Deutsche Börse Group

Response

to the consultative report on FMIs' management of general business risks and general business losses: Further guidance to the PFMI

Frankfurt, 4th February 2026

A) Introductory Remarks

Deutsche Börse Group (DBG) responds to the consultative report on *"FMIs' management of general business risks and general business losses: Further guidance to the PFMI"* from the perspective of two CCPs (Eurex Clearing AG and European Commodity Clearing AG) and the Clearstream CSDs. As a provider of financial market infrastructure, DBG has a comprehensive view of the ecosystem. However, to provide the most precise and practical feedback to this consultation, we focus primarily on the perspective of a CCP. The unique risk profile and systemic importance of CCPs warrant a dedicated analysis.

Overall, DBG firmly believes that the current international guidance and particularly the existing EU legal framework is comprehensive, sufficiently detailed, and adequate for managing general business risks and losses (following "GBR"). For CSDs, we would like to point out that European CSDs already operate under a stringent, detailed CSDR prudential and operational framework specified in the technical standards. For CCPs, regulation (EU) 2012/648 (EMIR) and its associated technical standards as well as the European Recovery and Resolution Regime according to Regulation (EU) 2021/23 (CCPRRR)) sufficiently cover the management of general business risks and general business losses.

This is also true considering the fact, that the guidance under discussion foresees a wide definition of GBR by including all potential risks that are rooted in a financial market infrastructures general business activity (e.g. credit risk, business risk (in an economic definition being based on the business strategy), operational risk). Corresponding losses based on such risks are also known as non-default-losses (NDL) as they do not fall under the risk coverage of the default-fund. The introduction of new additional prescriptive standards is not required, as it risk conflicting with the already existing local regulatory standards and as a result would likely increase operational complexity and capital requirements without providing a corresponding improvement in resilience. The standard setting bodies should focus on the assessment of implementation progress across jurisdictions of regulatory framework for addressing risks not covered by the default waterfall in context of Business-as-Usual risk management and within CCPs' recovery and resolution framework.

Accordingly, we believe that guidance on GBR and interaction with other PFMIs is sufficient, and no additional standards for FMIs beyond PFMIs are needed. A principle-based approach instead of a prescriptive framework is preferred as further granularity may increase operational complexity, does not do justice to the respective constraints of the individual FMI and restricts the freedom of method motivated by an economic risk management, and capital requirements, as alluded to above. Eurex Clearing AG and European Commodity Clearing AG already have robust governance arrangements in place and should retain the ability to determine level of details and specificity regarding tools and procedures addressing GBRs.

When it comes to transparency, DBG would like to point out that the impacted entities of the group already provide extensive disclosures, including via the CPMI-IOSCO reporting requirements, which already cover scope of the consulted guidance. Additionally, DBG believes that governance committees, such as the EMIR Risk Committee, consultations with affected entities on relevant changes to the CCPs' clearing rules, regular exchanges with the competent authorities (including the recovery and resolution authority, where applicable) as well as the other disclosures CCPs already made available, provide for a sufficient level of transparency and engagement with CCP participants and involvement of respective stakeholders.

The risk management tools mentioned in the report are sufficient and actively utilized. An integration into overall risk management process around identifying, monitoring and managing GBR is already done, including a sufficient risk inventory process and the integration of all risks not covered by the default waterfall that were classified as material in the risk management

system. The risk management system thereby encompasses the business-as-usual risk management including the requirements to hold sufficient regulatory capital as well as a comprehensive recovery and resolution regime, which establishes additional loss absorbing and liquidity providing resources (in the PFMI and guidance also named LNAFE) to cover default and non-default losses going beyond the risk level covered in BAU.

We caution against introducing additional guidance that could be interpreted in a way that materially and unnecessarily increases CCP or CSD capital requirements. Specifically, the consultative report may be read as requiring CCPs to hold sufficient LNAFE to cover a cumulative sequence of events: first, the full execution of a recovery plan, and second, a subsequent orderly wind-down should that recovery fail. This interpretation would lead to a significant increase in required equity across the clearing ecosystem, as it is inconsistent with the principle of sizing capital against severe but plausible scenarios. Therefore, we strongly recommend that CPMI-IOSCO clarify that LNAFE should be calibrated to address the single most relevant or severe, credible general business loss scenario, rather than requiring the cumulative funding of two sequential outcomes.

