

PRESS RELEASE

ESMA defines products, counterparties and starting dates for the clearing of interest rate swaps

The European Securities and Markets Authority (ESMA) has today issued [final draft regulatory technical standards \(RTS\)](#) for the central clearing of Interest Rate Swaps (IRS) which it is required to develop under the European Markets Infrastructure Regulation (EMIR). The RTS define those types of IRS contracts which will have to be centrally cleared, the types of counterparties covered by the obligation and the dates by which central clearing of IRS will become mandatory for them.

Steven Maijoor, ESMA Chair, said:

“The finalisation today of the first clearing mandates represents a significant milestone for the EU in fulfilling its G20 commitments and promoting international convergence on derivatives market reform. This move to mandatory clearing will lead to significant improvements in the risk management of EU derivatives markets.”

EMIR introduces the obligation to clear certain classes of OTC derivatives in central clearing houses (CCPs) which are either European CCPs authorised by national authorities or third-country CCPs recognised by ESMA. Central clearing of OTC derivatives is part of the G20 commitments aimed at reducing risk in the global financial system and requires a process for the identification of classes of OTC derivatives that should be subject to mandatory clearing. ESMA’s assessment is based on a number of criteria, including liquidity, price availability and standardisation.

Four IRS classes will need to be centrally cleared

ESMA’s IRS RTS define the following four IRS classes to be subject to central clearing:

- Basis swaps denominated in EUR, GBP, JPY, USD;
- Fixed-to-float swaps denominated in EUR, GBP, JPY, USD;
- Forward rate agreements denominated in EUR, GBP, USD; and
- Overnight index swaps denominated in EUR, GBP, USD.

ESMA defined these IRS classes following an analysis of all IRS classes currently being cleared in the EU by authorised CCPs.



Central IRS clearing will apply gradually

ESMA's RTS define the implementation schedule for the counterparties to whom central clearing of the defined IRS classes will become mandatory. These counterparties will have to start central clearing of IRS after the entry-into-force of ESMA's RTS in accordance with the following phase-in periods:

1. clearing members (six months after the RTS entered into force);
2. financial counterparties and other alternative investment funds (AIFs) (twelve months after the RTS entered into force);
3. financial counterparties and other AIFs with a low level of activity in un-cleared derivatives (18 months after the RTS entered into force);
4. non-financial counterparties (three years after the RTS entered into force);

In order to properly capture systemic risk, the counterparties included in the first two categories will also have to frontload those IRS contracts they have concluded between the date of publication of the RTS in the Official Journal and the respective starting date of the clearing obligation.

Next steps

ESMA has submitted today its final draft IRS RTS to the European Commission, which has now up to three months to endorse them. Following the non-objection period of the European Parliament and Council, the RTS will enter into force and become effective 20 days after its publication in the Official Journal.



Notes for editors

1. The final report on IRS clearing is available on [ESMA's website](#).
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.

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