

September 2016

Brexit: ***FIA's key messaging***



About FIA

FIA is the leading *global* trade association for the cleared derivatives (futures, options and cleared swaps) and commodities markets, with offices in Amsterdam, London, Singapore and Washington.

FIA's membership is comprised of several hundred members from nearly 50 countries, including investment banks, commodity brokers, trading venues, clearing houses, trade repositories, energy companies, inter-dealer brokers, principal trading firms and others.

FIA's mission is to:

- support open, transparency and competitive markets;
- protect and enhance integrity of the financial system; and
- promote high standards of professional conduct.



Overview of FIA's position

- **Minimise disruption**
- **Avoid fragmentation of liquidity** by regulatory fiat
- **Maintain global access** to markets and counterparties

Minimise disruption

- **Ensure continuity and no adverse impact** of the rules relating to financial collateral arrangements, netting, set-off and settlement finality rules
- Agree the terms of withdrawal and the UK/EU future relationship **in tandem**
- Procure a **smooth transition** from today's world into the new relationship

Avoid fragmentation of liquidity

- **Liquidity is critical** for the healthy functioning of the global cleared derivatives markets, which EU market participants use **to manage risk**
- Forcibly moving trading/clearing of euro denominated derivatives into the eurozone is likely to **fragment liquidity by currency, with a detrimental effect to EU end users and wholesale market counterparties**
- Given the euro's status as a global reserve currency, euro-denominated derivatives should be **freely tradeable and clearable** anywhere around the world
- Note that **EUR 2.3trillion outstanding notional of interest rate swaps are currently cleared by CME in Chicago** – accordingly, the location of euro clearing is not just a UK v EU issue

Maintain UK / EU access

- There should be **no material change to UK legislation** relating to cleared derivatives or commodities in the short-term: equivalence/recognition of the UK and its market infrastructure by the European Commission at point of exit is imperative
- Ensure **continuity post-Brexit of regulatory approvals and EU access** for trading venues, CCPs and Trade Repositories:
 - EU firms should continue be able to meet the MiFIR trading obligation by using UK trading venues post-Brexit
 - UK CCPs that are “authorised” under EMIR on the date of Brexit should be “recognised” under EMIR on and from such date
 - UK trade repositories that are “registered” under EMIR on the date of Brexit should be “recognised” under EMIR on and from such date
 - Clarify how ESMA would supervise any UK-located trade repositories post-Brexit
- **Ensure that the EU retains full access** to wholesale market liquidity, wherever it is located around the globe
- **Minimise barriers to the provision of services** by EU-based trading and clearing members to UK clients, and vice versa