

**MEMO# 33907**

November 18, 2021

# European Commission Statement on Clearing through UK CCPs

[33907]

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TO: Derivatives Markets Advisory Committee

Global Regulated Funds Committee

Global Trading & Markets Committee RE: European Commission Statement on Clearing through UK CCPs

On 10 November 2021, Mairead McGuinness, the European Commissioner for Financial Services, Financial Stability and Capital Markets Union announced[\[1\]](#) a proposed way forward for central clearing, including European Union (EU) recognition of UK-based central counterparties (CCPs).

## Extension of equivalence decision for UK CCPs

In the statement,[\[2\]](#) McGuinness notes that the European Commission remains of the view that over-reliance on UK CCPs for some clearing activities is a source of financial stability risk in the medium term. Furthermore, that the Commission will pursue its work to develop the capacity of EU-based CCPs as a means to reduce such over-reliance. However, in order to address possible short-term financial stability risk linked to an abrupt interruption in access to clearing services, McGuinness explains that the Commission will soon propose an extension of equivalence for UK-based CCPs.

In September 2020, the Commission adopted a time-limited equivalence decision for UK-based CCPs until 30 June 2022.[\[3\]](#) Since then the Commission has established a Working Group (together with the European Central Bank, the European Supervisory Authorities, and the European Systemic Risk Board) to explore the opportunities and challenges involved in transferring derivatives from the UK to the EU.

In the statement, McGuinness notes that the Commission learnt from this working group that a combination of different measures - to improve the attractiveness of clearing, to encourage infrastructure development, and to reform supervisory arrangements - are needed to build a strong and attractive central clearing capacity in the EU in the years to come. The Commission also found that the timeframe of June 2022 was too short to achieve this.

McGuinness states that she is planning to propose an extension of the equivalence decision for UK CCPs in early 2022. ICI, along with several other trade associations, wrote to McGuinness in September to request such an extension.<sup>[4]</sup>

## **Future proposals on EU CCP Competitiveness**

While setting out plans to extend the equivalence decision for UK CCPs, McGuinness notes that this does not address the Commission's medium-term financial stability concerns. As such, the Commission intends to come forward next year with measures to make EU-based CCPs more attractive to market participants, considering the results of the assessment currently being undertaken by ESMA on the systemic importance of UK-based CCPs. The Commission proposes that the measures should be built on the following two pillars:

- Building domestic capacity - measures to make the EU more attractive as a competitive and cost-efficient clearing hub, and so incentivise an expansion of central clearing activities in the EU. In this context, the Commission will explore ways to enhance liquidity in EU CCPs and to expand the range of clearing solutions on offer from EU infrastructures; and
- Supervision - measures to appropriately manage risks related to an increase in EU capacity for central clearing, by strengthening the EU's supervisory framework for CCPs, including a stronger role for EU-level supervision.

The Commission considers that its proposed way forward strikes a balance between safeguarding financial stability in the short term - which requires taking an equivalence decision to avoid a cliff-edge for EU market participants - and safeguarding financial stability in the medium term - which requires the EU to reduce risky over-reliance on a third country. McGuinness notes that the Commission is planning an extension of equivalence for UK CCPs which is long enough to revise the EU supervisory system for CCPs.

## **Next Steps**

The European Commission will announce the length of the extension to the equivalence decision for UK CCPs in the New Year. It will also come forward with measures to make EU-based CCPs more attractive to market participants.

Giles Swan  
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## **endnotes**

<sup>[1]</sup> European Commission Statement: Commissioner McGuinness announces proposed way forward for central clearing, 10 November 2021, *available from* [https://ec.europa.eu/commission/presscorner/detail/en/STATEMENT\\_21\\_5905](https://ec.europa.eu/commission/presscorner/detail/en/STATEMENT_21_5905)

<sup>[2]</sup> [https://ec.europa.eu/commission/presscorner/api/files/document/print/en/statement\\_21\\_5905/STATEMENT\\_21\\_5905\\_EN.pdf](https://ec.europa.eu/commission/presscorner/api/files/document/print/en/statement_21_5905/STATEMENT_21_5905_EN.pdf)

[3] European Commission Statement: Financial Stability: Commission adopts time-limited decision giving market participants the time needed to reduce exposure to UK central counterparties (CCPs), 21 September 2020, *available from* [https://ec.europa.eu/commission/presscorner/detail/en/ip\\_20\\_1713](https://ec.europa.eu/commission/presscorner/detail/en/ip_20_1713)

[4] [https://www.ici.org/system/files/2021-09/21\\_ltr\\_ccp.pdf](https://www.ici.org/system/files/2021-09/21_ltr_ccp.pdf)

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