The declaration of the Covid-19 Pandemic on March 2020 represented a real-world liquidity test for the equity and derivatives market, on March 2020.

We can conclude that what happened, after the declaration of the COVID-19 Pandemic by the World Health Organization, tested the ability of the global economic and financial system to adapt to adverse situations.

On the other hand, as of today, there is a lot of uncertainty regarding the pandemic, the uneven progress of vaccination in the world and whether governments will take containment measures again. Early identification of systemic vulnerabilities remains a priority.

A future gradual and targeted reversal of COVID-19 support measures should support financial stability during the recovery. Authorities can follow a flexible and state-dependent approach, gradually adjusting and withdrawing, ensuring that measures are targeted; require beneficiaries to opt in; make the terms on which support is provided less and less generous; and sequencing the withdrawal of support measures. Clear, consistent, and timely communication about policy intentions can help the economy adapt to changes.

The experience of the COVID-19 Pandemic reinforces the importance of implementing some post-crisis policy reforms. In general, those parts of the global financial system where implementation of post-crisis reforms is most advanced showed greater resilience.

The evidence collected so far suggests that some specific aspects of how the post-crisis regulatory framework worked, need further examination.

COVID-19 has reinforced the need to promote resilience amid rapid technological change in the global economy and financial system. The rapid use and adaptation of new technology has helped companies to operate effectively in the new environment. At the same time, they have highlighted the need to ensure operational resilience in an environment of increased reliance on outsourcing and external service providers, including across borders.

More generally, the boost that the COVID-19 crisis seems to have given to digital financial services, to the various forms of digital payments, reinforces the need to ensure that regulatory frameworks and approaches provide a solid foundation to reap the benefits of such innovation while containing its risks.

In response to the questions raised in this consultation, our comments are as follow:

1. The report accurately describes the key events that occurred in the stock market in the period of stress related to the announcement of the Covid-19 Pandemic, specifically from February to April 2020, and their effects on the magnitude and frequency of the margin calculation and payments in centralized and non-centralized clearing entities (markets).

The rapid increase in market volatility experienced in March 2020 caused an immediate and broad-based increase in “Margin Calls” throughout the financial system.

Daily calls for variation in counterparty margins were many and significantly higher than the average flows observed between January and February 2020, increasing from $25 billion to a peak of $140 billion on March 9, 2020 , according to the results obtained from the surveys. And the initial margin requirement (IM) increased by 40% compared to January and February 2020 due to market volatility.

2. We believe that the report draws appropriate conclusions from the observations presented and analysis of the various aspects of the centrally and non-centrally offset margin during the 2020 stress period.

3. Definitively, good practices, a robust corporate governance, a contingency plan, and business continuity, as well as reinforcing the internal policies of the entities, their controls and metrics, is necessary for any other future event in which the financial market could be highly affected and the levels of volatility cause a situation similar to, or worse than, what was experienced in March 2020.

Each jurisdiction must decide through its superintendencies and/or regulators what reforms must be implemented to the law or what new agreements or opinions must be issued in favor of the stability of the financial system, safeguarding above all the assets of investors and the public, as well as the health of the economy of each country.

4. We agree that the report identifies appropriate aspects of transparency in centralized and non-centralized clearing markets for further international work, including identifying data gaps, improving disclosures to clearing members, and Increased transparency of the margin model.

A large percentage of Central Counter Parties (CCP) responding to the survey (85%) indicated that information on margin models and methodologies is publicly available on their websites.

76% of central counterparties (CCPs) indicated that they make margin calculators or simulators available to their clearing members and clients. Similarly, it is clear from the report that the information made available varies, but generally includes information on *how margin is calculated and called, margin calculators, margin rates, collateral haircuts, risk model details and techniques used, and risk or operational manuals covering compensation, margin calculation and additional margin.*

However, customer feedback via surveys was mixed on the usefulness of the provided tools for estimating margin. Some reported poor usability of these tools or, in some cases, a lack of awareness of their existence. Some clients reported that central counterparty (CCP) tools are generally more complex or advanced than those provided by their clearing members.

Nearly all CCPs (95%) suggested that their clearing members did not express any concerns to them regarding meeting their margin requirements during March 2020; furthermore, they did not make any changes to their margin call processes, “Intraday” (ITD). The rest reported that calls at the end of the day are the main concern of the members. However, CCPs described a wide variety of criteria and thresholds to trigger their Intraday (ITD) Margin Call processes.

The general level of understanding of the policies and procedures of the central counterparties (CCPs), of the intermediaries (bank and non-bank clearing members), was higher for those that govern the methodologies of calculation and timing of margin calls at the end of the day (EoD).

5. Considering what happened in March 2020, we agree with the proposals outlined in the Report on developing international work

to improve the readiness of Non-Banking Financial Institutions (NBFIs), in terms of liquidity in the sector, including the development of appropriate liquidity metrics and disclosures, analysis of the strength of liquidity provision, and increased information sharing between intermediaries and clients.

6. Likewise, we agree with the proposals to develop an international work to assess the data gaps (GAPs) in the regulatory reports of banks and non-banking entities. It is important to carry out an analysis that identifies those data gaps considered of material importance.

7. The report proposes some issues on the simplification of the processes of the variation of the margin (VM) in centralized and non-centralized clearing markets. We agree with what you proposed.

8. The report points out appropriate proposals for future international work on the degree and nature of the responsiveness of the models used by centralized counterparties on initial margins (IM) during market stress. We agree with what they propose.

9. We agree with the proposals in the report to assess the degree and nature of responsiveness of models used by non-centralized clearers in calculating initial margin (IM), during market stresses, correction of initial margin (IM) deficiencies, and level of disclosure of performance of the non-centrally cleared initial margin model.

10. We consider that all the relevant aspects have been covered in the report, making it clear that the six (6) aspects that should be worked on at the level of improvements in international procedures and policies are:

- Increased transparency in centralized clearing markets.

- Improve the liquidity preparation of market participants, as well as liquidity disclosures. Some of the ways to improve liquidity readiness, including:

    • the use and disclosure of appropriate liquidity measures in the Non-Bank Financial Intermediation (NBFI) sector;

    • elucidating ways in which clearing members can encourage and facilitate greater client liquidity preparation through the exchange of appropriate information; Y

    • the use by clearing members of clear, transparent and more standardized disclosures and automated margin processes/procedures.

- Identification of data gaps in regulatory reports.

- Optimization of processes to detect variation in marging centralized and non-centralized clearing markets.

- Evaluation of the response capacity of the models for the calculation of the Initial margins (IM) in centralized clearing during stresses of the market with a focus on the impacts and implications for resources of central counterparties and the financial system in general.

- Evaluation of the responsiveness of initial margin models (IM) not centrally cleared during market stress.