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Press Release

European non-financial companies call for review of EU derivatives regulation

The European Association of Corporate Treasurers (EACT) has submitted its response to the European Commission's consultation on the Regulation (EU) No 648/2012 on OTC derivatives, central counterparties and trade repositories (EMIR Regulation)[1].

EACT Chairman Jean-Marc Servat said: "Non-financial counterparties (NFCs) spend a considerable amount of both financial and human resources to ensure compliance with EMIR. A recent survey conducted within our membership supports this and highlights that EMIR compliance costs can represent a significant portion of treasury departments' budgets. We believe this is not an efficient use of resources and it distracts treasurers from creating real value to their core business, thereby benefiting the larger EU economy. This is all the more important as corporates use derivatives for reducing risks of underlying commercial and industrial operations - they do not speculate or pose systemic risks by their derivative transactions. "

Against this background, we strongly believe that the Commission should seize this opportunity to review EMIR and in particular propose amendments to the Regulation that would considerably ease the burden on NFCs. The main amendments that should be implemented are:

1. *Adoption of one-sided reporting (as is already done in the US under Dodd Frank) where financial counterparties would have the obligation to report OTC derivative transactions to Trade Repositories (TRs) on behalf of NFCs. We see no added value in the current dual-sided reporting, which means that the same transaction is effectively reported twice.*

[1] Our response is available at: http://www.eact.eu/docs/EACT-Response-European-Commission-Consultation-EMIR%20-Aug15.pdf

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2. *Abandoning the requirement for NFCs to report intragroup transactions. Intragroup derivative transactions are undertaken in order to efficiently manage risk within a group and the related mirroring external transactions with financial counterparties are already being reported, making intragroup redundant from supervisory perspective but burdensome on companies.*

   We believe that these improvements to EMIR would also be helpful to the supervisor as they would decrease the number of reported transactions that bear no systemic significance, and would therefore allow the supervisor to better monitor real systemic risk concentrations within the financial system.

3. *The obligation for NFC+s (non-financial counterparties above the clearing thresholds defined in EMIR) to centrally clear transactions or post margin should be limited only to the asset class where the clearing threshold has been exceeded. At the moment, exceeding the threshold in one asset class triggers the obligation to centrally clear or exchange margin for all asset classes, even for hedging transactions. In our view the current design is illogical and counterproductive from a broader economic perspective, as this will divert financial resources that could otherwise be invested in the real economy.*

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About the European Association of Corporate Treasurers (EACT)

The EACT is a grouping of national associations representing treasury and finance professionals in 18 countries of the European Union. We bring together about 13,000 members representing 6,500 groups/companies located in the EU. We comment to the European authorities, national governments, regulators and standard-setters on issues faced by treasury and finance professionals across Europe.

We seek to encourage the profession of treasury, corporate finance and risk management, promoting the value of treasury skills through best practice and education.