



Simpler EU rules for derivatives will reduce costs and regulatory burdens for market participants

Brussels, 5 February 2019

The Commission welcomes the political agreement reached by the European Parliament and EU Member States today on the targeted reform of the European Market Infrastructure Regulation (EMIR).

This regulation was adopted in 2012 following the financial crisis to better manage and monitor the risks arising from derivatives markets for financial stability. Today's reform will provide simpler and more proportionate rules for over-the-counter derivatives, helping to reduce costs and regulatory burdens for market participants without compromising financial stability. First [presented by the Commission in 2017](#), this initiative builds on the results of the Commission's Call for Evidence, a public consultation looking at the cumulative effect of the new financial sector rules put in place since the crisis, and is a prime example of better regulation in practice: the revised rules improve the efficiency of the market while maintaining prudential objectives.

Valdis **Dombrovskis**, Vice-President responsible for Financial Stability, Financial Services and Capital Markets Union said: *"The European Market Infrastructure Regulation is one of the key EU's financial reforms. Today's political agreement is a tangible deliverable of the Commission's Call for Evidence - we will reduce the regulatory burden for the real economy to a minimum, while ensuring that EMIR keeps achieving its objective of reducing systemic risk in the derivatives market."*

The reform of the European Market Infrastructure Regulation will bring more proportionate rules for corporates. It exempts the smallest financial counterparties from the clearing obligation, while ensuring that the overwhelming majority of trades in the relevant classes of derivatives continues to be cleared in central counterparties. The reporting requirements which ensure that supervisors dispose of full information on derivatives markets are streamlined and will be more proportionate while the quality of the reported data is ensured. Some more time is granted to developing solutions for pension funds before they have to start clearing derivatives in central counterparties. The progress towards these clearing solutions will be carefully monitored.

Next Steps

This political agreement will be followed by further technical work before the European Parliament and the Council can formally adopt the final texts.

Background

A derivative is a financial contract linked to the future value or status of the underlying to which it refers (e.g. the development of interest rates or of a currency value). Derivatives redistribute risk and can be used both to protect against legitimate risk and for speculative purposes. Most derivative contracts are not traded on an exchange but are instead privately negotiated between two counterparties (OTC). The global outstanding notional value of OTC amounted to USD [595 trillion](#) at the end of June 2018 (Source: Bank for international settlements).

EMIR implements the 2009 G20 commitment to increase the stability of the OTC derivatives market in the EU. The main objective of EMIR is to reduce systemic risk by increasing the transparency of the OTC derivatives market, by mitigating the counterparty credit risk and by reducing the operational risk associated with OTC derivatives. It includes several measures: that all standardised OTC derivatives contracts be cleared through central counterparties (CCPs) and that OTC derivatives contracts be reported to trade repositories (TRs).

The need to eliminate disproportionate costs and burdens and to simplify rules without putting financial stability at risk were identified in an extensive assessment of EMIR by the Commission. It included a public consultation in 2015 and Call for Evidence on the EU Regulatory framework for financial services carried out between September 2015 and January 2016 that led, in November 2016, to the adoption by the Commission of a general report on EMIR and to the [proposal for a targeted reform of rules](#) on 4 May 2017.

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