



European Securities and
Markets Authority

Reply form for the Consultation Paper on Clearing Obligation under EMIR (no.4)



Responding to this paper

The European Securities and Markets Authority (ESMA) invites responses to the specific questions listed in the ESMA Addendum Consultation Paper on MiFID II/MiFIR, published on the ESMA website.

Instructions

Please note that, in order to facilitate the analysis of the large number of responses expected, you are requested to use this file to send your response to ESMA so as to allow us to process it properly. Therefore, ESMA will only be able to consider responses which follow the instructions described below:

- use this form and send your responses in Word format (pdf documents will not be considered except for annexes);
- do not remove the tags of type <ESMA_CO4_1> - i.e. the response to one question has to be framed by the 2 tags corresponding to the question; and
- if you do not have a response to a question, do not delete it and leave the text "TYPE YOUR TEXT HERE" between the tags.

Responses are most helpful:

- if they respond to the question stated;
- contain a clear rationale, including on any related costs and benefits; and
- describe any alternatives that ESMA should consider

Naming protocol

In order to facilitate the handling of stakeholders responses please save your document using the following format:

ESMA_CO4_NAMEOFCOMPANY_NAMEOFDOCUMENT.

E.g. if the respondent were XXXX, the name of the reply form would be:

ESMA_CO4_XXXX_REPLYFORM or

ESMA_CO4_XXXX_ANNEX1

Deadline

Responses must reach us by **15 July 2015**.

All contributions should be submitted online at www.esma.europa.eu under the heading 'Your input/Consultations'.



Publication of responses

All contributions received will be published following the end of the consultation period, unless otherwise requested. **Please clearly indicate by ticking the appropriate checkbox in the website submission form if you do not wish your contribution to be publicly disclosed. A standard confidentiality statement in an email message will not be treated as a request for non-disclosure.** Note also that a confidential response may be requested from us in accordance with ESMA's rules on access to documents. We may consult you if we receive such a request. Any decision we make is reviewable by ESMA's Board of Appeal and the European Ombudsman.

Data protection

Information on data protection can be found at www.esma.europa.eu under the headings 'Legal notice' and 'Data protection'.



General information about respondent

Name of the company / organisation	Sveriges Riksbank and the Swedish National Debt Office
Activity	Government, Regulatory and Enforcement
Are you representing an association?	<input type="checkbox"/>
Country/Region	Sweden

Introduction

Pease make your introductory comments below, if any:

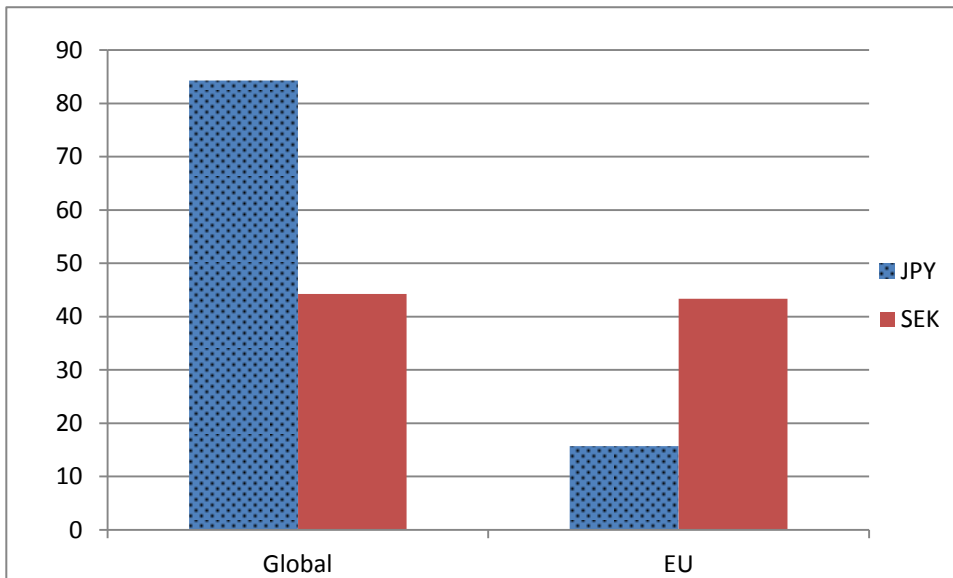
<ESMA_CO4_COMMENT_1>

Sveriges Riksbank and the Swedish National Debt Office (hereafter "we") welcome the opportunity to comment on ESMA's Consultation Paper Clearing Obligation under EMIR (no.4).

