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The EU needs a clearing ecosystem fit for the challenges ahead

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I would like to thank the Kangaroo Group for organising this event and inviting me to sit on this panel among real experts. To begin, I would like to take a step back.

If we look at the last few years, there was Brexit first, then Covid-19 and now the war in Ukraine. And unprecedented sanctions. These are all events of huge magnitude and historic proportions. All sectors of the economy, including the derivatives market, feel their consequences. The European Union needs to be prepared to navigate the changes that these events will bring about. This is more than coping with Brexit.

What is clear for us is that strong EU capital markets are of crucial importance. It is with this broader context in mind that we need to look at the European clearing framework. Post-trade market infrastructures are the foundation of a healthy CMU.

We had many discussions on how Brexit influenced clearing, and I believe we have reached a kind of consensus about the fact that dependency on third-country CCPs is not sustainable in the long-term. This is what we really have in mind when we say that we need a system fit not only for good times but also for economy in distress. And more generally, taking into account the economic potential of the EU and the fact that we want to build CMU I also believe that the EU needs reliable regulatory arrangements for central clearing, and that the EU supervisory framework should be fit for the challenge.

Clearing is a global business and it is also important to look at what other jurisdictions are doing, what defines their attractiveness for clients. On this, understanding decisions of those seeking to access clearinghouses as well as CCPs themselves is important. And I understand that the consultation have respected it.

I also believe that regulators and legislators should seek to find ways to enable EU CCPs to broaden their offer more rapidly and effectively. There are probably more provisions in EMIR that could benefit from simplification and reduced burden. I am sure the Commission will look with an open mind at many ideas from the consultations that can make EMIR a better regulation. If the EU is successful in increasing the attractiveness of its CCPs, it will be legitimate to give a hard look at the supervision system. But we have to work on it in parallel.

I was the Rapporteur in the European Parliament for EMIR 2.2, and I recall that at the end of the legislative work we believed we had a good piece of legislation with some compromises, which as we know are never the best choices. The regulation set up a double supervisory system, which was the best compromise solution that we could reach at the time. The unique set up of the CCP Supervisory Committee developed under EMIR 2.2 brought together the NCAs supervising EU CCPs and improved the depth of cooperation between NCAs, ESMA and central banks, as well as between NCAs. But is it fit for the task ahead?

It is true that we are not a unified jurisdiction, but we have a unique opportunity to pave the way to make further steps towards a EU-wide supervision of CCPs. Member States were not ready and willing for this in 2018. And I hear that today there is also resistance to accept ESMA supervision. On the basis of the same arguments in a completely different long-term context. The situation that we face today is not the same as the one a few years ago. And it is not only about London that floated away.

Should the EU be successful in increasing the attractiveness of EU CCPs, there will be increases in the clearing volumes, even though it is more than just volumes, and that will put pressure on a supervisory system that is largely nationally based. There will be merit in supporting and simplifying an effort towards deeper Europeanisation of the system. This can be done through gradual measures, I agree, and there are some ideas.

I agree with the Commission that there is certainly a lot of work to do, and a number of open questions. The Commission will need to look into other legislation regarding market infrastructures, use to maximum the space for market-based solution. I

understand that the consultation provided a lot of lacking evidence on what is not working and what can be the impact of the alternative choices that are being considered.

We also have to see how international standards might be affected by current international context, how market conditions will change and what the G20 will say. We might see global post-war reflection making changes to the EU clearing ecosystems more attractive. But whatever will happen globally it will not solve the issue of supervision, which must be tackled seriously.

To conclude, I want to observe that the EU is a global leader in many ways and in many areas. Regrettably, it lags behind on capital markets and CCPs. The upcoming revision offers EU policymakers the chance to get this right and strengthen the EU clearing ecosystem, facilitating building CMU. This is vital if we want to be serious about CMU.

In the European Parliament there is broad support for the objectives of this review and to help the Commission create the conditions for a more resilient clearing ecosystems. But I think that aiming only at marginal changes of some existing rules would be a lost opportunity. We should be bold to open new territory for supervision. We need to avoid that the EU CCPs would be functioning in a world of duplicative and conflicting rules.

Thank you and I look forward to the upcoming discussions.