



## Financial services: Commission adopts equivalence decision for US central counterparties

Brussels, 27 January 2021

The European Commission today adopted an equivalence decision determining that the United States Securities and Exchange Commission (SEC) regime for US central counterparties (CCPs) is equivalent to EU rules.

Today's decision is an important first step for US CCPs registered with the SEC to be recognised in the European Union. It will allow such US CCPs to apply for recognition by the European Securities and Markets Authority (ESMA). Once recognised by ESMA, these US CCPs will be able to provide central clearing services in the EU.

Mairead **McGuinness**, Commissioner responsible for Financial Services, Financial Stability and the Capital Markets Union, said: *"This decision is a significant first step in the process of recognising US CCPs registered with the US Securities and Exchange Commission in the European Union. We look forward to continued good cooperation between EU institutions and agencies, and the US Securities and Exchange Commission."*

Today's decision complements the existing equivalence decision for US CCPs regarding the US Commodity Futures Trading Commission (CFTC), which was adopted in 2016 ([more information here](#)).

### Background

Central counterparties (CCPs) are bodies that operate between the buyer and seller of a derivative contract, becoming the buyer to every seller and the seller to every buyer. Their use was encouraged by the G20 following the financial crisis, to reduce risk in derivatives trading. Derivatives markets are global in nature.

For the Commission to adopt an equivalence decision, a third-country regime has to fulfil three conditions laid down in the European Market Infrastructure Regulation ('EMIR'):

- First, CCPs authorised in the third country must comply with legally binding requirements that are equivalent to requirements laid down in EMIR;
- Second, CCPs in the third country must be subject to effective supervision on an ongoing basis; and
- Lastly, the legal framework of the third country must provide for an effective equivalent system for the recognition of foreign CCPs.

This equivalence decision determines that the legal and supervisory arrangements applicable to US CCPs registered with the SEC can be considered to be equivalent to requirements laid down in EMIR.

Today's equivalence decision applies only to SEC-regulated 'covered clearing agencies'. The equivalence decision is conditional. In order to be allowed to offer services in the EU, US CCPs will have to have rules in place with respect to certain risk management requirements (i.e. liquidation periods and anti-procyclicality measures).

The responsibility for the supervision of CCPs in the USA is shared between the SEC and the CFTC. Today's equivalence decision applies to US CCPs that are registered with the SEC, i.e. those that clear securities and security-based derivative (or 'security-based swaps' in US terminology). ESMA has already recognised a number of US CCPs registered with and supervised by the CFTC.



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