



**European Association of Corporate Treasurers
Press Release - 13 July 2010**

**Response to the European Commission's Consultation
on Regulation of "Derivatives and Market Infrastructures"**

The *European Association of Corporate Treasurers* (EACT) is a grouping of 18 national associations representing treasury and finance professionals from 17 countries of the European Union.

The EACT has made a submission (attached and available at www.eact.eu) in response to the latest and final consultation¹ by the European Commission (EC) on the regulation of derivatives. There are a number of key issues raised by the EC's proposals and the EACT has focused on the following:

- ***The EACT notes that the approach to the same regulation in the US is to allow a substantial and pragmatic carve-out for non-financial companies ('commercial end users' in the US terminology) – whereas the EC's inclination before this consultation was to propose the use of rigid thresholds, regardless of why non-financial companies use derivatives.***
- ***We agree that the first of the EC's proposed two thresholds (the information threshold) could be acceptable – but we highlight a number of the major unresolved questions over how this (or any other quantitative measure) can be applied in practice.***
- ***We describe the type of process that could be adopted by ESMA, the new EU securities regulator, to implement the information threshold on acceptable terms.***
- ***We provide further reasons why the imposition of the second of the thresholds, the 'clearing threshold', would be a serious error, in terms of the damage it would cause to the real economy, the new systemic risk it could create and the level playing field distortion vis a vis the US.***
- ***We make the point that the impact assessment study (which will be published together with the draft regulation) must recognise the consequences of failing to achieve convergence between the US and the EU.***
- ***We describe how companies use derivatives, in order to clearly the point that this is different from the financial sector and does not provide a sound basis for requiring the use of standardised contracts and central clearing (with its associated cash collateralisation).***

Commenting on the response to the consultation, EACT Chairman Richard Raeburn said:

"It is vital that the approach taken to regulation of derivatives should be proportionate and recognise the essential role that these financial instruments play in allowing companies large and small to offset the financial risks they face in their business.

Companies need to be able to continue to undertake this activity, without tying up substantial amounts of liquidity in providing collateral to a central clearing process.

I am pleased that since we first engaged with the EC in the middle of 2009 the proposals now being made start to take account of the serious concerns of non-financial companies. I look forward to seeing a positive response from the EC to the well-founded arguments of the EACT and a number of companies across Europe in this latest and final consultation".

¹ Details can be found at: http://ec.europa.eu/internal_market/consultations/2010/derivatives_en.htm



Press enquiries can be addressed to:

Richard Raeburn
Chairman

+44 7802 966 665

richard.j.raeburn@gmail.com

Olivier Brissaud
European Affairs

+3226454816

Olivier.Brissaud@volkswagen.de