

Exempting post-trade risk reduction transactions from the clearing obligation: Annex

December 2025

**BANK OF ENGLAND FMI RULEBOOK: POST-TRADE RISK REDUCTION SERVICES RULES
INSTRUMENT 2025**

Powers exercised

- A. The Bank of England (the Bank) makes this instrument in the exercise of the powers and related provisions in:
- (1) Article 6b (Risk reduction services) of Regulation (EU) No 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories ("EMIR"); and
 - (2) section 137T of the Financial Services and Markets Act 2000 ('the Act') (as applied by Article 84c of EMIR).
- B. The rule-making powers listed above are specified for the purpose of section 138G(2) (Rule-making instruments) of the Act (as applied by Article 84c of EMIR).
- C. The Bank makes the rules in the annex to this instrument

Part	Annex
Post-Trade Risk Reduction Services	A

Commencement

This instrument comes into force on [DATE]

Citation

- D. This instrument may be cited as the [Bank of England FMI Rulebook: Post-Trade Risk Reduction Services Rules Instrument 2025]

By order of the Financial Market Infrastructure Committee

[DATE]

Annex A

In this Annex, the text is all new and is not underlined.

POST-TRADE RISK REDUCTION PART

Chapter content

1. INTERPRETATION
2. EXEMPTION FROM THE CLEARING OBLIGATION
3. NOTIFICATION CONDITIONS

1 INTERPRETATION

1.1 In this Part, the following definitions apply:

Bank

means the Bank of England.

eligible agreement

means an agreement between a *post-trade risk reduction service provider* and a market participant:

- (1) that identifies the point in time that a *post-trade risk reduction service* becomes legally binding;
- (2) that includes legal documentation describing how derivatives or positions submitted for inclusion in the *post-trade risk reduction service* are terminated, replaced or modified, as applicable; and
- (3) in relation to which, prior to entry into force, the *post-trade risk reduction service provider*:
 - (a) identifies the risk tolerance of a participant, including, where relevant, specific limits for counterparty risk, market risk and cash payment tolerance;
 - (b) agrees with the participant that the risk limits referred to in (a) will be incorporated into the *post-trade risk reduction service* exercise;
 - (c) may grant additional time, when requested, to the participant to add derivatives or positions eligible for termination, reduction or modification, as applicable, in order to:
 - (i) adjust the *post-trade risk reduction service* to the risk tolerance set under (a); and
 - (ii) maximise the efficiency of the *post-trade risk reduction service*; and
 - (d) links the derivatives submitted for the *post-trade risk reduction service* and provides to the participant a proposal including the following information, where applicable:
 - (i) the identification of the counterparties affected;
 - (ii) the related change to the combined notional value of the derivatives;

- (iii) the variation of the combined notional amount compared to the risk tolerance specified; and
- (iv) new derivatives transactions referable to risk tolerances submitted by participant.

eligible post-trade risk reduction service

means a *post-trade risk reduction service* that meets the requirements of 2.1.

EMIR

means Regulation (EU) 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories as it forms part of assimilated law, and any reference to requirements contained in or to functions under the regulation includes a reference (as the case may be) to requirements contained in or to functions under:

- (a) any EU regulation, originally made under the regulation, which is assimilated direct legislation; or
- (b) any subordinate legislation (within the meaning of the Interpretation Act 1978) made under the regulation on or after IP completion day.

person

has the same meaning as in Schedule 1 of the Interpretation Act 1978.

portfolio compression

means a risk reduction service in which 2 or more counterparties wholly or partially terminate some or all of the derivatives submitted by those counterparties for inclusion in the *portfolio compression* and replace the terminated derivatives with another derivative whose combined notional value is less than the combined notional value of the terminated derivatives.

post-trade risk reduction service

means a post-trade service provided to 2 or more counterparties to derivatives transactions:

- (a) for the purpose of reducing non-market risks in derivatives portfolios (including, for example, *portfolio compression*); and
- (b) that does not give rise to any transactions contributing to the price discovery process.

post-trade risk reduction service provider

means a *person* who provides a *post-trade risk reduction service*.

- 1.2 Unless the contrary intention appears, words and expressions used in this Part have the same meaning as they have in *EMIR*.

[Note: Words and expressions defined in the FMI Rulebook Glossary do not apply in this Part.]

2 EXEMPTION FROM THE CLEARING OBLIGATION

2.1 Subject to the satisfaction of the notification conditions in Chapter 3, the clearing obligation referred to in Article 4(1) of *EMIR* does not apply in respect of a transaction carried out as part of a *post trade risk reduction service* where it satisfies the following conditions:

- (1) it is provided by a *post-trade risk reduction service provider* which is not:
 - (a) affiliated to the market participants to whom the service is provided; and
 - (b) a party to a transaction resulting from the *post-trade risk reduction service*;
- (2) it is operated on the basis of non-discretionary rules set in advance by the *post-trade risk reduction service provider* that are based on specified parameters;
- (3) it results in a transaction that binds all the participants;
- (4) the *post-trade risk reduction service* is performed in accordance with an *eligible agreement*; and
- (5) it is not designed by the market participant or the *post-trade risk reduction service provider* to circumvent the clearing obligation referred to in Article 4(1) of *EMIR*.

3 NOTIFICATION CONDITIONS

3.1 The following conditions must be satisfied for the exemption in 2.1 to apply:

- (1) the *post-trade risk reduction service provider* has notified the *Bank* of:
 - (a) its intention to provide an *eligible post-trade risk reduction service* for the first time;
 - (b) the details of each type of *eligible post-trade risk reduction service* it provides; and
- (2) the *post-trade risk reduction service provider* has confirmed to the *Bank* that it agrees to notify the *Bank*:
 - (a) of any variations in the type of *eligible post-trade risk reduction services* it provides; and
 - (b) prior to ceasing to provide *eligible post-trade risk reduction services*.

3.2 The notification in 3.1(1) and the confirmation in 3.1(2) must be by way of electronic mail to FMIInformation@bankofengland.co.uk.