



## European Commission and the United States Commodity Futures Commission: Common approach for transatlantic CCPs

Brussels, 10 February 2016

**Commissioner Jonathan Hill and the US Commodity Futures Trading Commission (CFTC) Chairman Timothy Massad have today announced a common approach regarding requirements for central clearing counterparties (CCPs).**

The US and EU are home to the largest derivatives markets in the world. A common approach to the regulation and supervision of global derivatives markets is critical to supporting cross-border trade and investment and maintaining financial stability. Today's agreement will ensure that European CCPs will be able to do business in the United States more easily and that US CCPs can continue to provide services to EU companies.

To implement the agreement, the European Commission intends to adopt shortly an equivalence decision with respect to CFTC requirements, which will allow ESMA to recognise US CCPs as soon as is practicable. Once recognised, US CCPs may continue to provide services in the EU whilst complying primarily with their own local requirements.

CFTC staff will propose a determination of comparability with respect to EU requirements, which will permit EU CCPs to provide services in the US whilst complying primarily with their own local requirements. The CFTC will also streamline the registration process for EU CCPs wishing to register with them.

The common approach follows detailed analysis of differences between the CFTC and EU regulatory requirements, undertaken over a number of years. Both the CFTC and EU requirements are based on international principles, and CFTC staff and the European Commission Services will work together, along with counterparts across the global regulatory community, to further develop these principles and further harmonise the standards to which internationally active CCPs are held.

*"This is an important step forward for global regulatory convergence. It means that European CCPs will be able to do business in the United States more easily and that US CCPs can continue to provide services to EU companies,"* said **Jonathan Hill**, Commissioner for Financial Services, Financial Stability and Capital Markets Union. *"It has taken a long time, but it is good news that after more than three years of discussion, we are now able to provide certainty for the marketplace. I am grateful to Chairman Massad and his team for all their work in helping us get to this point."*

The steps needed to implement this agreement will be put into place as soon as practicable. The CFTC staff and the services of the EC will work to ensure that changes are implemented in a coordinated manner.

### Background

CCPs are financial market infrastructures which enhance market and financial stability by guaranteeing the obligations of each counterparty to a transaction. Cleared transactions commonly include derivatives as well as other financial products such as bonds, equities and securities financing contracts. If a counterparty to a transaction goes into default before settling its obligations, its other counterparties are protected by the financial resources held by the CCP. These financial resources are largely made up of high quality collateral, which is calculated and collected from the counterparties on a daily basis. In this sense, the CCP acts as a circuit breaker, mitigating a domino effect of financial losses across the markets when one participant fails.

Recognising the importance of CCPs in mitigating risks in the financial system, G20 leaders committed in 2009 to make the use of CCPs mandatory for standardised derivatives contracts. Both the CFTC and the EU have now adopted rules to this effect, increasing the use of CCPs across EU and US markets.

As many derivatives are traded cross-border, EU and US market participants need access to CCPs that can serve both markets. This is why today's common approach is important: it enables EU CCPs to operate in US markets and US CCPs to operate in EU markets on a level playing field. This has been achieved by the EC and the CFTC proposing to recognise one another's requirements for CCPs where they are comparable. This will ensure that both EU and US CCPs operate to the same high standards at a comparable level of cost to their participants. It also alleviates the regulatory burden for US and EU

CCPs, allowing compliance with only one set of rules. This encourages cross-border activity, avoiding fragmentation of markets and liquidity.

The steps to implement the common approach are as follows:

- the CFTC will need to finalise a substituted compliance regime for EU CCPs;
- the European Commission will need to adopt an equivalence decision for the CFTC's regime. Prior to this, EU Member State authorities must vote on the proposal through the European Securities Committee.

**For more information**

You will find a joint statement issued by the European Commission and the US Commodity Futures Trading Commission [here](#).

IP/16/281

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