This consultation paper provides an analysis and a proposal for expanding the clearing obligation to some additional classes of interest rate derivatives including some denominated in SEK. In conjunction with this, we would like to reaffirm that we are fully convinced of the merits of a wide application of mandatory central clearing to a number of OTC derivatives classes, in line with the policy action agreed since 2009 by the G20 with a view to reducing systemic risk. We firmly support the analysis and support in general the proposal to extend the clearing obligation. For products denominated in SEK, the area of our expertise, we agree that the specific classes of derivatives proposed to be subject to the clearing obligation addresses systemic risks appropriately. However, we emphasize that ESMA should review the appropriateness of the identified derivative classes regularly after the obligation has been implemented as the characteristics of these derivative classes or some maturities of those classes may change and may no longer qualify them for the clearing obligation.

This proposal is based on a sound analysis which places due emphasis on the importance of a class of derivatives in Europe rather than on a measure of global importance and is based on the principle that systemic risk should be considered at the EU level and also at the country and institutional level. By focusing the analysis on jurisdictions subject to the clearing obligation rather than the global market and considering systemic risk at the country level, an analysis is best able to identify those classes of interest rate derivatives for which clearing reduces systemic risk in Europe. The diagram below shows how placing the focus on the EU rather than the global market place provides a clearer view of which derivatives are systemically important for the EU market.

Daily average turnover of swaps denominated in JPY and SEK at the global and EU level, April 2013
(USD bn on a net-gross basis)



Source: Own calculations based on statistics from BIS Triennial Central Bank Survey Interest Rate derivatives market turnover in April 2013 Table 3, December 2013.

Another strong point in the analysis presented here is that it considers the size of the interest rate derivative market so that it can take into account that derivative classes which are a small share of that market nonetheless are large in absolute terms.

We note that this analysis identified an appropriate group of derivatives for Sweden without considering the clearing member constituency in the currency area. It should be kept in mind that this factor may be important for future analyses. For instance, the SEK area is host to a G-SIB - by definition implying a potential source of risk contagion to the financial stability in Europe and beyond.

The fact that the infrastructure for clearing of Nordic interest rate swaps is already in place should make for a smooth implementation of the clearing obligation.

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Question 1: Do you have any comment on the clearing obligation procedure described in this section?

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<ESMA_CO4_1>

Question 2: Do you have any comment on the structure of the interest rate derivative classes described in this section?

<ESMA_CO4_2>
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Question 3: Do you agree with the principle that, in the context of the clearing obligation, systemic risk should be considered not only at the aggregated EU level, but also at country or even institution level?

<ESMA_CO4_3>

We strongly support the principle that systemic risk must be considered at the country and the institutional level when determining which classes of derivatives should be covered by the clearing obligation. This reflects the realities of interconnectedness among EU markets. Systemic risk at the country level is of broader concern due to interlinkages and risks for contagion which may arise in particular when the financial sector in that country is systemically important as defined by the IMF. This is the case for four out of the six countries whose currencies are proposed for the clearing obligation in the draft CP no. 4: Denmark, Norway, Poland and Sweden. The financial sectors of these countries exhibit strong European cross-border linkages.

It is essential that systemic risk be considered at the institutional level. Institutions active in a number of EU markets can serve as a conduit for systemic risk. For the clearing obligation, implementing this principle also means considering the clearing constituency for a class of derivatives. For instance, the SEK area is host to a G-SIB - by definition implying a potential source of risk contagion to the financial stability in Europe and beyond.

We emphasize that as European markets become more and more integrated the importance of this principle will increase.

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Question 4: In view of the criteria set in Article 5(4) of EMIR, do you consider that this set of classes addresses appropriately the systemic risk associated to interest rate OTC derivatives? Please include relevant data or information where applicable.

<ESMA_CO4_4>

For products denominated in SEK, the area of our expertise, we agree that this set of classes proposed here address systemic risks appropriately. However, we emphasise the importance of reviewing the analysis regularly to ensure that this continues to be the case.

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<ESMA_CO4_4>

Question 5: Do you consider that the proposals related to the definition of the categories of counterparties are appropriate in light of the criteria set out in EMIR?

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Question 6: Do you consider that the proposed dates of application for the different categories of counterparties ensure a smooth implementation of the clearing obligation? Please explain why and possible alternatives.

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Question 7: Do you have any comment on the approach envisaged for frontloading?

<ESMA_CO4_7>
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Question 8: Do you have any comment on the Cost-Benefit analysis?

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Question 9: Do you have any comments on the draft RTS not already covered in the previous questions?

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