relevant authorities. CCPs should seek input from market participants (eg through the risk committee) when designing or making material changes to the framework. The framework can be used by CCPs and relevant authorities to regularly monitor the performance of initial margin models and trigger the review of initial margin model parameters in case of need.
8.	Where CCPs make use of discretion (eg expert judgment) to override model margin requirements, CCPs should: a. Have in place clear governance procedures for using such discretion and undertake ex post reviews where such discretion has been applied. CCPs should seek input from market participants (eg through the risk committee) on the design of these governance procedures and the results of any ex post reviews. CCPs should clearly articulate and define the instances and areas where such overrides may be warranted (including clear definitions of the key decision-makers (eg those who can perform overrides) and the extent to which these adjustments are deemed permissible without, for example, requiring a material model change). It is similarly important that the CCP establishes clear guidelines as well as processes which enable the CCP to identify and monitor the overridden risk variable or model output. b. Publicly disclose relevant information regarding the instances where discretion may be applied and the governance procedures used in the application of such discretion. CCPs should proactively share the governance procedures for the application of model overrides, in full, with relevant authorities.

c. Communicate to relevant authorities engaged in the supervision or oversight of the respective CCP the aggregate size and duration of manual margin overrides, as compared with unadjusted initial margin requirements. The disclosure to authorities should be supported by a qualitative explanation of the reasons for the override.

d. Share with CMs subject to a model override a supporting qualitative explanation of the reasons for the override.

9. CMs should provide transparency to their clients regarding how their margins are calculated.

a. Where client margins are those charged by the CCP(s) (ie "passed through" by the CM), CMs should facilitate clients in accessing CCP model disclosures, including CCP-provided margin simulation tools. In addition, where clients clear at multiple CCPs via the same CM, CMs should, to the extent possible, disaggregate client margin requirements such that the client can attribute margin requirements to the originating CCP.

b. Where client margins deviate from those that would be charged by CCPs, CMs should: provide documentation to their clients containing a detailed description of how client margins are calculated which should include, where appropriate, the provision of their own margin simulation tools; disclose the rationale for, and magnitude of, those deviations to clients subject to such deviations; have an internal governance framework in place for determining when to charge client margins that deviate from CCP margins and; have an analytical framework in place for assessing the impact of such deviations in margins on their clients.

c. Without the need for a client request, CMs should provide appropriate notice to a client in cases when the calibration of client margins is modified, including how the triggers or thresholds for such calibrations are set and used, without prejudice to the need for CMs to be able to amend client margins at pace when required (eg during a stress).

10. CMs should disclose relevant information to the CCPs of which they are members and relevant authorities. This should include information related to the exposures, potential losses and liquidity needs resulting from their participation in multiple CCPs.

Annex B – Original policy proposals

Original policy proposals addressing transparency and responsiveness of IM in centrally cleared markets (as published in the January 2024 Phase 2 consultative report)