In conclusion, DBG reiterates that the existing regulatory frameworks and risk management tools are sufficient and actively utilized. We caution against introducing additional guidance that could lead to a material increase in required equity levels, particularly concerning the calculation of LNAFE for recovery and wind-down scenarios. The primary and most effective method for managing risk is a robust internal control framework, with pre-funded capital designed to cover severe but plausible losses, not every conceivable tail-risk event. Extreme scenarios are appropriately managed through robust recovery and resolution plans, which are a critical and necessary backstop. We believe the regulatory minimum of six months' operating costs is sufficient and see no need for more granular guidance, urging instead for a focus on the consistent application of the current principles.

B) Comments to the Consultation Questions

1) Scope and interaction with other PFMI principles

a) Is the guidance provided on the scope of general business risk and interaction with other PFMI principles clear and sufficient? If not, how should it be amended?

DBG believes GBR is adequately covered by international guidance, in particular by the EU's implementing rules. We do not consider further regulation on financial market infrastructures (FMIs) practices with regard to general business risks and general business losses helpful, especially in the context of NDLs necessary. Rather, DBG would welcome if the standard setting bodies' upcoming policy work focuses on assessing to which extent different jurisdictions have progressed in implementing regulatory framework for addressing GBR in the context of Business-as-Usual risk management and within FMIs recovery and resolution framework. Aligning such rules across different jurisdictions would be highly appreciated to ensure harmonized global standards. As the respective regulations within the EU are rather sophisticated, DBG would welcome harmonization along this standard.

2) Identifying, monitoring, and managing general business risks

a) Is the guidance provided on identifying, monitoring and managing general business risks clear and sufficient? If not, how should it be amended?

The existing regulation on identifying, monitoring and managing GBR under EU law overall achieves and supports an appropriate degree of granularity. There is no need for additional guidance and guidance should aim to avoid creating additional GBR through compliance with this specific guidance, e.g. by mandating the imperfect attribution of resources, freezing or limiting innovation capabilities of FMIs. It is specific enough to guide an FMI properly but also flexible enough to allow for tailoring of the application to their specific risk exposure (free choice of methods within the limits of what can be deemed reasonable and appropriate). For Business-as-Usual at CCPs, EMIR in conjunction with the RTS 152/2013 as well as RTS 153/2013 set the standard for the calculation of potential losses being rooted in risk not being covered by the default waterfall in general (e.g. Legal, Operational Risk) and NDL events in specific (including investment risk). These standards provide clear guidance on the risk types to be integrated, the severity of scenarios, and the expected coverage using EMIR (regulatory) capital. For recovery situations, CCPRRR in conjunction with the respective Guidelines on recovery scenarios (Final ESMA Report) give guidance on the scope of scenarios (including NDL scenarios) and the expected severity as well as guidance on the expected level of loss absorbing resources to cover such scenarios. Taking this into account, we consider the existing guidance to be comprehensive and sufficiently granular. In addition to the clear regulatory capital adequacy expectation and the loss-absorbing requirements under the EU recovery and resolution regime, FMIs already implemented comprehensive risk management tools for GBR. Such tools encompass first and foremost a clear risk taxonomy to define all potentially relevant risk types and deriving the respective material risks from an economic point of view in a structured risk inventory process. Risk classified as material are integrated in the overall risk management process by defining risk metrics/risk appetite, processing scenario analysis and stress testing, implementing an economic risk bearing capacity, the usage of budgeting and business planning processes, and the conduction of business continuity planning and testing. Requiring all FMIs to implement advanced loss distribution modelling, extensive sensitivity analysis, or to engage external validation expertise may significantly increase operational costs, with limited evidence of corresponding improvements in resilience or systemic stability.

b) Are there other approaches and tools, in addition to or instead of those mentioned in the report, that would help FMIs to identify general business risks and estimate the size and timing of general business losses? If so, please describe the approaches or tools.

