



Bank of England Consults on Regulatory Framework for CCPs

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The Bank of England (BoE) has published a consultation (Consultation) on the UK's future regulatory framework for central counterparties (CCPs). This initiative forms part of the UK's post-Brexit financial regulatory reform, aiming to restate and, where necessary, enhance the requirements currently set out in the UK European Market Infrastructure Regulation (UK EMIR) within the BoE's own rulebook. The Consultation proposes both the direct transposition of certain existing UK EMIR requirements as well as a series of targeted policy reforms designed to strengthen financial stability, support innovation and ensure the UK remains a leading global financial centre.

Background

CCPs are critical to the stability and efficiency of the financial system, acting as intermediaries between buyers and sellers in derivatives and other financial markets to manage counterparty credit risk. The UK's regulatory regime for CCPs has, until now, been largely based on UK EMIR, the assimilated version of EU EMIR. However, the Financial Services and Markets Act 2023 (FSMA 2023) granted the BoE new rule-making powers, enabling it to replace assimilated EU law with a more tailored, flexible, and responsive UK framework.

The BoE's approach is to maintain the core structure and standards of the current regime, while introducing targeted reforms in areas where enhancements are warranted for the UK. The Consultation is accompanied by draft instruments containing the BoE's proposed new "FMI rulebook" for CCPs (as set out in Annex 2 of the Consultation) and draft statements of policy.

Restatement of Assimilated Law and Approach to Policy Change

The majority of the BoE's proposals involve restating the UK EMIR requirements in the BoE's rulebook. This restatement is intended to provide continuity, legal clarity and accessibility, ensuring CCPs and market participants can easily identify and interpret the applicable rules.

However, the BoE has identified certain areas where substantive policy changes will impact CCPs, their clearing members and the clients of clearing members. Such proposed amendments seek to address emerging risks, align with international standards or improve the effectiveness and efficiency of the regulatory framework.

Key Policy Reforms

1. Transparency of Margin Requirements

The BoE proposes to enhance the transparency and predictability of CCP margin requirements in line with updated international guidance on margin, based on the final proposals published by the Basel Committee on Banking Supervision, the Committee on Payments and Market Infrastructures and the International Organization of Securities Commissions.

In the Consultation, the BoE also proposes to make targeted enhancements to the UK's margin framework, including, among other things, adjustments to both initial and variation margin practices and the issue of a draft supervisory statement on CCP margin (which is available [here](#)).

2. Increasing the Likelihood of Porting Client Positions

The Consultation proposes to change the porting requirements (i.e., the transfer of client positions and related collateral to another clearing member) to increase the likelihood of porting client positions. Among other things, the BoE proposes to require CCPs to:

- include porting in their default management fire drills;
- trigger porting to a pre-agreed, backup clearing member that has been designated by all of the clients in a given omnibus account without proactively seeking consent from clients in the porting window; and
- consider the portability of each clearing member's client positions when determining default fund contributions among clearing members.

3. Second Skin in the Game in the Default Waterfall

The BoE proposes introducing a second tranche of CCP capital, referred to as "*second skin in the game*" (SSITG), into later stages of the default waterfall. The BoE is of the view that requiring CCPs to place an additional tranche of their own capital at risk will incentivise CCPs to more efficiently manage default management processes further down the waterfall. The BoE proposes that SSITG is placed in line with, and would be used pro rata with, the default fund contributions of non-defaulting members in a default loss scenario. The BoE proposes that the size of SSITG should be 25 percent

of the CCP's risk-weighted capital requirement, matching the existing requirement for the first tranche of skin in the game.

4. Enhancing the Change in Control Framework

The BoE proposes introducing requirements for CCPs to help ensure the BoE is provided with comprehensive information on controllers to support well-informed decisions about controller suitability. These proposals aim to strengthen the framework for changes in control of CCPs by:

- requiring detailed notifications by the CCP to the BoE of certain changes in control; and
- introducing ongoing notification and monitoring requirements regarding the ownership structure of CCPs, including an obligation to notify the BoE if they become aware of certain matters relating to the suitability of their controllers.

5. Increasing Clarity on Liquidity Risk Controls

The BoE will incorporate key elements of the European Securities and Markets Authority's (ESMA) opinion on CCP liquidity risk assessment into its rules, requiring:

- CCPs to consider the different capacities to which they have exposures to clearing members; and
- default testing every pair of clearing members in all their different capacities with the CCP to ensure the CCP selects the pair that corresponds to the greatest exposure.

6. Streamlining Supervisory Processes

To improve efficiency and proportionality, the BoE proposes to:

- introduce a materiality threshold for model changes and variations of recognition, so that only material changes require full regulatory approval;
- implement expedited processes for non-material applications;
- disclose data on its performance against anticipated timelines; and
- clarify application requirements for recognition, variation of recognition and material model changes through statements of policy.

7. Clarifying Interoperability Arrangements

The BoE will broaden the scope of interoperability provisions to cover all asset classes, including derivatives, and require regulatory approval for the establishment of, and material changes to, interoperability arrangements between CCPs.

Implementation Timelines and Transitional Provisions

The BoE expects to publish final rules no earlier than mid-2026. CCPs will generally have six months to implement the new rules, with longer transitional periods for certain requirements. The BoE proposes extended transitional periods for:

- the SSITG requirement, which will be phased in over two years. CCPs will be required to hold 50 percent of the required capital by the end of year one, and fully comply with the SSITG requirement by the end of year two; and
- the requirement to provide a margin simulation tool, which will have a 12-month implementation period.

Concluding Remarks

The Consultation represents a major step in the evolution of the UK's regulation of CCPs. By restating effective existing requirements and introducing targeted reforms in key areas, the BoE aims to enhance CCPs' resilience, transparency and efficiency, support innovation and maintain the UK's position as a global leader in financial services.

Market participants, including CCPs, clearing members, and clients, should carefully review the Consultation and consider the implications of the proposed changes for their operations, risk management, and strategic planning.

The Consultation closes on 18 November 2025.

The Consultation is available [here](#).

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