eurelectric
powering people

ESMA consultation on EMIR 3 draft RTS on Margin Transparency requirements

Eurelectric response paper

September 2025

Eurelectric represents the interests of the electricity industry in Europe. Our work covers all major issues affecting our sector. Our members represent the electricity industry in over 30 European countries.

We cover the entire industry from electricity generation and markets to distribution networks and customer issues. We also have affiliates active on several other continents and business associates from a wide variety of sectors with a direct interest in the electricity industry.

We stand for

The vision of the European power sector is to enable and sustain:
- A vibrant competitive European economy, reliably powered by clean, carbon-neutral energy
- A smart, energy efficient and truly sustainable society for all citizens of Europe

We are committed to lead a cost-effective energy transition by:

investing in clean power generation and transition-enabling solutions, to reduce emissions and actively pursue efforts to become carbon-neutral well before mid-century, taking into account different starting points and commercial availability of key transition technologies;

transforming the energy system to make it more responsive, resilient and efficient. This includes increased use of renewable energy, digitalisation, demand side response and reinforcement of grids so they can function as platforms and enablers for customers, cities and communities;

accelerating the energy transition in other economic sectors by offering competitive electricity as a transformation tool for transport, heating and industry;

embedding sustainability in all parts of our value chain and take measures to support the transformation of existing assets towards a zero carbon society;

innovating to discover the cutting-edge business models and develop the breakthrough technologies that are indispensable to allow our industry to lead this transition.

Dépôt légal: D/2025/12.105/56

WG Financial Regulation & Market Integrity

Contact:
Edoardo TOSONI - Senior Advisor - Wholesale Markets
etosoni@eurelectric.org

ESMA consultation on EMIR 3 draft RTS on Margin Transparency requirements

A Eurelectric response paper September 2025

KEY MESSAGES

- We fully endorse the improved transparency provisions of Article 38 of EMIR, and overall agree with ESMA's interpretation thereof
- The greater transparency helps clients better understand and manage their margin requirements - particularly during periods of market stress
- The conditions between the validity and the nonvalidity of the margin-model assumptions (e.g., in stress scenarios) should clearly be delineated by CCPs, along with the implications on margin requirements of the nonvalidity of the assumptions (e.g., manual override)
- Transparency should also be ensured on the conditions which may trigger unscheduled intraday margin calls
- In general, CSPs should transmit to their clients all information on margin requirements provided by CCPs as-is
- CSPs should provide their clients with information on any additional requirements they may apply, distinguishing it from those of the CCP
- When CSPs share margin data with their clients (e.g., through the simulation tool) they shall respect confidentiality of client information, ensuring that data is disaggregated by client and that each client only receives data regarding its own portfolios

Q1: Do you agree with the proposed information to be provided by the CCP on its margin model design and operations? Do you have other proposals as to which information could be provided under point (a) of Article 38(7) of EMIR?

Overall, we agree with the proposed specifications.

In addition, we call for an explicit requirement to CCPs to provide information on potential triggers for unscheduled or intraday margin calls, including, for instance, recalibrations initiated by the CCP during market stress or client-specific developments (e.g., deteriorating credit profile or rising concentration risk). This information will be fundamental for clients to carry out effective margin-requirement management.

Q2: Do you agree with the proposed information to be provided by the CCP on the margin model assumptions and limitations? Do you have other proposals as to which information could be provided under point (b) of Article 38(7) of EMIR?

We welcome the general intent to increase transparency on assumptions and limitations of their validity, also including information on backtesting and sensitivity analysis.

However, the indication that “CCP should disclose to their clearing members a description of the events that could lead to a breach of the assumptions” should be tightened to really delineate the conditions under which the margin-model assumptions are valid, to the higher degree of generality attainable by available knowledge of these potential conditions.

Moreover, it would be fundamental that CCPs specify the implications of conditions that breach the validity of model assumptions. For example, CCPs should indicate whether these conditions would lead to rejecting the model results and manually overriding the model (i.e., ESMA’s footnote 2 should be emphasized). The rationale is to minimize situations in which margin results are still determined by nontransparent circumstances, thus compromising the general transparency improvements brought by the new Art.38.

Transparency on the conditions and implications of the nonvalidity of model assumptions should be fostered by thorough documentation, including through illustration of scenarios which breach the validity of model assumptions (e.g., past scenarios when the margin model was manually overrode).