The tools mentioned and approaches enumerated in the report are considered to be sufficient and are used respectively, as demonstrated above. The process at DBG's FMIs begins with a systematic risk identification and materiality assessment, which serves as the direct input for the subsequent quantitative work, including scenario analysis and stress testing. The integration in the tools and processes of the overall risk management (regulatory capital solvency and economic risk bearing capacity, recovery and resolution regime), and the usage of budgeting and business planning processes, or business continuity planning and testing are considered reasonable.

From a CSD perspective, EU CSDs already comply with CSDR's detailed operational, prudential and governance RTS (2017/390 and 2017/392). We believe that the guidance should acknowledge this baseline and encourage reliance on existing supervisory interactions, including the CSDR review & evaluation process (as recently updated under CSDR Refit). The currently regulatory framework helps to efficiently identify the risks, including GBR, and estimate their size and approximate their timing.

c) Are there other approaches and tools, in addition to or instead of those mentioned in the report, that would help FMIs to minimise and mitigate the sources of general business risk and manage residual risk? If so, please describe the approaches or tools.

n/a

3) Determining the minimum amount of LNAFE

a) Is the guidance provided on determining the minimum amount of LNAFE clear and sufficient? If not, how should it be amended?

Additional guidance on determining the minimum amount of LNAFE and distinguishment between operating losses and non-operating losses in determining the minimum amount of LNAFE is not needed. For EU CCPs clear regulatory capital requirements exist, including regulatory expectations on what qualifies as equity and what degree of liquidity is expected for this risk coverage potential (EMIR in conjunction with RTS 152/2013). However, we are concerned that the additional guidance introduced in the consultative report may be read as requiring CCPs to hold LNAFE sufficient to fund both recovery actions and, subsequently, a failed recovery leading to orderly wind-down. In particular, the detailed expectations around modelling recovery and orderly wind-down costs could materially increase required equity levels across the clearing ecosystem which is concerning. CPMI–IOSCO should clarify that LNAFE may be calibrated to the most relevant or severe credible scenario, rather than cumulatively funding sequential outcomes. In addition, the guidance suggests that resources held to address custody and investment losses related to participant's assets should be held separately from LNAFE. To determine the necessary resources needed to cover defined losses and to determine the degree of liquidity of these resources, a clear distinction must be made between the individual risk situation and the severity of the scenarios considered, which in our opinion is not sufficiently addressed in the consultation. Basically, following the EU regulation, there are three possible levels of consideration, which are to be distinguished regarding the severity of the assumed scenarios and thus also required LNAFE. All these levels are sufficiently honored within the current regulation: Incidents that disrupt Business-As-Usual (BAU) are assigned a severity level. This classification includes serious events. The regulatory requirements provide clear requirements on regulatory capital adequacy by defining a minimum level of risks to be included, the calculation of which is fixed and the coverage of risk capital which is prescribed. European CCPs comply with these requirements. It also defines rules that define the liquidity of the funds to be used as risk capital. We consider these regulations to be sufficient and refer once again to the fact that the CCPs of DBG voluntarily maintains economic risk-bearing capacity systems in order to shield the BAU risk from an economic point of view. In a further step, the European Recovery Regime calls addressing losses that go beyond the BAU severity. Here, not only the minimum scenarios to be considered are defined, but also the coverage potential that must be provided to cushion these losses. The recovery options used for this purpose must fully serve as loss coverage potential, be liquid and be considered legally enforceable. Since the recovery plans are geared towards the continuation of the company, all operating costs that become necessary with the continuation of operations and that are necessary for the activation of the restructuring governance must be included. We therefore consider the requirements to be sufficient today to be able to cover both losses and operating costs in a recovery situation. We do not consider further regulatory specifications of the LNAFE as well as further capital requirements to be appropriate. Especially against the background

