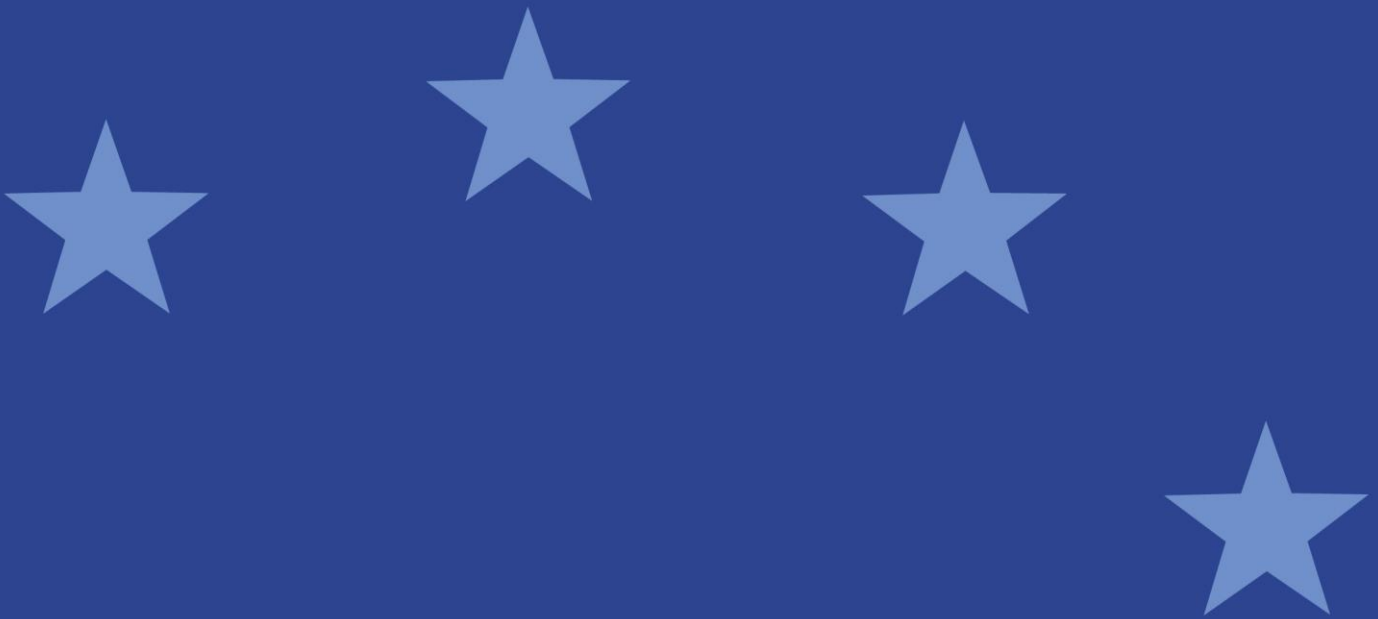


Response Form to the Consultation Paper on the clearing and derivative trading obligations in view of the benchmark transition



Responding to this paper

ESMA invites comments on all matters in this consultation paper and in particular on the specific questions. Comments are most helpful if they:

- respond to the question stated;
- indicate the specific question to which the comment relates;
- contain a clear rationale; and
- describe any alternatives ESMA should consider.

ESMA will consider all comments received by **2 September 2021**.

Instructions

In order to facilitate analysis of responses to the Consultation Paper, respondents are requested to follow the below steps when preparing and submitting their response:

1. Insert your responses to the questions in the Consultation Paper in the present response form.
2. Use this form and send your responses in Word format (**pdf documents will not be considered except for annexes**);
3. Please do not remove tags of the type <ESMA_QUESTION _RFRS_1>. Your response to each question has to be framed by the two tags corresponding to the question.
4. If you do not wish to respond to a given question, please do not delete it but simply leave the text “TYPE YOUR TEXT HERE” between the tags.
5. When you have drafted your response, name your response form according to the following convention: ESMA_RFRS_nameofrespondent_RESPONSEFORM. For example, for a respondent named ABCD, the response form would be entitled ESMA_RFRS_ABCD_RESPONSEFORM.
6. Upload the form containing your responses, **in Word format**, to ESMA’s website (www.esma.europa.eu under the heading “Your input – Open Consultations” -> Consultation Paper on the clearing and derivative trading obligations in view of the benchmark transition”).

Publication of responses

All contributions received will be published following the close of the consultation, unless you request otherwise. Please clearly and prominently indicate in your submission any part you do not wish to be publically disclosed. A standard confidentiality statement in an email message will not be treated as a request for non-disclosure. A confidential response may be requested from us in accordance with ESMA’s rules on access to documents. We may consult you if we receive such a request. Any decision we make not to disclose the response is reviewable by ESMA’s Board of Appeal and the European Ombudsman.

Data protection

Information on data protection can be found at www.esma.europa.eu under the heading [Legal Notice](#).



Who should read this paper

All interested stakeholders are invited to respond to this consultation paper. In particular, responses are sought from counterparties of OTC derivatives transactions which are subject to the clearing obligation or to the derivative trading obligation as well as from CCPs and Trading Venues.



General information about respondent

Name of the company / organisation	FIA European Principal Traders Association (FIA EPTA)
Activity	Other Financial service providers
Are you representing an association?	<input checked="" type="checkbox"/>
Country/Region	Europe



Questions

General comments

Q1 : Are there any general comments you would need to raise?