Table B.1

	Policy proposal
1.	Margin simulation tools, commonly used by market participants to estimate margin requirements, should be made available by all CCPs to all clearing members (CMs) and their clients.
2.	Margin simulation tools should include, at a minimum, functionality allowing the following: a. The calculation of margin requirements under varying historical and hypothetical market conditions for current and hypothetical portfolios. b. The incorporation of add-on charges in addition to baseline (or "core") initial margin. CCPs should ensure that margin simulation tools reflect all material components of the underlying quantitative methodologies.
3.	Where legally permissible, CCPs should make margin model documentation available to CMs at a level that can enable them to understand key aspects of the CCP's margin model and its approach to risk management. This documentation should include the following: a. Explanations of the calibration of key model parameters, including any relevant components which affect the size and speed of margin requirement changes during periods of elevated stress. b. The logic, applicable thresholds and data used for the calculation of margin add-ons.
4.	CCPs should publicly disclose and describe the anti-procyclicality (APC) tools used in their model. CCPs should also publicly disclose and describe, at a high level, the model components that affect the level of model responsiveness.
5.	CCPs should provide additional breakdowns of margin-related data through the Public Quantitative Disclosures (PQDs) and report such data more frequently and with shorter reporting lags. All PQD data should be reported consistently and accurately.
6.	CCPs should disclose a new standardised measure of margin responsiveness, as designed by CPMI-IOSCO, alongside the associated changes in market conditions. This disclosure can be made through the PQDs.
7.	CCPs should identify and define an analytical and governance framework, appropriate to their business lines and risk profile, for assessing responsiveness within the broader context of margin coverage and cost, with the framework and parameter choices communicated to relevant authorities. The framework can be used by CCPs and relevant authorities to regularly monitor the performance of initial margin models and trigger the review of initial margin model parameters in case of need.
8.	Where CCPs make use of discretion (eg expert judgement) to override model margin requirements, CCPs should: a. Have in place clear governance procedures defining the triggers for the use of such discretion and undertake ex post reviews where such discretion has been applied. CCPs should clearly articulate and define the instances and areas where such overrides may be warranted (including clear definitions of the key decision-makers/who can perform overrides and the extent to which these adjustments are deemed permissible without, for example, requiring a material model change). It can similarly be important that the CCP establishes clear guidelines as well as processes which enable the CCP to identify and monitor the overridden risk variable or model output. b. Publicly disclose relevant information regarding the scenarios where discretion may be applied and the governance procedures used in the application of such discretion. CCPs should proactively share the governance procedures for the application of model overrides in full with relevant authorities. c. Publicly disclose, through additions to the PQDs, the aggregate size and duration of manual margin overrides, as compared with unadjusted IM requirements. The disclosure could be supported by a qualitative explanation of the reasons for the override.
9.	CMs should ensure their clients have sufficient understanding of their margin requirements, including the following: a. CMs should ensure their clients have sufficient understanding of CCP margin requirements. CMs should facilitate clients in accessing CCP-provided margin simulators. b. CMs should identify and define an analytical and governance framework, appropriate to their business lines and risk profile, for assessing margin responsiveness, alongside other key factors such as counterparty credit risk, when adjusting client margin requirements. c. CMs should provide sufficient transparency to their clients regarding the mechanism by which client add-ons are calculated. This should include documentation containing a detailed description of the calibration of any client add-ons (eg through the application of margin multipliers, buffers or internal margin models) and how the triggers or thresholds for their use are set. This understanding should be

		facilitated through the provision of CMs' own simulators, where appropriate, or private disclosures of the margin requirements clients may be subject to under different scenarios.
	d.	CMs should, without the need for a client request, inform the client with appropriate notice when they are adjusting their calibration of client margin add-ons, and should provide sufficient transparency to their clients when margin requirements have been adjusted relative to those set by the CCP.
	e.	CMs should disclose to their clients backward-looking information on the maximum, minimum and average differences between client margin requirements set by the CM and the margin requirements of the CCP over a defined period of time.
10.	CMs should disclose additional metrics to the CCPs of which they are members on a quarterly basis with a one/two-month lag.	

Annex C - List of consultation stakeholders that submitted non-confidential written consultation responses[12]

Respondent	Category
Association Française de la Gestion financière	Industry association
B3	FMI
BlackRock	Asset management
CBOE	FMI
Central Bank of Ireland	Public authority
CCP Global	Industry association
CME Group	FMI
David Murphy	Academic
Deutsche Börse Group	FMI
Depository Trust & Clearing Corporation	FMI
European Association of Clearing Houses	Industry association
European Fund and Asset Management Association	Industry association
European Systemic Risk Board	Public authority
FIA	Industry association
InterContinental Exchange	FMI
Investment Company Institute	Industry association
Institute of International Finance and the International Swaps and Derivatives Association	Industry association
JSE Clear	FMI
LME Clear	FMI
London Stock Exchange Group	FMI
MEW Consul	Consultancy
Options Clearing Corporation	FMI
Securities and Exchange Commission, Thailand	Public authority
Securities Industry and Financial Markets Association	Industry association
SIX/BME	FMI
World Federation of Exchanges	Industry association

[12] Stakeholders who requested their responses remain confidential have not been listed. Non-confidential responses can be viewed at www.bis.org/bcbs/publ/comments/d568/overview.htm.