

BVI: Moving clearing to the EU reduces risks for financial stability

Frankfurt – 18 September 2023. The German Investment Funds Association BVI calls for a move of derivatives clearing to the EU to reduce the dependence on third countries and thus the risks for financial stability in the EU. In calling for this, the BVI supports the position of the European Central Bank, the EU Commission and the ESMA, which also want to reduce the dependence of EU financial markets on clearing houses in third countries. ESMA, for example, made it clear in a report from December 2021 that neither additional crisis management tools nor increased cooperation with third-country supervisory authorities alone can sufficiently reduce systemic risks from UK clearing houses. In a crisis scenario, the UK authority would be bound to prioritise the financial stability of the UK over that of the EU.

Currently, some 80 percent of euro-denominated interest rate derivatives, which are an integral part of the risk management of funds, are cleared via the clearing house LCH in London. Since Brexit, however, it is no longer under EU supervision. 'Effective monitoring and the steps required in the event of a crisis can, however, only be ensured through direct access by EU supervisory authorities and the ECB,' says Thomas Richter, BVI's CEO. Against this background, the BVI supports measures that facilitate the process of transition for market participants, such as setting up active accounts with clearing houses in the EU.

The BVI has been calling for a relocation of derivatives clearing to the EU since 2017. It thus has an opposing position to the EU fund association EFAMA, which has voiced its opposition to a mandatory introduction of active accounts at EU clearing houses and thus mainly represents the view of large market participants on this issue. 'The implementation of active accounts in the EU is an acceptable compromise to strengthen financial stability in the EU and to maintain a competitive and efficient clearing ecosystem,' says Richter. The BVI does not agree with the demand to introduce thresholds for active accounts.