European Commission - Press release

European Commission extends transitional period for capital requirements for banks' exposures to CCPs

Brussels, 04 June 2015

The European Commission has today adopted an implementing act that will extend the transitional period for capital requirements for EU banking groups' exposures to central counterparties (CCPs) under the Capital Requirements Regulation (CRR). The CRR introduced a capital requirement for the exposures of EU banks and their subsidiaries to a CCP.

"*The decision will give the market the legal certainty it needs for the next six months*," said Jonathan Hill, EU Commissioner responsible for Financial Stability, Financial Services and Capital Markets Union. "*Meanwhile we are continuing to work hard on solving the underlying issues*."

The current transitional period expires on 15 June 2015. Today's decision is available here.

Background:

CCPs are commercial entities that are interposed between the two counterparties to a transaction, becoming the buyer to every seller and the seller to every buyer. A CCP's main purpose is to manage the risk that could arise if one counterparty is not able to make the required payments when they are due – i.e. defaults on the deal. The size of the requirement depends on whether a CCP is labelled as 'qualifying' or not. Capital charges for exposures to non-qualifying CCPs are higher.

In order for a CCP to be considered a 'qualifying' CCP, it has to be either authorised (for those established in the EU) or recognised (for those established outside the EU) in accordance with the rules laid down in the European Market Infrastructure Regulation (EMIR).

Since the process of authorisation and recognition takes time, the CRR provides a transitional period during which these higher requirements will not be applied, to ensure a

level playing field for EU CCPs. This transitional period was set to expire on 15 June 2015. As the authorisation and recognition processes for existing CCPs serving EU markets will not be fully completed by that date, the European Commission has adopted an implementing act that will now extend the transitional phase to 15 December 2015. This extension period will smooth implementation for CCPs that are still in the process of reauthorisation under our new rules.

The extension is also applicable to third country CCPs seeking recognition in the EU. Only CCPs established in a third country which the Commission has determined to be equivalent

as regards its CCP requirements can be recognised in the EU. The Commission recently adopted decisions of equivalence for Hong Kong, Japan, Singapore and Australia, which paves the way for CCPs from those jurisdictions to now obtain qualifying status. However, other jurisdictions do not have equivalent status yet.

Equivalence assessments are a detailed and time-consuming process. This extension will allow for that work to continue and for capital relief to continue applying as envisaged in respect of CCPs that have not yet been able to obtain recognition by the European Securities and Markets Authority (ESMA).

For more information on CRR/CRDIV package:

http://europa.eu/rapid/press-release_MEMO-13-690_en.htm

For more information on equivalence decision for Hong-Kong, Japan, Singapore and Australia:

http://europa.eu/rapid/press-release_IP-14-1228_en.htm

IP/15/5102

Press contacts

Maud SCELO (+32 229-81521)
Vanessa MOCK (+32 2 295 61 94)

General public inquiries:

Europe Direct by phone 00 800 67 89 10 11 or by email