November 28, 2025

VIA ELECTRONIC SUBMISSION (GiltreporesilienceDP@bankofengland.co.uk)
The Bank of England

Re: Bank of England's Discussion paper "Enhancing the resilience of the gilt repo market"

The Global Association of Central Counterparties ("CCP Global") is the international association for central counterparties ("CCPs"), representing 44 members who operate over 60 individual CCPs across the Americas, EMEA, and the Asia-Pacific region.

CCP Global appreciates the opportunity to respond to the Bank of England's ("BoE" or "the Bank") Discussion paper "Ensuring the resilience of the gilt repo market"[1] ("the Paper"). We commend the BoE for opening up the discussion on the potential measures which are aimed at enhancing resilience of the gilt repo market. The role of the government bond cash and repo market is vital to every economy and its resilience is critical to ensuring financial stability in all markets. For this reason, CCP Global would like to contribute to the discussion by making a few targeted comments in response to specific proposals found in the Paper, as outlined below.

Facilitating and incentivizing central clearing of gilt repo

CCP Global strongly agrees with the benefits of central clearing in terms of risk reduction and efficiency gains highlighted in the BoE's Paper. Cleared repo markets have not only proven their resilience in both normal and stressed market conditions, but also offer tangible benefits for market participants, such as enhanced risk management, operational efficiency, optimized financial resources, and transparency.

Nevertheless, we are aware that the UK government debt and repo market structure is different compared to other jurisdictions that already introduced a targeted clearing mandate, a haircut regime, or other measures as explored in the BoE's Paper. Against this background, we agree with the BoE's considerations that such policy decisions may result in implementation and maintenance costs and other implications for affected counterparties and the overall ecosystem. With this in mind, CCP Global does not advocate for installing a clearing mandate for gilt repo and believes other measures should be assessed first. In particular, CCP Global recommends facilitating greater access to central clearing and incentivizing the voluntary use of central clearing to allow market participants to reap the benefits

[1] BoE, Discussion paper, "Ensuring the resilience of the gilt repo market" (September 2025): Link.

of central clearing mentioned above. Given the advantages of central clearing, the majority of the inter-bank-market is already centrally cleared. In comparison, the continuously growing non-bank financial intermediation ("NBFI") sector keeps building exposure in bilateral repo markets.

We therefore agree with the BoE that the gilt repo market could significantly benefit from facilitating better access to central clearing where market participants, notably NBFIs, choose to use CCPs for their repo business. CCPs across the globe have invested to facilitate accessibility and efficiencies for both banks and non-banks. Today, there are various different access models available, ranging from the traditional client clearing model, sponsored models, to direct clearing models. However, there are some regulatory hurdles that still prevent a greater uptake of such models. Hence, CCP Global recommends addressing pending regulatory barriers and disincentives for market participants to facilitate greater voluntary use of cleared repo markets:

- **Regulatory barriers for NBFIs:**
    - Prudential regulations of NBFIs like funds or insurers were written before CCPs started to innovate new access models that were designed for the specific needs of such buy-side counterparties. As such, those frameworks do not fully recognize the risk reducing nature of central clearing nor the availability of new clearing arrangements for the buy-side and would require targeted updates. For instance, the current capital treatment of direct repo exposure towards a CCP for insurers (such as under the Solvency II framework) or the pending concentration limits for cleared repos for fund managers and their restrictions to reuse collateral generated on repo markets to meet CCP margin requirements make the use of CCPs economically unattractive. Targeted amendments of such regimes would unlock efficiencies for market participants and incentivize broader participation.
- **Regulatory barriers for client access to banks and clearing brokers:**
    - CCPs offer cross-product margining, including for repos, which allows netting efficiencies for banks. However, the benefits of cross-product netting can be recognized for counterparty credit risk capital purposes only where permission has been granted to apply internal models methodology ("IMM") for the calculation of credit exposure.[2] But banks cannot really benefit from the same efficiencies under the Basel III standardized approach for counterparty credit risk ("SA-CRR") calculation method for capital requirements. Under SA-CCR, the credit exposure measurement for repos and derivatives are separate standalone calculations, and the benefits of cross-product netting agreements cannot be recognized. As a result, the lower margin requirements resulting from CCP cross-product margining methodologies are not sufficient to offset credit exposure, resulting in higher capital requirements. Banks/clearing brokers therefore shy away from taking on more cleared client business and act as sponsors for clients wanting to engage in more voluntary repo clearing. A targeted adaption of the Basel III methodology would help unlock such cross-product efficiencies, as previously recommended by joint trade associations.[3]

[2] BIS, Internal models method for counterparty credit risk, Cross-product netting rules: Link.
[3] ISDA, FIA, SIFMA: Cross-product Netting Under the US Regulatory Capital Framework (April 2025).

