

# EC temporary equivalence decision for UK CCPs

## AT A GLANCE

September 2020

### What's new?

- The European Commission (EC) [announced](#) the adoption of a time-limited equivalence determination for UK central counterparties (CCPs) on 21 September 2020.
- In light of the decision EU clearing members will be able to continue accessing recognised UK CCPs from 1 January 2021 until 30 June 2022.

### What does this mean?

- The decision means that EU clearing members will be able to continue clearing through recognised UK CCPs after the Brexit transitional period ends on 31 December 2020.
- This removes the cliff-edge risk from EU firms being unable to access UK CCPs from 1 January 2021, something which is likely to have created financial stability risks in light of dominance of UK CCPs in a range of derivative products.
- The EC states that the time afforded by the decision should be used for EU CCPs to develop further their capacity to clear relevant trades and for EU clearing members to reduce exposures to UK CCPs.
- HM Treasury and the Bank of England have put in place a temporary recognition regime for non-UK CCPs. From 1 January 2021 this will enable EU CCPs to continue to provide services in the UK.

### What do firms need to do?

- The decision means UK CCPs will not have to start the process of off-boarding EU clients at this stage.
- EU firms may find they face increased supervisory scrutiny of their exposures to UK CCPs, in particular OTC derivative exposures that are denominated in Euro and other EU currencies. Reducing exposures to UK CCPs will be challenging in light of the dominance of these firms in certain clearing markets.
- Firms should monitor the ongoing Brexit negotiations. Further equivalence determinations (including permanent determinations for CCPs) may be unlikely unless there is a broader political agreement, so firms should prepare on the basis of no equivalence come 1 January 2021.

### Contacts

**Andrew Gray**  
Partner

T: +44 7753 928494  
E: [agray@pwc.com](mailto:agray@pwc.com)

**Conor MacManus**  
Director

T: +44 7718 9728  
E: [conor.macmanus@pwc.com](mailto:conor.macmanus@pwc.com)

**Luke Nelson**  
Senior Manager

T: +44 (0) 7808 107043  
E: [luke.a.nelson@pwc.com](mailto:luke.a.nelson@pwc.com)

### Next steps

The decision will apply from 1 January 2021. It's due to expire on 30 June 2022.

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