

AMUNDI'S COMMENTS ON
EBA Discussion Paper
on
Draft Regulatory Technical Standards
on the capital requirements for CCPs under
the draft Regulation on OTC derivatives, CCPs and Trade Repositories

Amundi is the leading French asset manager and, with 658 billions € under management at the end of 2011, it ranks 2nd in Europe and among the to ten largest asset managers in the world. Amundi uses derivative instruments in many of the strategies it implements and is very concerned by the evolution of market infrastructures currently under way in Europe or in America.

As an important buy side organisation, Amundi welcomes the opportunity offered by EBA to comment on the discussion paper on capital requirements for CCPs it issued. Many questions are expressly or implicitly directed to CCPs and Amundi will comment only the few questions where it feels it has some contribution to bring. But to start with, Amundi would like to explain its general view on the topic of capital adequacy for CCPs.

GENERAL COMMENT:

If Amundi welcomes the evolution towards safer and better organised derivative transactions it is very sensitive to the fact that CCPs must be non-questionably prime quality institutions and exempt of risk.

Today and for the purpose of reducing risk **Amundi diversifies the counterparties** it deals with on OTC derivatives. Currently Amundi uses tens of counterparties. Risk control checks that behind this diversity there is no concentration on one given segment of the market and on one given side (buy or sell) with any given counterparty. Furthermore Amundi developed, for some transactions, regular calls of margin in the framework of CSA or FBF contracts in order to reduce the risk exposure. Cash only is accepted for margin calls.

EMIR intends to reduce risk for market participants. At first sight it reduces diversity of counterparties as it will lead to **centralising operations with a very limited number of CCPs** through a very limited number of clearing brokers. This seems a possible increase of risk. To achieve its aim EMIR can only impose extremely strict standards for CCPs.

In that respect Amundi suggests that:

- **CCPs be all considered as SIFIs** with the relevant close supervision by regulators and extra capital requirements
- **CCPs have access to Central Bank's money** to guarantee effective liquidity and
- **CCPs prepare a legacy** for proper unwinding in order to facilitate a possible transfer of positions and activities in case of difficulties.

ANSWERS TO THE QUESTIONNAIRE:

Q1. Do you support this approach to capital requirements?

Q2. Do you consider there to be any alternative approach which is more appropriate that would be consistent with Article 12 of the Regulation?

Yes, Amundi supports the suggested approach for calculation of minimal capital requirement whereby the capital should at least cover expenses for the total delay of an orderly wind-down of the CCP and transfer of its activities. The requirement to add to that minimum amount the capital necessary to cover the risk of all the activities of the CCP is also welcomed. A mention of add-on as requested from SIFIs could be mentioned as well.

Q17. In your view, are the Standardised Approach methods appropriate for the calculation of credit, counterparty credit and market risk a CCP faces stemming from “non-clearing activities”?

Q18. Do you think that CCPs, which concentrate risks stemming from derivatives, should be allowed to calculate their capital requirements for credit, counterparty credit and market risk using internal models?

Amundi agrees generally with the proposed approach to refer to CRD and banking regulations and specifically with the possibility for CCPs to calculate their requirements in terms of capital on the basis of an internal model as all major banks do. However this supposes - and it is a major demand - that their model are checked and approved by the relevant supervisory authorities with the approval of EBA to ensure consistency of these controls everywhere in the UE.

Q21. What is your view on the notification threshold? At which level should it be set?

Q22. In your view, in which case should restriction measures be taken by the competent authority once the notification threshold is breached?

It is a good policy to follow closely the fulfilment of the capital requirement at any time. It is the responsibility of the CCP to do so and of the supervisory authority to control that the requirement is met and that a procedure to follow its evolution exists and is in use. In its relationship with the CCP the supervising authority may define thresholds (probably not lower than 110%) and ask to be informed if and when they are reached.

Amundi does not support the view that a threshold should be made public and applicable to all CCPs at the same level. It would simply mean that the capital requirement is inadequately calculated as it seems necessary to take drastic actions when the level of 110% (or 105%) is reached. It would be extremely damageable for the concerned CCP and would have an important procyclical effect. Close supervision is the real answer.

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