

Press Release

Brussels, Frankfurt; 13 June 2013

EACH urges regulators to exempt CCPs from the bail-in provisions of the banking recovery & resolution framework proposal

- *Inclusion of CCP cleared contracts in the bail-in provisions would be counter to a number of the provisions in EMIR*
- *Rory Cunningham (LCH) steps down from EACH Board, Perrine Herrenschmidt takes over*

In its regular monthly meeting on June, 7, 2013, EACH discussed the recent plans to amend certain elements of the banking recovery & resolution framework. The association of European clearing houses is fully supportive to include a clause which stipulates the exclusion by resolution authorities of liabilities arising from derivatives cleared and settled through an authorized central counterparty.

“This important exclusion prevents potential damage to the stability of CCPs and consequently to the financial system and is consistent with the default management procedures in EMIR,” explained Marcus Zickwolff, Chairman.

The members of the association also confirmed the replacement of Rory Cunningham, LCH Clearnet, by his colleague Perrine Herrenschmidt, Head of Public Affairs, LCH Clearnet.

“I would like to thank Rory for his dedication and hard work over the last years,” said Marcus Zickwolff. “Without his constant and earnest commitment, the professionalization of our association would not have taken place.”

Notes to the editors:

Not carving out contracts cleared through CCPs from the scope of bail-in would result in obstacles to the proper operation of CCPs. It would substantially reduce the effectiveness of a CCP's default procedures, and increase the risk of contagion to other market participants. In the event of member default, CCPs have rigorous procedures for the closing out of clearing members' positions to re-establish a matched book. These arrangements crystallise losses at the earliest possible stage, and prevent contagion to other market participants. The inclusion of centrally-cleared contracts in the bail-in provisions of the bank recovery & resolution framework would potentially prevent CCPs exercising such procedures. A CCP would be unable to liquidate a position with a failed clearing member which is subject to bail-in provisions. This would place the CCP in a position where it holds an un-matched book, increasing systemic risks.

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Notes to the editors:

EACH was established in 1992. Membership is open to all entities incorporated in Europe and supervised as a central counterparty. Currently it has 23 members.

As in its 21 years history, its aims are to discuss and analyse techniques and developments in central counterparty clearing operations, systems, position-keeping, risk management tools (initial margining,

re-valuation, membership requirements, default procedures and resources, money settlement arrangements, etc.) and legal and regulatory issues related to central counterparty clearing; to develop, as appropriate, frames of references of central counterparty clearing and risk management, and to publish those standards; to develop, with appropriate co-ordination (for example, with other associations such as ECSDA and FESE), positions on proposed European and global regulatory initiatives relative to central counterparty clearing; to provide a forum for the development of the personal contacts necessary to ensure the exchange of risk-related information in times of potential difficulty; to monitor developments in payments, settlement and custody, as they have a bearing on central counterparty clearing; and to influence policymakers as the central counterparties' voice in Europe, and the voice of European central counterparties globally ensuring, as appropriate, a constructive working relationship with supra-national European and global public authorities and global associations of central counterparty clearing houses.

For further information, visit <http://www.eachorg.com>.