that the scenarios provided for in the recovery regime are partly above the requirements according to what is plausible and possible. Thus, loss-absorption potential is already being presented to a very large extent. The orderly wind-down only comes into play if a business continuation is not considered. The existence of the recovery regime prevents this orderly liquidation, so that the provision of LNAFE to cover both regimes does not seem appropriate. Rather, the current regulation already provides for this by explicitly requiring wind down capital under regulatory requirements, which are not used to cover other risks, but only ensure the operational time until complete liquidation. The regulatory requirements are adequate, as at least 6 months of operating costs are required by EU regulation, alternatively more capital must be retained, as the CCPs have to prove individually how much time an orderly resolution takes. If this individual time exceeds the regulatory time frame of 6 months, more money must be reserved. The remaining capital, which is measured by regulation to cover the risks, then serves as a loss-absorbing potential.
Multiple demands for LNAFE from the consideration between the regimes of BAU, recovery and orderly wind down do not seem appropriate and contradict the implemented procedure.
For CCPs, the CCPRRR also clearly defines expectations for Recovery Options to be used to cover losses that exceed the Business-as-Usual losses. On the one hand, scenarios are generally specified that are to be considered to determine the magnitude of the necessary loss coverage, and on the other hand, requirements are placed on the options themselves, such as availability, legal enforceability and the degree of liquidity.

b) Are there other factors, in addition to or instead of those mentioned in the report, that an FMI should consider in its calculation of (i) the costs of implementing its recovery and orderly wind-down plans and (ii) the appropriate amount of LNAFE? If so, please describe the factors?

The calculation of cost for an orderly wind-down is defined in EMIR in conjunction with RTS 152/2013. Hereby, European CCPs are forced to reserve a portion of their regulatory capital for wind-down purposes. The respective magnitude of such amount is stipulated by the maximum between the amount of CCP's operating costs needed to ensure an orderly wind-down of its business and the regulatory minimum amount of 6 months' operating costs.
In general, both CCPs and CSDs view the management of general business risk through a multi-layered defense which prioritizes proactive mitigation through internal controls, supported by LNAFE based on market practice, and backstopped by the robust Recovery and Resolution plans for extreme events (see above).
The primary and most effective tool for managing GBR is not capital, but a robust internal control and risk management framework. The principal focus is on proactively identifying, assessing, and mitigating risks before they can materialize, e.g., financial losses. A robust risk management system around the three lines of defense model is the most critical element in ensuring FMI's operational resilience. Thereby, we agree that the capital for GBR should be "economically viable" and complemented by recovery and orderly wind-down tools. .
When quantifying capital requirements like LNAFE, the objective is not to cover the absolute maximum potential loss under every conceivable scenario. In line with established industry and banking practice, the standard approach involves modeling potential losses at a high, but not absolute (i.e., less than 100%), confidence level. For FMIs "100% coverage" of every conceivable LNAFE driver is neither feasible nor intended under PFMI. The consultation and the Level3 assessment both emphasise LNAFE's purpose and the role of recovery/wind-down planning. The final text should, therefore, reiterate this, to avoid expectations of unlimited capitalisation. LNAFE is therefore designed to cover severe but plausible losses, not every conceivable tail-risk event.
It is a fundamental premise of risk management that no amount of pre-funded capital can entirely eliminate the possibility of an extreme loss event that exhausts those resources.

Consequently, Recovery and Resolution procedures should not be viewed as a sign of failure, but as a critical and necessary backstop. Regulatory guidance ought to explicitly acknowledge the inevitability of activating R&R plans as the essential mechanism for managing extreme, tail-risk events that, by their nature, surpass even robust capitalization levels.
Thus, DBG strongly believes that the regulatory minimum amount of 6-month operating costs is sufficient. Regarding the calculation of the costs of implementing its recovery and orderly wind-down plans (i), DBG also sees no need for more or clearer guidance.

4) Governance and transparency

a) Does the guidance provided on governance and transparency related to general business risk clear and sufficient? If not, how should it be amended?

