

Press release

EBF supports EU call to CFTC for substituted compliance

The European Banking Federation (EBF) welcomes the announcement by the European Commission and ESMAⁱ that they will send the CFTCⁱⁱ a comparative analysis on its entity and transaction requirements. The paper, on behalf of the European Union, will be sent today.

European banks strongly support the establishment of equivalent rules on both sides of the Atlantic and close and efficient cooperation between regulators of the derivatives market in order to avoid fragmentation.

Much has been achieved over the past five years in the EU and in the US. The European Markets and Infrastructure Regulation (EMIR) has been adopted and its most important regulatory technical standards took effect in March. They fulfill the commitments made by the leaders of the G20 to improve safety and transparency by requiring reporting and mandatory clearing for derivative trades. The Dodd-Frank Act plays the same role.

“The EBF views EMIR as a strict and comprehensive set of rules, with a very broad scope” said Guido Ravoet, EBF Chief Executive. “For instance, all financial companies are required to clear their derivatives trades and report them to trade repositories, including foreign-exchange transactions. Moreover, the EU’s capital standards for clearing houses are tough”.

In this context, European banks have serious concerns over the possible fragmentation of the derivatives market if the US and the EU do not succeed in reaching a workable way forward before 12 July, which is the deadline set for the expiration of the CFTC exemptive order on the cross border application of the US swaps provisions. “Fragmentation would impose far higher costs on companies that use derivatives as a hedge since it would force them to comply with rules in one country that are prohibited in another” commented Ravoet.

The EBF therefore calls for a system of mutual recognition to be adopted during the next G-20 Summit in September in Russia and urges the US and the EU to take a step forward in that direction.

ⁱ ESMA European Securities Markets Authority

ⁱⁱ CFTC: US Commodities and Futures Commission