



## PRESS RELEASE

# Setting EU CCP policy – much more than meets the eye

**Brussels, 27 October 2021** – More than EUR 3.2 trillion notional outstanding of interest rate swaps (IRS), the most active interest rate derivative (IRD) product, are cleared every day in the City of London, including around 94% of all euro-denominated IRS that are traded globally. Brexit has naturally raised questions around whether London’s central role can continue. A new study ‘**Setting EU CCP policy – much more than meets the eye**’, now calls for a long-term vision for the future of the European clearing market, by taking financial stability, efficiency, and market development objectives into account.

The study argues that in the short-term, the best way forward to address EU concerns about the exposure of EU firms to UK central counterparty clearing houses (CCPs) is to **implement appropriate supervisory and regulatory co-operation**. EMIR 2.2 foresees ‘adequate’ cooperation between the EU and the UK and allows for hands-on supervision of UK-based systemically important CCPs by European Securities and Markets Authority (ESMA).

Any new supervisory structure needs to be given time to function properly before more radical changes are introduced, given the significant potential negative consequences for EU firms. A policy to further develop central clearing in the EU should be part of a clear long-term strategy in the context of the **Capital Markets Union (CMU)**, be market-driven and, again, be given the appropriate time to mature.

The alternative, **to abruptly restrict EU firms’ access to London**, cannot be easily achieved and would result in clear collateral damage for EU banks and end users, put EU banks at a clear competitive disadvantage *vis-à-vis* its international counterparts and unnecessarily harm the EU economy. To avoid such a situation, this report provides valuable analysis and insights to help EU policymakers make the right decisions to ensure that EU financial markets remain open, global and attractive, while strengthening the international role of the euro.

Karel Lannoo, General Manager of ECMI and CEO of CEPS commented:

*“Policymakers should treat the central role of CCPs in capital markets carefully. Our report clearly show that any actions to move business to the EU should consider the broader structure in which such systems operate and should be part of a strategy to create a more integrated EU capital market.”*

Apostolos Thomadakis, Researcher at ECMI and CEPS added:

*“Allowing market participants to determine the best market structure based on their trading needs and objectives will allow for a more organic, market-led and customer-driven development of the EU’s derivatives market infrastructure.”*

**-ENDS-**

*Enquiries:*

Karel Lannoo, General Manager of ECMI and CEO of CEPS: [klannoo@ceps.eu](mailto:klannoo@ceps.eu) or +32 479 909 008

Apostolos Thomadakis, Researcher at ECMI and CEPS: [apostolos.thomadakis@ceps.eu](mailto:apostolos.thomadakis@ceps.eu) or +32 2 229 39 14

Xavier Trota, Senior Communications Manager: [xavier.trota@ceps.eu](mailto:xavier.trota@ceps.eu)