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“Recovery and resolution for Central Clearing Counterparties (CCPs) “

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I am delighted to see here around me many faces I know well from these months of preparatory work on CCP recovery and resolution. I am pleased to see as well that there is a rather exhaustive line-up of the actors involved in the process: we have CCPs, members with ISDA and Citibank, and clients with Black Rock, so the diversity of industry views that we are looking for in our consultations. We also have the Commission and NGOs and ourselves, parliamentarians.

We are now going to talk about what belongs to the finishing touches of our regulatory architecture: CCP recovery and resolution. We know it is something we need in order to complete the reforms of the derivatives markets launched in 2009, with the G20 Pittsburgh summit. This means that, when the regulation is finalised, it will be around ten years since the process was started. With this proposal, we are advancing further with our risk reduction agenda and we make sure we can deal with the unwanted and disruptive side effects of previous reforms: the concentration of risks in central clearing counterparties. We hope that the new regime will improve confidence and thereby make our financial system sounder.

The current proposal, which is the outcome of several years of international work, is now being discussed in a context where it takes an echo and a weight that were not really planned: this of Brexit and its negotiations.

With the major CCPs being located in the UK, with derivative transactions in euros taking place in the UK, and with now a risk of divergences arising in the future between the regulatory and supervisory regimes of the UK on one side and the EU on the other side, the challenge will be to ensure that divergences are kept under control and that the EU can keep a degree of supervision or control over systemically important market infrastructures.

For our proposal, we may see a dilemma: we might want or need to wait to progress on the resolution file in order to see what changes are proposed concerning supervision, to keep a conceptual unity between the different files and to ensure a robust third country regime. However, by moving quickly on recovery and resolution, we increase the chances that this much-needed new regime will, if not fully apply to the UK, at least give them a clear signal of what direction to go to.

What we are sure about is that Brexit will mean a strong need for cooperation between the EU and the UK, not only but in particular concerning CCPs. This means cooperation in resolution cases, which is needed anyway and on which we already have provisions in the Commission’s proposal. We need to look at them and improve them if and where needed. It also means cooperation on supervision,

between EU authorities, the Bank of England, probably the ECB as an overseer of payment infrastructure. I am convinced that this should be avoided in order to avoid market fragmentation and that this could be avoided through a clever design of cooperation arrangements.

We are all working on the Commission's proposal issued last autumn.

The Council is making progress and is holding monthly technical meetings. The file is not a priority for this presidency but an agreement might be reached under the Estonian one. We in the Parliament are pushing our reflection, each member of the negotiating team on his or her side. From the discussions we have had, there are a few issues that seem likely to be consensual, but the process is moving gradually.

We will very soon discuss the concrete elements of the proposal, and I will ask every one of you very well-targeted questions that will allow to examine all of its most relevant aspects. However, before that, I would like to remind that we are reflecting on a piece of legislation that is integrated with the rest of the existing architecture.

Therefore, we are going to discuss recovery and resolution but let us not forget resilience. Improvement of CCP resilience is still a work in progress, complementary to what we are working on here and now. Progress will come through the EMIR review, through the adjustments to the supervisory framework that will be needed after Brexit, but also through ongoing and future workstreams at the FSB level on margin requirements or on the funds to be held to protect against non-default losses.

Without further due, let us now start our discussion.