Q3: Do you agree with the proposal with regard to the model documentation? Do you have other proposals as to which documents could be provided under point (c) of Article 38(7) of EMIR?

We agree with the proposal of a model documentation by CCPs as a key transparency element.

In particular, such documentation should clearly delineate the conditions within which the margin-model assumptions are valid, as well as the implications in terms of usage of the model results in the event of breach of these conditions. To this end, the documentation should include example scenarios of nonvalidity of model assumptions and manual overrides of the model results, especially highlighting the interpretation of the model parameters in the scenarios of nonvalidity of model assumptions (see also Q1).

For ease of use and reference, the documentation of the margin model should also contain a user's guide to the simulation tool and its scenarios. In this regard, it would also be important to show the value of the margin-model parameters under the different scenarios.

Q4: Do you agree with the proposed requirements and the type of output for the simulation tool to be provided by CCPs? Are there any other requirements for the CCP margin simulation tool which should be taken into account, such as legal mechanisms to ensure confidentiality?

We overall welcome the proposals concerning the simulation tool provided by CCPs.

In keeping with our remarks in Q1 and Q2, it is fundamental for transparency that the tool does not provide results that would be rejected by the CCP as breaching the validity of model assumptions (i.e., that nonvalid results would not be concealed behind the caveat that the tool results are nonbinding).

It will also be useful to have different scenarios available in the tool, including a historical worst-case scenario (provided its definition as "historical worst case" is clear, to avoid ambiguity due to different products having undergone historical worst cases at different times). This notwithstanding, to avoid the risk of unreliable results discussed in the previous paragraph, it should be clearly signalled whether a given scenario is close to the threshold between validity and nonvalidity of model assumptions.

We also agree with the indication that results should be broken down to distinguish the "core" results from the various add-ons. At the same time, it is important to specify that, in case the margin model is not fully additive (i.e., the overall initial margin is not exactly the sum of the core and the add-ons), accuracy should be prioritized over the breakdown in the tool results (i.e., it would be better to have an accurate but not broken down result than vice-versa).

For the sake of transparency and understanding the model, it the value of the model parameters under each scenario should be shown in the tool.

Q5: Do you agree with the proposed information to be shared by CSPs on their margin models? Should any other element be taken into account?

We fully agree with the requirement that CSPs should be transparent with their clients as to the margin model and operational arrangements.

In particular, we call for a specification that CSPs should transmit to their clients the information they receive from CCPs as-is (i.e., in the form of the model documentation provided by the CCP). CSPs should also explain in a transparent and understandable manner the rationale, calculation methods, and triggering conditions for all additional requirement (such as multipliers, credit-based overlays, client-specific stress scenarios or liquidity buffers) they may apply on top of CCPs' margins.

All CSP-specific feature of the margin model should be provided through clear model documentation, including the CSP's own risk policies and any other potential triggers for unscheduled or intraday margin calls.

Q6: Do you agree with the proposals on the margin simulations to be provided by CSPs? Should there be any additional requirements?

We also agree with this proposal to enhance transparency towards the clients of CSPs.

The requirements to the simulation tool provided by CSPs should be the same as those indicated under Q4 for the simulation tool of CCPs (i.e., clarity on whether results might be unreliable due to holding conditions that may violate model assumptions; disclosure of model-parameters values, including under the different scenarios).

In addition to the above, the CSPs' simulation tool should highlight the contribution to the results of the specific features (model assumptions, CSP-specific add-ons etc) that CSPs apply on top of the model and tool from CCPs.

The CSP's simulation tool should contain the same scenarios as the CCPs' simulation tool, possibly with additional ones to illustrate the sensitivity of the results on the CSP-specific add-ons (e.g., on client's creditworthiness).

A fundamental principle is also to respect client confidentiality. To this aim, any margin data (e.g., results of the simulation tool) available from the CCP to the CSP should be handled by the latter so that (i) the data is disaggregated by CSP's client and (ii) each client only received data regarding its own portfolios.

Eurelectric pursues in all its activities the application of the following sustainable development values:

Economic Development

- Growth, added-value, efficiency

Environmental Leadership

- Commitment, innovation, pro-activeness

Social Responsibility

- Transparency, ethics, accountability

Union of the Electricity Industry - Eurelectric aisbl
Boulevard de l'Impératrice, 66 – bte 2 - 1000 Brussels, Belgium
Tel: + 32 2 515 10 00 - VAT: BE 0462 679 112 • www.eurelectric.org
EU Transparency Register number: 4271427696-87