



**WFE Response to the Bank of England on Ensuring the  
Resilience of CCPs  
18 November 2025**

## Response

The World Federation of Exchanges represents CCPs that collectively clear a wide range of products for global users. We support the Bank's aims to maintain financial stability, align with international standards, and enable safe innovation. Our responses to the consultation paper on CCP Resilience ("CP") below reflect consensus positions that balance resilience, openness, and proportionality.

### **Q1. Do you have any comments on the implementation timelines and transitional periods?**

WFE members support the Bank's approach to phased implementation, which balances resilience benefits with operational feasibility and prudence. We support a two-year implementation for the proposed second skin-in-the-game (SSITG) requirements, with 50% required at the end of year one, and 100% required by the end of year two, whilst noting our concerns with the proposal itself (as explained in response to Question 23). We also support a timeframe of at least 12 months for margin simulator delivery. However, we believe six months for other margin framework changes is unrealistic given the extensive system testing, member engagement, and client updates required. Margin models are deeply embedded in CCP risk management, clearing member systems, and client interfaces. Updating parameters, running parallel testing, and ensuring consistency across products takes time. We therefore recommend a minimum of twelve months for all margin-related proposals, in line with international peers.

### **Q2. Do any existing requirements or policy proposals set out in this CP act as an unnecessary barrier to innovation for CCPs? Please provide examples.**

We note that certain proposals could create unintended frictions for innovation if not applied proportionately. For example, if the materiality test for model changes is set too low, CCPs may need to seek approvals for minor system updates, which could slow the roll-out of risk management enhancements. Finally, the new permissions regime for outsourcing should be applied flexibly to avoid discouraging adoption of modern technologies such as cloud solutions. In each case, we recommend outcome-based criteria, technology-neutral drafting, and supervisory proportionality to ensure innovation remains possible without undermining resilience.

In addition, requiring UK CCPs to contribute more capital in the form of SSITG increases their regulatory capital burden. This could divert resources away from innovation, such as developing new clearing services, expanding into novel asset classes, or investing in technology upgrades, as well as placing UK CCPs at a competitive disadvantage relative to their non-UK peers.

It should also be noted that one area where the Bank's proposals go beyond the international BCBS-CPMI-IOSCO standards is the requirement for a UK CCP to disclose sufficiently detailed information on their initial margin model to allow market participants to replicate that model. This is highly concerning as it will expose the proprietary algorithms and intellectual property that UK CCPs have developed.

It should be ensured that UK CCPs are not mandated to reveal proprietary information. Disclosing detailed information about the margin model's methodology, mathematical specifications, and parameters will expose proprietary algorithms and intellectual property (IP) that UK CCPs have developed to maintain a competitive edge. If this information is disclosed, it could undermine the market position of UK CCPs. Consequently, UK CCPs may be disincentivised from innovating or refining their margin models. This could stifle advancements in risk management practices. The Bank should allow flexibility in the level of detail disclosed (e.g., high-level summaries rather than granular specifications) to balance transparency with IP protection.

### **Q3. Do you have any comments on the cost benefit analysis undertaken by the Bank?**

WFE members recognise the importance of CCP resilience, but we are concerned that the Bank's cost-benefit analysis understates the practical and cumulative costs of the proposals. The CP treats most impacts as one-off IT or governance investments, whereas in practice CCPs will face significant ongoing expenses.

We also note that the cost benefit analysis does not fully capture the indirect costs to clearing members and clients, who must adjust their systems and collateral management practices to align with CCP changes. We therefore recommend that the Bank conduct a more comprehensive quantitative assessment, including sensitivity analysis for cumulative burdens, and commit to a structured post-implementation review to ensure that the costs remain proportionate to the resilience benefits delivered.

Finally, in connection with the proposed SSITG, we note that the Bank estimates the opportunity cost of the yearly incremental capital cost of UK CCPs to be in the range of £300,000 and £1,227,500. It is unclear how these figures were calculated. In general

terms, the cost should consider lost return on equity, as well as any funding costs. Regardless of the specific estimate of the opportunity costs, the claimed advantages are also unclear. In terms of benefits, the Bank refers to strengthening CCPs' incentives to minimise losses to be absorbed by clearing members when there is a default. However, it is not obvious how the introduction of a SSITG would or should imply a change in a CCP's current behaviour or practice. A CCP's incentive to minimise losses is already embedded in its core business model, and the existing first tranche of SITG already aligns the CCP's incentives with those of its clearing members.

