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Recovery and resolution of central counterparties (CCPs)

A central clearing counterparty is a market infrastructure that acts as the counterparty to both sides of a transaction in a financial instrument.

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CCPs play an increasingly major role in the financial system. They increase market transparency and reduce risks, in particular in derivatives markets. [Regulation \(EU\) No 2021/23 on a framework for the recovery and resolution of central counterparties \(CCP recovery and resolution\)](#) addresses the risks that the distress of a CCP itself would pose to financial stability.

New EU rules for safer Central Counterparties (CCPs)

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Overview

A central clearing counterparty is a market infrastructure that acts as the counterparty to both sides of a transaction in a financial instrument. CCPs clear a range of financial instruments. They are essential to the financial system because they manage significant amounts of counterparty risk and

are a link between multiple banks, other financial counterparties and corporations.

In particular, following the adoption of the [European market infrastructure Regulation \(EMIR\) No 648/2012 on OTC derivatives, central counterparties and trade repositories](#) , in 2012, CCPs played a crucial role in increasing market transparency in the aftermath of the 2008 financial crisis and reducing the risks inherent in derivatives markets across the EU. In line with their growing importance for the stability of the financial system, [amendments to ensure a more consistent and robust supervision of both EU and non-EU CCPs](#) , were adopted in 2019.

These high regulatory standards were complemented in 2020 by a strong recovery and resolution framework.

Regulation on CCP recovery and resolution

To address the challenges posed by the growing importance of CCPs, and the potential risks for financial stability if a CCP were to fail, the Commission adopted a [legislative proposal on CCP recovery and resolution](#) , on 28 November 2016. The [Regulation](#) , was adopted by the European Parliament and the Council on 16 December 2020 and entered into force on 11 February 2021.

The aim of the Regulation is to ensure that both CCPs and national authorities in the EU have the means to act decisively in a crisis scenario. The Regulation aims to preserve the critical functions of EU CCPs while maintaining financial stability and helping to protect taxpayers.

The CCP recovery and resolution Regulation also includes a number of empowerments to ESMA to develop draft regulatory technical standards supplementing certain non-essential elements of the Regulation. The draft regulatory technical standards will then be submitted to the Commission for adoption.

Documents



28 NOVEMBER 2016

Factsheet: Safer financial infrastructure
English (1.98 MB - PDF)

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28 NOVEMBER 2016

Impact assessment accompanying the proposal for a Regulation on a framework for the recovery and resolution of central counterparties
English (631.89 KB - HTML)

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10 AUGUST 2022

Report on the treatment of central counterparty equity in the write-down and conversion tool under Regulation (EU) 2021/23
English (165.6 KB - HTML)

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Relevant legislation



Regulation on a framework for the recovery and resolution of central counterparties (CCP Recovery and Resolution Regulation) - 2021/23/EU

Related links

[Communication on the first reading of the CCP recovery and resolution Regulation](#) 

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