FIA welcomes 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 third-country CCPs (**TC-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 TC-CCPs, which are yet to be recognised under EMIR Article 25.

QCCP status is also important for investment firms subject to the Investment Firms Regulation (**IFR**) that starts to apply on 26 June 2021, especially if they wish to calculate K-CMG (see IFR Article 23(1)(b)) and/or are subject to K-TCD (see IFR Article 25(1)).

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 CRR until 28 June 2022 is critical and proportionate in order to avoid disruption to international financial markets. The 12-month extension of the QCPP transitional period is key to ensuring continuous access to these markets and global competitiveness of EU banks and impacted investment firms. As FIA members engage in cross-border transactions in derivatives markets, we therefore recognise the need to achieve a regulatory level playing field across multiple jurisdictions. It will also give ESMA additional time to complete outstanding applications for recognition of TC-CCPs.

We encourage the EC to take into consideration the considerable time it requires to complete the CCP recognition process under EMIR Article 25 for outstanding applications. Since September 2013, of the TC-CCPs that have applied for recognition under EMIR Article 25, ESMA has processed and recognised a total of 38 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 TC-CCPs.

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

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FIA is the leading global trade organization for the futures, options and centrally cleared derivatives markets, with offices in Brussels, London, Singapore and Washington, D.C. FIA’s membership includes clearing firms, exchanges, clearinghouses, trading firms and commodities specialists from about 50 countries as well as technology vendors, law firms and other professional service providers.
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• support open, transparent and competitive markets,
• protect and enhance the integrity of the financial system, and
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