**Q4. Do you have any comments on the Bank's proposed definitions?**

We support the consolidation of definitions but urge the Bank to ensure consistency, where practicable, with international standards for CCPs, as divergent terminology risks creating uncertainty for global users. Where definitions diverge from UK EMIR or EU usage, we encourage the Bank to publish guidance to ensure international users can interpret terms consistently across jurisdictions.

In particular, the Bank is proposing to introduce *margin procyclicality* as a standalone defined term, which is not present in EU EMIR / UK EMIR (although it is referenced in Article 41 of EMIR – "CCPs must adopt margin requirements that are not "procyclical" and must avoid sudden and large increases"). While the EU framework sets out *anti-procyclicality tools* (e.g. margin buffers, stressed period calibration, floors), it does not codify the definition.

The Bank has proposed to define margin procyclicality as: "*the extent to which margin requirements for a portfolio increase when market volatility increases*". By defining procyclicality in narrow terms ("margin rising when volatility rises"), the WFE believes that the Bank is proposing a simpler, one-directional test than the broader understanding. The Bank's narrow definition may understate the full risk dynamic and could create interpretive divergence. The WFE worries this could establish a regulatory expectation that every observed correlation between volatility and margin equals "procyclicality," when in practice, some margin responsiveness is appropriate for sound risk coverage. With this in mind, the WFE recommends that the Bank adopts the PFMI definition of procyclicality ("changes in risk-management requirements or practices that are positively correlated with business or credit cycle fluctuations and that may cause or exacerbate financial instability"<sup>1</sup>), or clarifies that some responsiveness is appropriate for sound coverage, and that 'procyclicality' refers only to excessive, destabilising practices.

**Q5. Do you have any comments on the Bank's proposed rules related to Interpretation and General Provisions?**

We support the proposals which consolidate provisions into a clearer framework. We recommend the Bank publish a mapping table showing how provisions transition from UK EMIR into the Bank's rulebook.

**Q6. Do you have any comments on the Bank's proposals that a UK CCP is not required to obtain a section 138BA permission where it held an authorisation or regulatory approval under a provision of UK EMIR before that provision was revoked?**

We agree that UK CCPs should not be required to obtain a new permission under section 138BA where they previously held authorisations under UK EMIR.

**Q7. Do you have any comments on the Bank's proposed restatement of capital requirements?**

For those UK CCPs that are also Tier 2 third-country CCPs (TCCCPs) under EMIR, the proposals crystallise the divergence between EU and UK capital requirements, particularly regarding the calculation methodologies for credit, counterparty credit, and operational risk, in addition to the UK reverting to mark-to-market for counterparty credit risk. The draft rules refer to outdated methodologies, in contrast to the relatively more progressive approach of the EU, which continues to align its rules with international standards. This divergence raises the burden on Tier 2 TCCCPs.

**Q8. Do you have any comments on the Bank's proposed rules related to Management and Governance?**

No comment.

**Q9. Do you have any comments on the Bank's proposed rules related to Change in Control?**

The WFE is concerned that the proposed ongoing notification framework may be overly expansive and could impose unnecessary administrative burdens without commensurate supervisory benefit. CCPs are already subject to disclosure and governance obligations under company law. While CCPs should be alert to the suitability of controllers, the Bank's proposal to require notification whenever a CCP "becomes aware of matters relating to suitability" is vague and the Bank should clarify what constitutes a material "matter" requiring notification.

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<sup>1</sup> "*Principles for financial market infrastructures*", BIS-CPMI-IOSCO, April 2012

**Q10. Do you have any comments on the Bank's proposed restatement of requirements relating to Record Keeping?**

No comment.

**Q11. Do you have any comments on the Bank's proposed restatement of requirements relating to business continuity?**

No comment.

**Q12. Do you have any comments on the Bank's proposed restatement of requirements relating to operational resilience?**

No comment.

**Q13. Do you have any comments on the Bank's proposed restatement of requirements relating to Conduct of Business?**

No comment.

**Q14. Do you have any comments on the Bank's proposed restatement of requirements relating to exposure management?**

No comment as the Bank is proposing to restate the content of this provision without modifications.

