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November 6, 2014

European Commission Issues Equivalence Decisions for Non-EU Clearinghouses

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TO: DERIVATIVES MARKETS ADVISORY COMMITTEE No. 73-14

ICI GLOBAL MEMBERS No. 47-14

INTERNATIONAL MEMBERS No. 38-14 RE: EUROPEAN COMMISSION ISSUES EQUIVALENCE
DECISIONS FOR NON-EU CLEARINGHOUSES

On October 30, 2014, the European Commission adopted its first set of equivalence decisions for the regulatory regimes of central counterparties ("CCPs") in Australia, Hong Kong, Japan, and Singapore. [\[1\]](#) The CCPs from these jurisdictions will be able to obtain recognition in the European Union ("EU") and to remain solely subject to the regulation and supervision of their home jurisdiction. A non-EU CCP wishing to obtain recognition must apply to the European Securities and Markets Authority ("ESMA") and satisfy certain conditions for recognition.

CCPs that have been recognized by the EU can be used by EU counterparties to satisfy their mandatory clearing obligation under EU law. These CCPs also will obtain qualifying CCP ("QCCP") status under the Capital Requirements Regulation. Clearing members of EU banking groups that clear through CCPs without QCCP status will be subject to higher capital charges by December 15 (unless the date is further extended by the EU).

We understand a second set of equivalence decisions will be issued later this year. It is unlikely, however, that the set will include an equivalence decision for the United States because of continuing differences between EU and US regulators regarding the recognition of the European Market Infrastructure Regulation ("EMIR") authorized CCPs by the United States.

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endnotes

[1] Texts of the provisional decisions are available at http://ec.europa.eu/internal_market/financial-markets/docs/derivatives/20141030-doc-australia_en.pdf (Australia); http://ec.europa.eu/internal_market/financial-markets/docs/derivatives/20141030-doc-hong-kong_en.pdf (Hong Kong); http://ec.europa.eu/internal_market/financial-markets/docs/derivatives/20141030-doc-japan_en.pdf (Japan); and http://ec.europa.eu/internal_market/financial-markets/docs/derivatives/20141030-doc-singapore_en.pdf (Singapore).

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