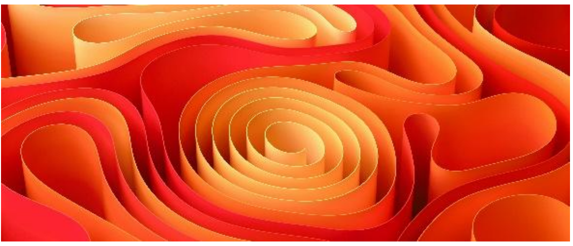
Pills

Regulatory/Supervisory Pills | N.109 July 2026

Author: Dario Esposito



TOPICS:

Market risk

SOURCE:

Bank of England, Bundesanstalt für Finanzdienstleistungsaufsicht, Deutsche Bundesbank, Commodity Futures Trading Commission, European Securities and Markets Authority

BOE-BaFin-BundesBank-CFTC-ESMA: 2025 CCP Global International Default Simulation - Key Findings and Observations

- The **2025 CCP Global International Default Simulation** (CIDS) was a large-scale industry-wide default management exercise involving **38 central counterparties (CCPs)** and numerous clearing members and clients. Coordinated by CCP Global and overseen by BaFin, the Bank of England, Bundesbank, the CFTC, and ESMA, **the exercise simulated the default of a major common clearing member across multiple CCPs and asset classes**, including derivatives, equities, commodities and foreign exchange products.
- Overall, the exercise demonstrated that CCPs and market participants can effectively **execute default management processes in a multi-CCP environment**. However, participants reported **operational pressures** arising from competing obligations, resource constraints and the need to manage simultaneous activities across several CCPs.
- A key new feature was the introduction of a **client porting module**, which tested the transfer of client positions from a defaulted clearing member to another member. While viewed positively, participants highlighted practical challenges, including AML/KYC requirements, limited timeframes and difficulties processing large volumes of client transfers.
- Feedback also identified opportunities for **improvement in communication and auction processes**. Participants called for greater standardisation of auction files, bidding conventions and communication methods, as well as wider use of portal-based systems instead of email. More timely feedback during auctions and porting exercises was also requested.
- Future exercises may incorporate more realistic portfolios, stressed market scenarios, and enhanced porting tests to further improve preparedness. The **next CIDS exercise is expected in 2027**.