<ESMA_QUESTION_RFRS_1>

The FIA European Principal Traders Association (FIA EPTA) appreciates the opportunity to provide feedback to the European Securities and Markets Authority (ESMA) to the Consultation Paper on the clearing and derivative trading obligations in view of the benchmark transition.

FIA EPTA represents 30 independent European Principal Trading Firms (PTFs) which deal on own account, using their own money for their own risk, to provide liquidity and immediate risk-transfer in exchange-traded and centrally-cleared markets for a wide range of financial instruments, including shares, options, futures, bonds and ETFs.

Our members are independent market makers and providers of liquidity and risk transfer on trading venues and end-investors across Europe. Market making and liquidity provision (also referred to as principal trading or dealing on own account) is a distinct activity that is undertaken by non-systemic investment firms rather than banks, in a highly dispersed and varied ecosystem of independent Principal Trading Firms. These firms operate in an innovative and competitive fashion leading to a vibrant, dynamic and diverse ecosystem which massively reduces interconnectedness and increases substitutability. This fundamentally reduces systemic risk whilst improving market quality and lowering costs for retail and institutional investors alike.

FIA EPTA members appreciate ESMA's consideration of our comments and stand ready to provide any further input as required.

<ESMA_QUESTION_RFRS_1>

State of progress with the transition

Q2 : Are there any other aspects of the transition that need to be taken into account?

Please share any data that would help qualify further the progress with the transition or any other aspects that you think should be considered.

<ESMA_QUESTION_RFRS_2>

TYPE YOUR TEXT HERE

<ESMA_QUESTION_RFRS_2>

General approach

Q3 : Are there any other aspects that you think that ESMA should take into account or that might justify a different approach?

<ESMA_QUESTION_RFRS_3>

TYPE YOUR TEXT HERE

<ESMA_QUESTION_RFRS_3>

Clearing obligation

Q4 : Do you agree with the assessment of the EMIR criteria and with the proposed classes (except for USD which is dealt with in a dedicated Question 5)? If not please detail how the assessment could differ and please also provide data and information to justify a different assessment.

<ESMA_QUESTION_RFRS_4>

First, we encourage ESMA to incorporate ongoing flow trading data into its analysis. Data regarding daily trading activity is important when making liquidity assessments and monitoring the market's ongoing transition to new benchmark rates.

In terms of instrument scope, we recommend that ESMA align the covered €STR maturities with those of SONIA. Both reference rates are developing with significant trading volumes in longer-dated maturities. In addition, we recommend maintaining current clearing obligations until, at a minimum, the replacement RFR has developed sufficient liquidity to be added to the clearing obligation. As a result, the current clearing obligations for both JPY and USD should be maintained at the current time.

<ESMA_QUESTION_RFRS_4>

Q5 : Will the transition regarding USD have made sufficient progress by this Autumn to decide on whether to maintain or remove USD LIBOR classes. Will there be sufficient liquidity to introduce SOFR OIS to the CO and for which maturity range? Please provide the relevant data and information to explain your assessment, in accordance with the EMIR framework.

<ESMA_QUESTION_RFRS_5>

We expect SOFR liquidity will continue to improve throughout the course of this year, such that it will warrant inclusion in the clearing obligation. At the same time, we expect material volumes in USD LIBOR to continue to be traded, and therefore recommend maintaining the clearing obligation for USD LIBOR until the transition fully occurs.

<ESMA_QUESTION_RFRS_5>

Q6 : Do you agree with the proposed implementation of the changes? If not please provide details that could justify a different implementation.

<ESMA_QUESTION_RFRS_6>

Yes, we agree with implementing the updates to clearing obligation at the same time for all market participants in order to reduce complexity and avoid fragmenting the market.

<ESMA_QUESTION_RFRS_6>

Derivatives trading obligation

Q7 : Do you agree with the proposal to not include OIS referencing €STR, SONIA nor SOFR to the DTO at this point in time? In case you disagree with ESMA's proposal, please justify and support your assessment with qualitative and quantitative data.

<ESMA_QUESTION_RFRS_7>

As above, we encourage ESMA to incorporate ongoing flow trading data into its analysis. Data regarding daily trading activity is important when making liquidity assessments and monitoring the market's ongoing transition to new benchmark rates. In addition, the liquidity assessment should take into account market-wide trading activity (both on-venue and off-venue), instead of being solely focused on trading activity on regulated venues. A lack of on-venue trading despite healthy liquidity conditions may indicate the importance of implementing the DTO.

We also recommend that ESMA maintain alignment with global regulators regarding the scope of the DTO, including with respect to SOFR and SONIA. Otherwise, there is a risk of fragmenting liquidity across the global OTC derivatives market.

<ESMA_QUESTION_RFRS_7>

Q8 : Do you consider that IRS referencing USD LIBOR should continue to be subject to the DTO?

<ESMA_QUESTION_RFRS_8>

Yes, USD LIBOR swaps continue to satisfy the MiFIR criteria to be subject to the DTO. Before removing USD LIBOR, it is important to avoid any coverage gaps by applying the DTO to SOFR and coordinating with the US CFTC in order to adopt a harmonised approach.

<ESMA_QUESTION_RFRS_8>

Cost Benefit Analysis

Q9 : Are there other elements that should be taken into account and that would impact the outcome of the cost-benefit analysis? Please provide quantitative and qualitative details.

<ESMA_QUESTION_RFRS_9>

We encourage ESMA to fully document the benefits observed with implementing the CO and DTO, including with respect to market integrity, transparency, liquidity, and competition. These benefits suggest that it is important to update the CO and DTO in order to assist the market's transition to new benchmark rates.

<ESMA_QUESTION_RFRS_9>