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Losing EMIR’s interoperability clause will affect freedom of choice for trading firms in Europe, says AFME

Taking out the interoperability clause from the European Commission’s proposed European Market Infrastructure Regulations (EMIR) will reduce competition and freedom of choice for trading firms when transacting securities in Europe, according to the Association for Financial Markets in Europe (AFME).

On Monday 28 February 2011, the European Parliament will discuss the new draft of proposed EMIR legislation – put together by Werner Langen, member of the European Parliament’s Committee on Economic and Monetary Affairs.

This revised draft omits the key ‘interoperability’ section, which not only reduces competition and efficiency of the European securities markets, but also defies the European Commission’s Code of Conduct on Clearing and Settlement, published in 2007, which defines interoperability as a key objective for the European financial services sector.

Since publication of this Code of Conduct, trading firms have had a limited ability to choose a Central Counterparty (CCP) to clear cash equities. Interoperability would enable trading firms to consolidate clearing arrangements at their CCP of choice, allowing significant benefits in terms of risk management and cost efficiency.

Stephen Burton, Director at the Association for Financial Markets in Europe, comments:

“User choice and flexibility are essential to well functioning markets and important to enabling economic recovery in Europe.

There is no doubt that interoperability arrangements for cash securities would significantly increase competition and efficiency and need not increase systemic risk. Moreover, participants believe that the higher costs from margin arrangements are worthwhile for the enhanced risk management structure required for interoperability.

Taking out the interoperability clause of the EMIR legislation will have a serious negative impact on competition and choice and we urge the European Parliament to reinsert this interoperability clause.”
Notes:

1. AFME (Association for Financial Markets in Europe) promotes fair, orderly, and efficient European wholesale capital markets and provides leadership in advancing the interests of all market participants. AFME represents a broad array of European and global participants in the wholesale financial markets. Its members comprise pan-EU and global banks as well as key regional banks, brokers, law firms, investors and other financial market participants. AFME participates in a global alliance with the Securities Industry and Financial Markets Association (SIFMA) in the US, and the Asia Securities Industry and Financial Markets Association through the GFMA (Global Financial Markets Association). For more information please visit the AFME website, [www.afme.eu](http://www.afme.eu)