**Q15. Do you agree with the Bank's proposal to enhance its margin framework in line with the final proposals and effective practices by BCBS-CPMI-IOSCO, as set out above?**

As mentioned in the WFE's [response](#) to BCBS-CPMI-IOSCO's consultation paper on these standards<sup>2</sup>, CCPs are typically supportive of margin transparency, and already make a great deal of quantitative and qualitative information, including simulator tools, available to their clearing members and their clients. However, such information is not necessarily used in practice by the majority of market participants, and thus the proposals to increase the requirements on CCPs in this area do not seem proportionate.

Moreover, in certain respects, the proposals go beyond the BCBS-CPMI-IOSCO guidelines on margin transparency. This includes proposals related to the disclosure of all instances where discretion is used, the requirement to publicly provide information on margin methodologies sufficient to enable replication, the requirement to provide model assumptions and limitations, and the need to offer simulation tools to the wider market. These reinforce the point made above regarding the risk of harm to the competitive positioning of UK CCPs.

In particular, the requirements to provide sufficient information on margin models, limitations, and assumptions to allow for model replication are very concerning, as this information could likely be used by market participants to optimise their margin and limit the amount of margin they post. Requiring this information to be provided is dangerous as it may be used to attempt to inappropriately minimise margin posted, weakening UK CCP risk management.

In addition, the Bank is responsible upon the CCP with no involvement of the Clearing Service Providers (CSPs). The WFE believes that CSPs should pass-through relevant CCP information to and explain any additional margin requirements, including the rationale and methodology, to clients. Where CSPs use their own margin models, disclosure requirements should be consistent with what is required from CCPs. CCPs are already extremely transparent, so ensuring that CSPs also provide transparency into their margining practices to clients benefits the overall system by improving clients' understanding of the CSPs margining practices. This expectation is consistent with the BCBS-CPMI-IOSCO recommendations on margin transparency, which emphasise that disclosures should cover all margin components affecting the participant.

**Q16. Do you have any views on the Bank's expectations in relation to margin procyclicality, portfolio margining, the provision of a margin simulation tool, or the monitoring of margin as set out in the draft supervisory statement on CCP margin (Annex 5)?**

The WFE warns against adopting ESMA Guidelines V.1 and V.5, as the prescriptive use of anti-procyclicality (APC) tools in the EU has reduced flexibility. Anti-procyclicality tools should remain up to the discretion of CCPs, and should not reduce CCPs' ability to tailor margin methodologies to their markets.

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<sup>2</sup> "WFE Response: BCBS-CPMI-IOSCO Review & Policy Proposals on the Transparency and Responsiveness of Initial Margin in Centrally Cleared Markets," 15 April 2024, <https://www.world-exchanges.org/our-work/articles/wfe-response-bcbs-cpmi-iosco-review-policy-proposals-transparency-and-responsiveness-initial-margin-centrally-cleared-markets>

**Q17. Do you have any views on the Bank's proposed approach to margin permissions as set out in the SoP on 'The Bank of England's approach to supervisory processes (model changes, recognition orders and variations of recognition orders) and margin permissions' (Annex 4)?**

We welcome clarity but emphasise proportionality. Allowing CCPs to self-certify non-material changes, subject to ex post reporting, would avoid bottlenecks while maintaining oversight.

**Q18. Do you have any views on costs and benefits of the proposed changes to margin requirements?**

We believe costs of margin simulators are understated. Simulators require not only IT build but ongoing maintenance. In theory, they may also require client support, but in reality, simulators often go unused – many WFE members note that uptake of existing margin simulators by clearing participants and clients remains limited. The Bank's cost-benefit analysis should reflect this, recognising that greater transparency will only achieve its policy aims if members also play their part in explaining and operationalising these tools for clients. CCPs should retain flexibility in the design and presentation of simulators, ensuring they remain proportionate and effective rather than purely duplicative of information already provided. Furthermore, it should be noted that simulators do not provide accurate predictions of future margin requirements, and rather estimates, and that CMs/Clients must still design their own liquidity preparedness tools to account for this.

