

Introduction

BBVA would like to thank the European Banking Authority (EBA) for the invitation to comment on the discussion paper concerning the draft regulatory standard on capital requirements for CCPs.

From our position, we broadly support the use of internal models by the CCPs in order to calculate capital requirements for their core activities. Additionally, we support the use of the standardised approach for calculating capital requirements for non clearing activities.

Questions for consultation

Q1. Do you support this approach to capital requirements?

BBVA agrees with the proposed approach to capital requirements.

We believe that the minimum capital of a CCP, including retained earnings and reserves, at all times, should at least be equal to the sum of all the CCP's open risks and expenses (as proposed in article 3).

Due to the systemic relevance the CCPs will have in the new financial environment, BBVA believes that is of paramount importance that the capital of a CCP will be sufficient to generate confidence and comfort in all market participants.

In addition, we also believe that CCPs need to have enough financial resources to cover all non-clearing activity risks, such as investment and hedging activities and also operational, legal and business risks stemming from their core activity.

Q8. What is your view on the notification threshold? At which level should it be set?

BBVA thinks that the notification threshold set at 125% of the capital requirements is more than appropriate.

Q11. What is your estimation for the number of months necessary to ensure an orderly winding-down or restructuring of the CCP's activities?

BBVA thinks that this should be outlined taking into account the type of assets cleared, the size of the CCP and the systemic risk generated by the CCP.

Q14. Do you think that the banking framework is the most appropriate method for calculating a CCP's capital requirements for operational risk? If not, which approach would be more suitable for a CCP?

BBVA considers that CCPs will become as systemically important as banks, for this reason, the banking framework seems appropriate for calculating CCP's capital requirements.

Q15. Do you think that the Basic Indicator Approach set out for banks is appropriate for CCPs?

BBVA considers that it will be more appropriate, in light of the different business areas/divisions that CCPs may have, to use the standardised approach, instead of the Basic Indicator Approach.

Q18. Do you think CCPs should be allowed to calculate the capital requirements for operational risk with an internal model, as in the advanced measurement approach?

BBVA thinks that it is appropriate for a CCP to use an internal model for such risk management, but will also recommend ESMA to perform a close supervision to ensure its correct application.

Q21. Do you think CCPs should be allowed to calculate the capital requirements for market, credit and counterparty credit risks with internal models?

BBVA thinks that there is no better inducement, for market in general, to learn that CCPs are able to use their own internal models. This will help the CCP management to control all risks stemming from their core activities such as approval, identification, measurement, monitoring and setting of risk limits. Being able to perform such actions has a strong dependence on appropriate technical tools and a well prepared staff.

We, however, recommend ESMA to supervise these developments accordingly.

Q23. Do you think that the banking framework is the most appropriate method of calculating a CCP's capital requirements for credit, counterparty credit and market risk stemming from non-covered activities?

We agree that the banking framework is the most appropriate method, to allow CCPs managing risks related to non-core activities.

Q27. Do you think that CCPs, should be allowed to calculate their capital requirements for credit, counterparty credit and market risk using internal models?

Please see Q21.