EUROPEAN CENTRAL BANK

EUROSYSTEM

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COURTESY TRANSLATION

Mario DRAGHI
President

Ms Pervenche Berès
Member of the European Parliament
European Parliament
60, rue Wiertz
B-1047 Brussels

Frankfurt, 10 January 2017

L/MD/17/12

Re: Your letter (QZ-111)

Honourable Member of the European Parliament, dear Ms Berès,

Thank you for your letter, which was passed on to me by Mr Roberto Gualtieri, Chairman of the Committee on Economic and Monetary Affairs, accompanied by a cover letter dated 29 November 2016.

I would like to recall that the proposed merger between Deutsche Börse and the London Stock Exchange (LSE) Group needs approval from the directly relevant authorities, including competition authorities and prudential supervisors. Under the SSM Regulation[1], when a merger leads to a change in ownership of a euro area bank, as could be the case for entities within Deutsche Börse and LSE Group that are licensed as banks, the ECB has to analyse it carefully from a prudential perspective.

Both Deutsche Börse and the LSE Group have made public statements emphasising the potential for cost savings and the benefits of enhancing certain risk management practices of the central counterparties (CCPs) that would form part of the new group. Any such changes to the respective risk management framework made by a new merged entity will be assessed by the CCP colleges for compliance with applicable EU legislation (namely the European Market Infrastructure Regulation, EMIR)[2]. As you also note in

[1] Council Regulation (EU) No 1024/2013 of 15 October 2013 conferring specific tasks on the European Central Bank concerning policies relating to the prudential supervision of credit institutions, available at http://www.europarl.europa.eu/document/activities/cont/201311/20131104ATT73792/20131104ATT73792EN.pdf

[2] Regulation (EU) No 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories, available at http://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:32012R0648

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your letter, the ECB is represented in the CCP colleges, both as a supervisor of clearing member banks and as a representative of the central bank of issue for the euro.

The current regulatory framework under EMIR offers the ECB broadly appropriate guarantees for the supervision and oversight of UK CCPs, including via EMIR colleges. In the context of the United Kingdom's decision to leave the European Union, and depending on future EU-UK arrangements, the United Kingdom's withdrawal may lead to a loss of oversight and supervision of UK CCPs by the ECB. Thus, it will be important to find solutions that at least preserve, or ideally enhance, the current level of supervision and oversight.

Yours sincerely,
[signed]

Mario Draghi