**Q19. Do you have any views on our proposals, and do you think there are other ways the Bank could support industry efforts to increase the likelihood of successful porting after a clearing member default?**

We support measures to increase client readiness for successful porting - particularly pre-consented backup clearer arrangements. To this extent, the WFE encourages the Bank to incentivise clients to place greater emphasis on selecting and agreeing relationships with back up clearing members in business-as-usual conditions. However, the recommended measures are unlikely to be sufficient to significantly improve the chances of successful porting for most clients.

We also note, however, that the proposal to require CCPs to trigger porting without proactively seeking client consent is highly unlikely to be workable in practice, given that all the clients in such omnibus accounts would need to pre-agree contractually to port their positions to the same back-up clearing member, and a single omnibus account can include thousands of clients.. If all clients don't unanimously agree on a replacement clearing member ex-ante, they would have very limited time to coordinate the identification of a replacement clearing member during a default. This may prove particularly challenging in times of market stress, when constraints on alternative clearing members' balance sheet capacity may limit their ability to take up new clients. Despite these significant obstacles to porting net omnibus accounts, under the current regime CCPs would nevertheless be required to attempt porting. This increases the risk of losses as positions would have to be kept open, either until the porting period closes or clients ask for their positions to be closed. It would therefore be preferable if clients who are highly unlikely to port could opt out of porting ex ante. For this purpose, CCPs should be able to offer non-portable accounts.

In addition, if CCPs were exempt from due diligence during porting, they could accept collateral from clients directly and thereby extend the porting period, providing more time to find a replacement clearing member. CCPs could also support porting if they were enabled to share client portfolio data with alternative clearing members without requiring prior approval from those clients. Finally, individually segregated clients could be allowed to designate a back-up clearing member in advance, similar to the current proposal for net omnibus clients, as these arrangements may already be in place and could result in faster porting.

**Q20. Do you have any comments on the costs and benefits of the proposed changes related to porting?**

See below.

**Q21. Do you have any views about the proposal to factoring portability into the allocation of default fund contributions?**

WFE members strongly support the goal of enhancing porting, but caution that linking default fund contributions to perceived portability could create unintended distortions in client account structures, such as net omnibus client segregation (OCS), where client positions and collateral are held collectively in a single pool under the clearing member's name, not individually identified. This structure is operationally efficient and widely used but makes porting more complex as a CCP must identify, allocate, and transfer each client's portion of the net omnibus account to another clearing member. If such accounts are assessed as less "portable", including relative to individually segregated accounts, this would unfairly penalise legitimate account models and distort client choice. This could harm smaller clients by limiting their access to the risk management benefits of clearing by challenging their ability to find a clearing member, as it could increase the cost of clearing for clients that are assumed to have a lower porting probability (e.g., no back-up clearing member). Clients may all together have their access limited, or be pressured into individual segregation simply to avoid higher costs for clearing members, despite omnibus accounts being more cost efficient and operationally simpler.

We agree with the Bank's recognition that the proposal on considering portability in the determination of default fund requirements "would result in a cost for certain clearing members that might be passed onto clients through lower or higher fees...The proposed policy may also impact the willingness of clearing members to onboard clients who fail to nominate backup clearing members, or categories of client who are less portable due to posing more onboarding difficulties (such as requiring more complex 'know your client' checks)." Ultimately, this proposal could reduce liquidity pooling benefits and lead to fragmentation of clearing arrangements. Smaller clients and members would be disproportionately affected, since they often rely on omnibus accounts for efficiency.

For some clients, there may be little upside in investing in a more portable setup. For example, a client that exclusively trades short-term maturities may see less reason to invest in a portable setup than a client active in interest rate derivative markets with long maturities. However, as outlined in our response to Question 19, it would be beneficial if clients that don't see the need to invest in a more portable setup could opt-out of porting ex-ante. This would allow CCPs to efficiently liquidate the clients' positions, reducing the risk of losses and thereby also protecting the default fund contributions of non-defaulting members. Clients would also benefit, as they would otherwise not be able to risk manage their positions during the porting period.

Finally, the WFE believe the current proposals would therefore hurt the competitiveness of UK CCPs by making them less-attractive for clients to clear their business at, versus EU and US CCPs. Overall, the proposal is likely to result in a more complex process and higher costs for UK CCPs, clearing members, and clients, without creating the right incentives to increase the likelihood of porting. We therefore encourage the Bank to not move forward with its proposal to tie default fund requirements to clients' portability.

**Q22. Do you have any comments on the costs and benefits of the proposed changes?**

See above.

