



FIA and GFMA welcome the opportunity to provide feedback on the European Commission's (EC) published Draft Implementing Regulation on the extension of transitional period related to own funds requirements for exposure to CCPs in the Capital Requirements Regulation (CRR). We support the extension for the reasons below.

The EC's continued efforts regarding the equivalence assessment of the legal and supervisory framework of other third-country CCPs, which is a prerequisite for recognition of such CCPs by the European Securities and Markets Authority (ESMA), continues to be of vital importance for market participants. The combination of a lack of third-country CCP recognition and the expiry of the transitional provisions related to own funds for exposures to CCPs in the CRR, would severely impact European firms acting on a cross-border basis as EU banks and investment firms would not be able to continue to apply qualifying CCP (QCCP) capital treatment to CCPs not recognised by ESMA. This would result in a significant increase in risk-weighted assets (RWA) and capital requirements for EU banks, compared to non EU banks, due to the significantly more stringent treatment of default fund exposures for non-QCCPs. Such concerns remain extremely problematic for EU firms' in relation to their continued access to clearing services for EU domiciled clients on third-country CCPs, which are yet to be recognised under EMIR Article 25.

As stated in previous correspondence with the EC in the context of the implementation of Article 25 of EMIR, as our members engage in cross-border transactions in derivatives markets, we recognise the need to achieve a regulatory level playing field across multiple jurisdictions.

Whilst we recognise the ongoing efforts by the EC to deliver positive equivalence determinations for jurisdictions where third-country CCPs, which provide services to EU firms, are established we believe that extending the transitional provisions under the CRR is critical to ensure continuous access to these markets whilst outstanding equivalence decisions are made.

We encourage the EC to take into consideration recent statements made by ESMA's chair Stephen Maijoor at the ECON hearing on 23 September 2016 and the considerable time it requires to complete the CCP recognition process under EMIR Art 25. Since September 2013, of the 45 third-country CCPs that have applied for recognition under EMIR Art 25, ESMA has processed and recognised a total of 19 CCP applications established in the jurisdictions corresponding to the countries covered by equivalence decisions. It is therefore clear that whilst the efforts on all sides are continuing, more time needs to be given to ESMA to manage the outstanding applications of third-country CCPs.

Thank you for considering FIA's and GFMA's response to the EC's feedback request. We welcome any questions you may have regarding our position.

FIA is the leading global trade organisation for the futures, options and centrally cleared derivatives markets, with offices in London, Singapore and Washington, D.C. FIA's membership includes clearing firms, exchanges, clearinghouses, trading firms and commodities specialists from more than 48 countries as well as technology vendors, lawyers and other professionals serving the industry. FIA's

mission is to support open, transparent and competitive markets, protect and enhance the integrity of the financial system, and promote high standards of professional conduct.

The Global Financial Markets Association (GFMA) brings together three of the world's leading financial trade associations to address the increasingly important global regulatory agenda and to promote coordinated advocacy efforts. The Association for Financial Markets in Europe (AFME) in London and Brussels, the Asia Securities Industry & Financial Markets Association (ASIFMA) in Hong Kong and the Securities Industry and Financial Markets Association (SIFMA) in New York and Washington are, respectively, the European, Asian and North American members of GFMA. For more information, visit <http://www.gfma.org>.