



EUROPEAN COMMISSION

PRESS RELEASE

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European Commission extends Transitional Period for Capital Requirements for Exposures to CCPs

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 EU takes part in international negotiations within the Basel Committee on Banking Supervision which has the task of developing international minimum standards on bank capital adequacy. Agreements reached with international partners are implemented in EU directives and regulations. The CRR introduced a capital requirement for the exposures of EU banks and their subsidiaries to a CCP. 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 December 2014.

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 June 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.

For more information

http://ec.europa.eu/finance/bank/regcapital/acts/implementing/index_en.htm#141211