The guidance for FMIs is clear and sufficient. Thereby, FMIs' business risk management, recovery and wind-down-related documents typically handle commercially, cyber-resilience or otherwise sensitive information. Therefore, disclosures should focus on matters that genuinely support participant understanding of the risk's exposure for them, without requiring the dissemination of operationally or competitively sensitive details. It is particularly important with regard to the FMIs' innovation as one of the means of mitigation of the general business risk. Also, FMIs already have robust governance arrangements in place and should retain the ability to determine level of details and specificity regarding tools and procedures addressing GBRs, as over-disclosure could even end up highlighting vulnerabilities, especially in context of operational/cyber events. **On Governance**: For DBG's CCPs, the Executive Boards approve the Risk Strategy as well as the Risk Appetite Framework, including risk-taking objectives and allocating available loss absorbing resources to risk types including non-default losses (or GBRs). The Supervisory Boards approve the risk strategy documents in addition to the Executive Boards setting priorities for the risk departments based on principles. In addition, a materiality assessment is performed according to a risk taxonomy at the beginning of the year. For material risks, dedicated quantification is performed and a comprehensive inclusion in the risk management system is conducted. Regular reporting to the Executive and Supervisory Boards on a quarterly basis are performed. In addition, capital adequacy is assessed and reported both from a normative and economic perspective. Material risks are also consequently included in the recovery governance and considered in recovery scenarios as well as basis to determine the necessary recovery options. **On Transparency**: DBG's CCPs already provide extensive disclosures including via the CPMI-IOSCO Public Quantitative Disclosures (PQDs), which show remaining equity capital, its annual assessment reports of its compliance against the PFMI, which extensively outline how the CCP's address principle 15 on GBR/GBL. Additional information on risk management is also published within the annual financial statement. We believe that governance committees, such as the EMIR Risk Committee, consultations with affected entities on relevant changes to a CCPs' clearing rules, regular exchanges with the competent authorities (including the recovery and resolution authority, where applicable) as well as the disclosures already made available by CCPs, provide for a sufficient level of transparency and engagement with CCP participants. In a similar vein, the disclosure requirements should be proportionate and should not require an update in case of a change of technical details in the relevant documentation and should only be relevant to be provided to the participants in case there is a material difference relevant to them.

Furthermore, it would also be useful if the guidance confirmed that examples of governance practices or disclosure formats provided in Level 3 are non-prescriptive, allowing FMIs to adapt them to the regulatory context in which they operate.

b) What particular information related to an FMI's process for managing general business risk would be useful for the FMI's participants so they can assess the risks they incur by participating in the FMI? Are there practical problems with providing such information, and if so, how can they be addressed?

A practical problem that arises for FMIs from disclosing detailed general business risk profiles, loss estimation methodologies, or scenario assumptions is that certain disclosures could reveal commercially sensitive or proprietary information. Thus, we believe that CPMI–IOSCO should draw a clearer distinction between information intended for supervisors, for participants under confidentiality, and for public disclosure.

c) Are there other areas, in addition to or instead of those mentioned in the report, where an FMI should consider seeking stakeholder input on its process for managing general business risk?

In the European context, we believe that no further disclosure is necessary beyond the existing frameworks.

5) Should the guidance distinguish between operating losses and non-operating losses in determining the minimum amount of LNAFE? If so:

a) Please explain why such a distinction would be helpful.

DBG sees no need to offer such clarification. There is no need for any guidance distinguishing between operating and non-operating losses, and that CCPs should retain flexibility in terms of identifying the varying types of losses they may face relative to potential general business losses. These losses are then covered by risk coverage potential or by recovery options or resolution options. The nature of the scenario and the associated type of losses will determine the appropriate level and composition of the LNAFE to be used. It only needs to be differentiated whether losses can be covered by the coverage potential of the EMIR waterfall (or other instruments of the covered business) or whether losses cannot be covered respectively. These losses can then be absorbed either as a loss in profits, where neither equity nor liquidity is needed to absorb such reduced net profits, or. be covered by liquidity or via capital, which is fully loss-absorbing and liquid. However, we caution that overly rigid classifications could be difficult to apply in practice, as many loss events span multiple categories. As mentioned above any distinction should remain principles-based, flexible, and aligned with existing accounting and risk management frameworks. If CPMI–IOSCO pursues this distinction, further guidance would be needed on definitions and treatment to ensure consistency and avoid unintended capital inflation.

b) How should the guidance do so?

n/a

c)How should operating losses be defined? Are non-operating losses all losses other than operating losses and default losses?

n/a