**EBA draft RTS to specify the calculation of the amount of the total margin for the calculation of K-CMG (Article 23(3) of the IFR)**

*Response ABN AMRO Clearing Bank N.V.*

**Introduction**

ABN AMRO Clearing Bank N.V. (AACB) welcomes the approach taken by the EBA. We believe the margin that clearing members require from their clients to be a good basis for determining their risk to market. Clearing member’s margin models have a long history in guaranteeing safe and transparent markets.

The framework provided the Investment Firm Regulation, alongside the more detailed requirements as proposed by the EBA, should provide market participants with clear and balanced set of rules. We believe that, with a few clarifications and adjustments, this draft RTS does exactly that. The remainder of our response will discuss these suggested clarifications and adjustments, which only concern article 2 sub 1 and article 3.

As far as the level-1 text is concerned, we interpret the references to the EMIR requirement for margin models as performance requirements, not as design requirements. This would allow clearing firms to operate their models, even if they have a slightly different calibration (e.g. a shorter risk horizon or a larger confidence interval), as long as clearing firms can consistently prove that the level of prudence of their margin model is as least as high as the bar set by EMIR (2-days risk horizon and a 99% confidence interval).

**Article 2**

The wording of sub 1 as proposed in the draft RTS could be improved by making it more open and precise. A closed list of initial and variation margin and other financial collateral excludes potential other collateral. An open formulation would ensure that all forms of collateral requested by clearing firms would be part of the margin required. Please note that the term variation margin is treated (and defined) differently depending on the type of derivatives or the rulebook of a CCP. For example, some contracts may give rise to contingent variation margin not paid out by the CCP, but rather accounted for as part of initial margin requirement calculations. In addition, the concept of settled-to-market and collateralised-to-market can play a role.

We would also like to point out that an investment firm can have several collateral accounts with one clearing member and that a reference to the collateral account is thus not ideal. Since the K-CMG requirement is based on the ‘required amount’ of collateral, the reference to ‘collateral account’ is not essential.

We suggest the following wording:

“The amount of the total margin referred to in Article 23(2) of Regulation (EU) 2019/2033 shall be the amount of collateral as required by the clearing member’s margin model.”

**Article 3**

Article 3 of the draft RTS suggests that, if an investment firms uses multiple clearing members, this investment firm should use the third highest amount of total margins required on a daily basis by each clearing member over a period of three months. This requirement might incentivise investment firms to limit the number of clearing members they use. This would increase concentration risk, and could ultimately affect clearing member competition and further reduce the number of clearing members that can offer a comprehensive client-clearing package. We would therefore suggest to allow investment firms to use the third highest amount of total margin required across clearing members on a daily basis over a period of three months.