

EC and the US Commodity Futures Commission approach for transatlantic CCPs

An important step for global convergence

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USPA NEWS - Commissioner Jonathan Hill and the US Commodity Futures Trading Commission (CFTC) Chairman, Timothy Massad, have Wednesday 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. Wednesday'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, according to the European Commission.

To implement the agreement, the European Commission intends to adopt shortly an equivalence decision with respect to CFTC requirements, which will allow ESMA to recognize US CCPs as soon as is practicable. Once recognized, 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 harmonize 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," he added.

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. 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.

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