

PRESS RELEASE

ESMA defines central clearing of interest rate and credit default swaps

The European Securities and Markets Authority (ESMA) has launched a first round of consultations to prepare for central clearing of OTC derivatives within the European Union. The two consultation papers seek stakeholders' views on draft regulatory technical standards (RTS) for the clearing of Interest Rate Swaps (IRS) and Credit Default Swaps (CDS) that ESMA has to develop under the European Markets Infrastructure Regulation (EMIR).

With the overarching objective of reducing systemic risk, EMIR introduces the obligation to clear certain classes of OTC derivatives in central clearing houses (CCPs) that have been authorised (European CCPs) or recognised (third-country CCPs) under its framework. To ensure that the clearing obligation reduces systemic risk, EMIR specifies a process for the identification of the classes of OTC derivatives that should be subject to mandatory clearing. This includes the assessment of specific criteria that the relevant classes of OTC derivatives have to meet.

ESMA is required to draft RTS on the clearing obligation within six months of the authorisation or recognition of CCPs. ESMA has analysed the classes from several CCP notifications and has determined that some IRS and CDS classes should be subject to the clearing obligation. Following the difference in timing of the corresponding CCP authorisations, the IRS and CDS classes are covered in two separate papers and consultation periods, with a large overlap between the two to give the opportunity to stakeholders to review them and provide feedback at the same time. These two consultation papers may be followed by one or more on other asset classes.

Basis, fixed-to-float, forward rate agreements and overnight index swaps to be centrally cleared

Regarding IRS, ESMA's draft RTS propose the following four classes, on a range of currencies and underlying indices, to be subject to central clearing:

- Basis swaps;



- Fixed-to-float interest rate swaps;
- Forward rate agreements; and
- Overnight index swaps.

European untranching index CDS to be centrally cleared

Regarding CDS, ESMA's draft RTS proposes European untranching Index CDS (for two indices) to be subject to central clearing.

Draft standards built on swaps already offered for clearing

ESMA defined the IRS and CDS classes to be subject to central clearing following an analysis of all IRS and CDS classes which are currently offered for clearing by European CCPs. In addition, for equity and interest rate futures and options which are offered for clearing, ESMA decided that a clearing obligation is not necessary at this stage.

Next steps

The IRS Consultation Paper is open for feedback until 18 August 2014 and the CDS Consultation Paper until 18 September 2014. ESMA will use the answers received to draft its final RTSs on the clearing obligation for IRS and CDS and send them for endorsement to the European Commission. The clearing obligation will take effect following a phased implementation, with the current proposal ranging from six months to three years after the entry into force of the RTS, depending on the types of counterparties concerned.



Notes for editors

1. Consultation paper on Clearing Obligation no1 IRS [ESMA/2014/799](#)
Consultation paper on Clearing Obligation no2 CDS [ESMA/2014/800](#)
2. ESMA is an independent EU Authority that was established on 1 January 2011 and works closely with the other European Supervisory Authorities responsible for banking (EBA), and insurance and occupational pensions (EIOPA), and the European Systemic Risk Board (ESRB).
3. ESMA's mission is to enhance the protection of investors and promote stable and well-functioning financial markets in the European Union (EU). As an independent institution, ESMA achieves this aim by building a single rule book for EU financial markets and ensuring its consistent application across the EU. ESMA contributes to the regulation of financial services firms with a pan-European reach, either through direct supervision or through the active co-ordination of national supervisory activity.

Further information:

Reemt Seibel

Communications Officer

Tel: +33 (0)1 58 36 42 72

Mob: +33 6 42 48 55 29

Email: reemt.seibel@esma.europa.eu