**Q23. Do you have any feedback on our proposal to mandate CCPs to hold an additional tranche of resources, or SSITG?**

WFE members support aligning incentives between CCPs and clearing members, but we have significant concerns with the Bank's proposal to mandate CCPs to hold an additional tranche of SSITG resources, a concept which the WFE does not support. First, the Bank has not explained why a SSITG is necessary or how it would improve financial stability. Further, the proposed size (25 percent of risk-weighted capital) creates a UK-only uplift that is not required under EU rules. Excessively high prefunded SSITG could tie up capital and liquidity that might otherwise support productive investment, conflicting with the Government's growth agenda and the Bank's secondary innovation objective, and risking distortion in the way clearing operates globally. The Bank has not explained why it thinks it is appropriate to set a SSITG in line with SITG - the proposed 25% calibration appears to have been selected for simplicity rather than risk-based justification. While we recognise the Bank's rationale that this level would align with current UK CCP outcomes under the EU methodology, WFE members recommend a more evidence-based, risk-sensitive approach to replenishment requirements to avoid unnecessary capital immobilisation.

Second, we wish to express concerns regarding the idea that SSITG should be linked to the size of the default fund. A risk-based capital approach better ensures that incentives remain aligned and that those who bring the risk bear the risk. Linking SSITG to the default fund would effectively make the CCP underwrite the risk of its members and end users, creating a misalignment of responsibility and weakening the incentive for prudent risk management by clearing participants. Additionally, making SSITG fully available for non-default losses blurs the line between waterfall and capital for business or operational risks, and risks creating unintended consequences for recovery and resolution planning. Operationally, a one-month replenishment deadline is also very tight, as raising or reallocating capital within 30 days can be impractical in times of stress.

**Q24. Do you have any comments on the cost-benefit analysis related to the proposal to introduce SSITG?**

We believe the costs are significant and not fully captured, in terms of both direct and indirect costs. Direct costs include the quantum of additional capital, the higher ongoing cost of equity, and the friction of rapid replenishment. The implementation of a SSITG distorts the carefully balanced incentives that a CCP's default waterfall was designed to address. Instead, it adds further cost on the CCPs who are managing risk (rather than creating it), and instead, potentially creating disincentives for CMs, the risk creators, to properly participate in the risk management process.

**Q25. Do you have any comments on the Bank's proposed restatement of requirements relating to liquidity risk controls?**

The liquidity stress testing metrics should only apply to material currencies. The current proposal seems to apply to all currencies - even immaterial ones. This is a divergence from what is required under US and EU regulation and does not work in practice. It would impose undue burdens on UK CCPs, and would not provide any benefit.

**Q26. Do you have any comments on the integration of elements of the ESMA opinion on liquidity risk assessment into Bank rules?**

No comment.

**Q27. Do you have any views on costs and benefits of policy proposals in relation to liquidity risk controls requirements?**

No comment.

**Q28. Do you have any comments on the Bank's proposals relating to collateral requirements?**

No comment.

**Q29. Are you content that the redrafting of CDR 153/2013 A44 1(b) and (c), and A45 1(b)(i) and (ii) maintains existing scope and does not impinge on CCPs' investment policy?**

No comment.

**Q30. Do you have any comments on the Bank's proposals relating to investment policy requirements?**

No comment.

**Q31. To what extent do you consider the proposed changes constitute an improvement on the previous regime, particularly with respect to clarity, transparency and efficiency?**

WFE members strongly support the policy intent to streamline supervisory processes and make more effective use of CCPs' internal assurance functions (second and third lines of defence). However, the benefit of this approach will depend on consistent, predictable implementation by supervisors. The key priority should be a clear, time-bound, and predictable process that allows CCPs to plan changes with confidence. Predictability and proportionality matter more than absolute speed.

The Bank should ensure that the proposed framework does not unintentionally increase friction for CCPs' business-as-usual (BAU) model adjustments. The 10-day materiality assessment process and broad scope of "any change beyond regular intended operation" may capture routine parameter updates, incremental recalibrations, or model hygiene work that currently sit within CCPs' internal governance pipelines. These BAU activities are vital to maintain margin coverage and default-fund adequacy in changing market conditions and are not indicative of methodological or structural model changes.

