



*European Association of Co-operative Banks
Groupement Européen des Banques Coopératives
Europäische Vereinigung der Genossenschaftsbanken*

EACB answer to the CESR/ESCB consultation paper on the Draft Rec- ommendations for Central Counterparties 1-2, 4-8, 14 and 15 revised for CCPs clearing OTC Derivatives

17 April 2009

The **European Association of Co-operative Banks** (EACB) is the voice of the co-operative banks in Europe. It represents, promotes and defends the common interests of its 28 member institutions and of co-operative banks in general. Co-operative banks form decentralised networks which are subject to banking as well as co-operative legislation. Democracy, transparency and proximity are the three key characteristics of the co-operative banks' business model. With 4.200 locally operating banks and 63.000 outlets co-operative banks are widely represented throughout the enlarged European Union, playing a major role in the financial and economic system. They have a long tradition in serving 160 million customers, mainly consumers, retailers and communities. The co-operative banks in Europe represent 50 million members and 750.000 employees and have a total average market share of about 20%.

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GENERAL REMARKS

1. The EACB would like to thank both the European System of Central Banks (ESCB) and the Committee of European Securities Regulators (CESR) for their efforts in amending their recommendations for OTC derivatives. EACB welcomes the opportunity to comment on those amendments.
2. EACB's member banks will be major European users for the future CDS clearing institution. In several occasions – e.g. in meetings on the matter organized by the European Central Bank as well as in the derivatives working group set up by the European Commission – we outlined that we strongly support the establishment of one or more central counterparties in the European Union to facilitate the clearing of CCP-eligible credit default swaps (CDS).
3. We would like to highlight that there should be an explicit obligation on access and interoperability for the CCPs on CDS within the supervisory framework of the Recommendations as an essential prerequisite for a vital and undistorted competition between the relevant market infrastructures. Neglecting this prerequisite could cause severe market distortions. Especially smaller and medium-sized market participants would not be able to establish a connection to all upcoming CCPs for the CDS market with the consequence that their brokerage clients will change to clearing members. This could lead to distortions of the CDS market in the sense of oligopolistic structures.

SPECIFIC COMMENTS

Introduction – Paragraph 10:

4. One of the main findings of a call for evidence of the Committee of European Banking Supervisors (CEBS) on custodian banks and of a public hearing of CEBS on 24 March 2009 in London was that – given the overall low level of internalization amongst the custodian bank community – CEBS does not see the need for additional regulation on a European level for custodians with internal settlement. We would appreciate if this finding could be mentioned in this paragraph.

Introduction – Paragraph 6

Recommendation 2 – Explanatory memorandum – Paragraph 3:

5. We share the view of the ESCB and CESR that non clearing members might introduce additional risks to the CCP – especially looking at non-regulated entities like hedge funds. However we think that those potential risks should not be handled by the CCP, but by the general clearing members, since they have a better understanding of their business relation with the non clearing members. We would therefore like to emphasize that general clearing members should stay out of scope of the recommendations. The risk aspects should be tackled by CEBS that announced further investigations on this matter in the meeting mentioned in paragraph 4.

Contact:

The EACB trusts that its comments will be taken into account. For further information or questions on this paper, please contact:

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