- Also, similar to the prudential rules of NBFIs mentioned above, the current treatment of cleared repos in the Net Stable Funding Ratio ("NSFR") regime where banks face unfavorable funding indicators when using a CCP makes a greater use of central clearing economically unattractive for banks. Providing centrally cleared repos with a more favorable treatment would incentivize more voluntary clearing. Consistent treatment of different clearing models under the Global Systemically Important Bank ("G-SIB") framework, reducing the impact of client clearing activities on banks' capital treatment, would also support clearing brokers in offering more balance sheet capacity for client repo clearing.

The removal of such barriers would ensure an economically viable option for those market participants that want to voluntarily clear their repo business. Such an approach would bring added value for market participants and at the same time help addressing regulators' concerns and vulnerabilities identified in the government debt as well as gilt repo market and the NBFI sector.

Minimum haircuts in non-centrally cleared gilt repo transactions

CCP Global supports the BoE's rationale to consider some targeted and balanced measures to proactively prevent the build-up of excessive leverage and ensure appropriate risk management in the non-cleared repo market. We understand why the Bank is concerned with the current market practice and may not consider it as risk adequate. However, we do not support a mandatory haircuts regime and believe that there may be better alternatives to such a regime. For instance, stricter supervisory enforcement by the prudential regulator by requiring market participants to demonstrate that they apply risk-adequate haircuts could help foster more transparency and resilience.

Having said that, while such a haircut approach could serve as a tool to proactively address the risk of excessive leverage build-up, haircuts may not be dynamic enough to adapt to market movements to serve as a risk management tool. In order to ensure risk adequate collateralization and counterparty risk mitigation, we agree with the BoE that bilateral margin requirements for uncleared repos similar to the uncleared margin rules ("UMR") for uncleared over-the-counter ("OTC") derivatives could potentially be considered.

Other potential measures to enhance gilt repo market resilience

CCP Global strongly supports the Bank's consideration, described in section 4 of the Paper, to enhance public and counterparty disclosures to address risks from leverage in NBFI, which, as noted in the Paper, play a significant role in the gilt repo market. The regulatory data gaps that exist in the NBFI sector have been identified by many institutions, including the International Monetary Fund ("IMF"). The IMF observed that "[r]egulatory data gaps for NBFIs are significant, and they inhibit the ability of the regulator to assess and monitor systemic risks. Although the availability of regulatory data has improved over time, gaps in most NBFIs remain meaningful and uneven among jurisdictions (…)."[4] The

[4] IMF, "Global Financial Stability Report" (April 2023): Link, p. 66.

Bank rightfully observes that an effective implementation of best practices and standards may be hindered or delayed "due to data gaps preventing authorities from fully assessing securities financing markets." Access to appropriate data on NBFI, including those related to the level of NBFI activities, exposures, concentration, crowdedness, and liquidity, is paramount for different stakeholders, including for authorities, to be able to continue to monitor and mitigate systemic risk arising from this sector of the market. It is also instrumental to supporting market confidence and liquidity supply during stress.

Moreover, NBFI firms play a role in centrally cleared markets and providing CCPs a more holistic view of their members' and clients' OTC activity, exposures, and concentration levels supports ongoing risk management practices, to the benefit of the whole clearing ecosystem. As noted in the Paper, CCPs can impose margin add-ons for concentrated positions which may act as a disincentive to the build-up of highly leveraged, concentrated positions. Enhanced CCP visibility into NBFI clients' positions would support this risk mitigation tool as well.

CCP Global has been a long-standing proponent of enhancing transparency related to market participants. With that in mind, CCP Global prepared a concept paper for Market Participant Public Quantitative Disclosures ("MPPQD"),[5] which would complement regulatory statistics (e.g., Bank for International Settlements' statistics) and mirror those available from CCPs through their PQDs. We stand ready to further discuss the details of this proposal with policy makers and applicable stakeholders, thus assisting the industry in setting appropriate requirements related to NBFI transparency.

Conclusions

CCP Global is of the view that an optimal approach to enhancing the resilience of the gilt repo market would combine more incentives for voluntary clearing, the application of risk adequate haircuts and bilateral margin requirements for uncleared repos, and greater transparency of the OTC sector. All these measures have a high potential for not only strengthening the gilt repo market but also contributing to financial stability and market resilience more broadly.

[5] The proposal for MPPQDs can be found in the appendix to the CCP Global submission: Link.

ABOUT CCP GLOBAL

CCP Global is the international association for central counterparties ("CCPs"), representing 44 members who operate over 60 individual CCPs across the Americas, EMEA, and the Asia-Pacific region.

CCP Global promotes effective, practical, and appropriate risk management and operational standards for CCPs to ensure the safety and efficiency of the financial markets it represents. CCP Global leads and assesses global regulatory and industry initiatives that concern CCPs to form consensus views, while also actively engaging with regulatory agencies and industry constituents through consultation responses, forum discussions, and position papers.

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