If ordinary margin and stress-testing recalibrations are repeatedly held pending materiality determinations, CCPs' responsiveness to market volatility would be constrained, potentially increasing procyclicality rather than reducing risk. The WFE therefore encourages the Bank to ensure the revised process differentiates clearly between methodological model changes and parameter-driven recalibrations, maintaining a true "notification-only" regime for the latter.

**Q32. Do you have any comments on the materiality threshold for model changes and variations of recognition orders as set out in the Statement of Policy on The Bank of England's approach to supervisory processes (model changes, recognition orders and variations of recognition orders) and margin permissions? Do you consider that it is appropriately calibrated and that the descriptions of changes deemed to be 'material' are clear? If not, how could the criteria and wording be modified?**

WFE members support a softer definition of determining materiality. Hard thresholds do not allow for the use of CCP discretion, which could result in non-material changes being treated as though they are material. Furthermore, the proposed quantitative triggers (notably the 10% change in service-level initial margin or other risk resources) are too low and insufficiently targeted. In practice, ordinary market movements and parameter updates may change aggregate initial margin by more than 10%, without any alteration to the underlying model logic.

If these routine recalibrations are treated as "material" and require Bank permission prior to implementation, the ability of a CCP to effectively manage margin levels will slow materially, which is especially troubling in volatile markets. This could undermine CCPs' ability to manage exposures in real time and increase the risk of procyclical outcomes, contrary to the Bank's own Financial Stability and Innovation Objectives. Most importantly, it will weaken UK CCP risk management, and jeopardise UK market stability.

We therefore recommend that the Bank:

- Explicitly exclude parameter-based or data-driven margin updates within established Board-approved governance limits from the materiality test;
- Clarify that the 10% impact threshold applies only to methodological changes, not to normal re-estimation or back-testing adjustments;
- Permit post-implementation notification for BAU recalibrations with appropriate audit trails; and
- Retain a clearly defined emergency or expedited path for margin changes made to address immediate risk exposures.

These adjustments would preserve the Bank’s oversight of genuinely material model developments while preventing the new framework from inadvertently delaying the timely recalibration of CCP risk models.

**Q33. How do you think we could we offer greater clarity about application requirements for any or all of the supervisory processes described above?**

No comment.

**Q34. How else could the processes described above be improved?**

We support the introduction of expedited tracks for like-for-like products or non-material variations. This will accelerate innovation and allow CCPs to deploy improvements more quickly.

We also recommend that:

- Non-material and non-regular intended operations should be assessed by the Bank on a periodic, ex-post basis. For instance, CCPs could submit to the Bank, every quarter, all non-material and non-regular intended operations proposed in the previous quarter;
- Process changes not related to risk models should be excluded from the requirements related to the materiality assessment. For instance, the addition of a new account type is a business-as-usual (BAU) activity for the CCP and should not trigger a materiality assessment.

**Q35. Do you have any other comments about the proposals set out above?**

We recommend quarterly publication of turnaround times and common application issues. This would enhance transparency and allow CCPs to adjust processes accordingly.

**Q36. Do you have any comments on the Bank’s proposed restatement of settlement requirements?**

Where central bank access is not available for certain currencies, CCPs appropriately use commercial-bank money under robust prefunding, segregation, and exposure controls. The final rules should confirm that such arrangements remain consistent with Article 50 of UK EMIR. We also suggest clarifying that the reference to “physical delivery” does not introduce new procedural obligations.

**Q37. Capital calculations and reporting**

Daily capital calculations during default events could be operationally demanding if other post-default processes (margin recalibration, stress testing, default fund replenishment) are occurring simultaneously. Some flexibility may be needed, i.e. daily monitoring but less frequent formal reporting unless positions materially change.

**Q38. Do you agree with our proposal to bring all products directly into scope of the existing requirements for interoperability arrangements?**

No comment.

**Q39. Do you agree that there should be an explicit requirement for CCPs to seek approval from the Bank when making material changes to interoperability arrangements? Do you have any views on what changes to interoperability arrangements should be considered ‘material’?**

We recommend defining material changes to interoperability arrangements as those that materially affect the CCP’s risk profile or default management arrangements. Routine operational, technical, or parameter updates should not require prior permission.

