



For any questions on this update please contact [Kwon Y. Park](#).

Today, the US Commodity Futures Trading Commission (CFTC or Commission) and the European Commission (EC) [announced a common approach](#) regarding requirements for central clearing counterparties (CCPs). CFTC [Chairman Massad](#) and [Commissioner Giancarlo](#) both released statements commending the agreement with the European Union (EU).

Following this agreement, the EC intends to adopt an equivalence decision with respect to CFTC requirements for US CCPs which will allow the European Securities and Markets Authority (ESMA) to recognize US CCPs as soon as is practicable. Upon recognition, US CCPs may continue to provide clearing services in the EU. The CFTC will propose a comparability determination to EU requirements, which will permit EU CCPs to provide services to US clearing members and clients. The Commission also intends to propose a streamlined registration process for EU CCPs.

Key Elements of the Approach:

EU Equivalence

- Once US CCPs are recognized as equivalent by ESMA, US CCPs may provide services in the EU and will become a qualifying CCP for the purpose of EU Capital Requirements Regulation, lowering costs for EU banks and their subsidiaries.
- Equivalence determinations will be based on the condition that CFTC-registered US CCPs confirm that their internal rules and procedures adhere to certain conditions.
- The EU will also propose the adoption of an equivalence decision under EMIR, and Member State authorities will vote in the European Securities Committee before an equivalence decision is adopted by the EC.

CFTC Substituted Compliance

- The CFTC will propose a comparability determination, providing a basis for both EU CCPs (registered with the CFTC) and those seeking registration to meet certain CFTC requirements by complying with the corresponding requirements set forth in EMIR.
- CFTC staff will also propose to streamline the registration process for EU CCPs wishing to register with the CFTC.

EU Clearing Obligations

- The EC recognizes that EU market participants may use CFTC-registered US CCPs to satisfy their upcoming clearing obligations under EMIR.

Client Margining Standards

- ESMA is working on allowing EU CCPs to apply an alternative standard for client margining similar to CFTC requirements to address regulatory arbitrage.