

Corporate & Financial Weekly Digest

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European Parliament's Economic and Monetary Affairs Committee Votes on EMIR

On May 24, the European Parliament announced the result of the vote of the Parliament's Economic and Monetary Affairs Committee (ECON) on the proposed European Market Infrastructure Regulation (EMIR).

The draft regulation (which covers over-the-counter (OTC) derivatives, central clearing parties (CCPs) and trade repositories) "aims to bring greater safety, transparency and stability to the OTC derivatives market."

Under the proposal, many OTC derivative contracts will need to be cleared through central counterparties (CCPs), market participants will be required to report information on OTC derivative contracts to trade repositories (these reports will be accessible to supervisory authorities) and a key supervisory role is envisaged for the new European Securities and Markets Authority (ESMA).

ECON has rejected proposals by some member states that all derivatives should fall within the scope of EMIR. Reporting obligations will apply to all derivatives; the majority of EMIR's requirements will apply only to OTC derivatives.

Cooperation arrangements between clearing houses, known as "interoperability," under which traders would be allowed to choose where their trades are cleared, are limited to cash securities. Before a CCP can apply for authorization for interoperability, it will be required to have complied with the standards set out in the Regulation for not less than three years.

Consideration was given to applying clearing obligations retroactively, to OTC contracts entered into prior to the Regulation coming into force. ECON has accepted that this would be impracticable. ESMA has been asked to assess whether reporting obligations could be introduced with retrospective effect.

The draft version of EMIR, which has been approved by ECON, will be voted on by the European Parliament at its plenary sitting on July 5. Thereafter, under a "trialogue" process, the final text will be resolved by three-way negotiations among the European Commission, the Council of Ministers and the Parliament.

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