**Q40. Do you agree that the Bank should have a clear mechanism to revoke permission for interoperability arrangements?**

In regards to the Bank's mechanism to revoke permissions to interoperability arrangements, criteria should be transparent, and CCPs should have the opportunity to remediate any issues before revocation.

**Q41. Do you have any comments on the proposed Statement of Policy – The Bank of England's approach to interoperability permissions (in Annex 3)?**

No comment.

**Q42. Do you have any comments on the costs and benefits of the proposed changes related to interoperability arrangements?**

We encourage the Bank to maintain proportionate timelines and coordination with overseas regulators to avoid duplicative approvals.

**Q43. Do you have any comments on the Bank's proposals to restate requirements for overseas CCPs?**

No comment.

**Q44. Do you have any comments on the Bank's proposed amendments to the Tiering and Comparable Compliance SoPs?**

No comment.

**Q45. Do you have any comments on the Bank's cost benefit analysis of the proposals regarding non-UK CCPs?**

No comment.

**Q46. What are the risks and benefits of permitting uncollateralised bank guarantees as eligible collateral? What measures would help mitigate these risks?**

Permitting uncollateralised bank guarantees may provide some liquidity relief in stress for non-financial participants in commodity markets, and diversify margin funding when other types of high-quality collateral may be more scarce. However, the wrong-way risk associated with uncollateralised bank guarantees must be addressed if accepted, and more generally, such acceptance should be subject to appropriate limits. Mitigants could include making such collateral limited to specific markets and participant types, with strict issuer standards, irrevocable and on-demand guarantees, conservative haircuts, short maturities, and transparency requirements.

**Q47. Should uncollateralised bank guarantees be permitted as eligible collateral? If yes, should their use be restricted only to specific markets or specific participant types?**

See above.

**Q48. What are your views on permitting tokenised assets as eligible collateral, including the risks and benefits? What barriers currently exist to their use?**

Tokenised forms of already eligible high-quality assets and collateral mobility services can expand usable collateral without changing the underlying risk. Some WFE members have indicated that the benefits are faster mobilisation and optimisation of already eligible collateral, including near real-time movements between custodians and CCP collateral locations, where the underlying asset remains unchanged and compliant with existing CCP rules.

The main risks and barriers are legal and market based rather than technological: legal settlement finality needs to be established case by case for DLT-based securities, secondary market depth for some DLT instruments is still thin, and high-liquidity criteria can be hard to evidence where there is no active outright or repo market.

Operationally, DLT does not change core risk types for CCPs, although cyber and interoperability risks can increase, and instant settlement can raise liquidity costs relative to multilateral netting unless carefully designed.

**Q49. Are there any other types of instruments that should be permitted as eligible collateral or options that could improve the availability of existing collateral? What barriers currently exist to their use?**

See above.

## Background

Established in 1961, the World Federation of Exchanges (WFE) is the global industry association for exchanges and central counterparties (CCPs). Headquartered in London, it represents over 250 market infrastructure providers, including standalone CCPs that are not part of exchange groups. Of our members, 37% are in Asia-Pacific, 43% in EMEA, and 20% in the Americas.

The WFE's 87 member CCPs and clearing services collectively ensure that risk takers post some \$1.1 trillion (equivalent) of resources to back their positions, in the form of initial margin and default fund requirements. WFE exchanges, together with other exchanges feeding into our database, are home to over 49,000 listed companies, and the market capitalisation of these entities is over \$116.58 trillion; around \$155 trillion (EOB) in trading annually passes through WFE members (at end 2024).

The WFE is the definitive source for exchange-traded statistics and publishes over 350 market data indicators. Its free statistics database stretches back 49 years and provides information and insight into developments on global exchanges. The WFE works with standard-setters, policy makers, regulators, and government organisations around the world to support and promote the development of fair, transparent, stable and efficient markets. The WFE shares regulatory authorities' goals of ensuring the safety and soundness of the global financial system.

With extensive experience of developing and enforcing high standards of conduct, the WFE and its members support an orderly, secure, fair, and transparent environment for investors; for companies that raise capital; and for all who deal with financial risk. We seek outcomes that maximise the common good, consumer confidence and economic growth. And we engage with policy makers and regulators in an open, collaborative way, reflecting the central, public role that exchanges and CCPs play in a globally integrated financial system.

If you have any further questions, or wish to follow-up on our contribution, the WFE remains at your disposal. Please contact:

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