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The Federation of Finnish Financial Services represents banks, insurers, authorized pension companies, finance houses, securities dealers and financial employers operating in Finland. Its members also include employee pension, motor liability and workers compensation insurers, all three providers of statutory insurance lines that account for much of Finnish social security.

European Supervisory Authorities

[JC/CP/2014/03]

FFI RESPONSE TO THE ESAS CONSULTATION PAPER ON DRAFT REGULATORY TECHNICAL STANDARDS ON RISK-MITIGATION TECHNIQUES FOR OTC DERIVATIVE CONTRACTS NOT CLEARED BY A CCP UNDER ARTICLE 11(15) OF REGULATION (EU) NO 648/2012

The Federation of Finnish Financial Services (hereinafter “FFI”) welcomes the opportunity to respond to the ESAs consultation on risk mitigation techniques for OTC derivative contracts not cleared by a CCP, launched on April 14th 2014.

KEY POINTS

- Derivatives markets are extremely global as recognized by the G20 and the derivatives reform in general. Due to their nature it is extremely important that any local rules are in line with the global standards.

- Many rules of the European Market Infrastructure Regulation (EMIR EU 648/2012) have been implemented into practice since the regulation entered into force in 2012. First market changes are already visible. There are currently only a few more stringent European requirements. Nevertheless we have already seen flows escaping to Asia. In order to ensure competitiveness of the European markets, it is of utmost importance that the proposed rules ensure a level playing field.

- Several partially overlapping regulatory initiatives have led to an increased demand of collateral. Collateral rules affect the amount of posted collateral, the level of detail in eligible collateral, and the requirements for two-way margining. High quality collateral is a key tool to minimize systemic risks. However, ESAs need to ensure in their rules that the scarcity of collateral will not prevent new market entries or become too much of a burden for the smaller and medium-sized companies.

- Draft RTS propose documentation and testing in various phases and means of risk-mitigation. Documents are proposed to be reviewed and tests conducted at several different intervals. Some of these intervals could be further aligned to help smaller entities and avoid extra burden on participants. This could be done by for example setting an annual review clause for most of the documents.

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RESPONSE TO THE CONSULTATION PAPER

Chapter 1 - Counterparties' Risk Management Procedures required for compliance with paragraph 3 of Article 11 of Regulation (EU) No 648/2012

Article 1 DEF – Definitions Article 1 GEN - General counterparties' risk management procedures Article 2 GEN - Risk management procedures in specific cases Article 3 GEN - Treatment of derivatives associated to covered bonds programmes for hedging purposes Article 1 VM - Variation margin Article 1 EIM - Initial margins

- FFI appreciates greatly the exemptions provided in Article 2 GEN and Article 1 FP. The use of both exemptions requires a written opt-out agreement between the counterparties. Such an approach may prove unintentionally heavy and will impose unreasonable burden on market participants.

- Opt-out rules require banks to confront all their customers engaged in derivative transactions with a demand to enter into such an agreement. The process to negotiate opt-out agreements with each customer separately will be very time-consuming, resource-demanding and of course costly for both sides. In addition, the possibility to use "equivalent permanent electronic means" will only help some market participants. The majority of counterparties, especially smaller and non-financial counterparties, will not have access to such technology.

- Since most market participants will have contractual relations with several counterparties, the market participants will be confronted with many different versions of such arrangements. Small and medium-sized counterparties will incur substantial costs from just their legal review of these arrangements, in addition to the operational challenges to negotiate terms which ensure a consistent application of margining techniques in relation to all their counterparties.

    - **To avoid practical problems with the proposed opt-out model, we urge the ESAs to find a new way to ensure proportionality and efficiency in this respect. Workable ways could for example consist of opt-in arrangements in those cases where the exemption will not be used.**

- Article 1 EIM sets out inter alia requirements for recalculation and collection of collateral. Proposals in point 4 of this article seem basically fine and workable for all kinds of counterparties.

    - **However, we question the requirement in 1.4 EIM subparagraph (f) to run recalculation and collection even in cases where the portfolio has not changed in the last 10 business days. This requirement will not have an effect on the risk positions of the counterparties but only add administrative burden.**

- As a technical comment we see that a definition of netting set in section 1. (d) should be added to the RTS to ensure clarity in this respect.

Q1: What costs will the proposed collateral requirements create for small or medium-sized entities, particular types of counterparties and particular jurisdictions? Is it possible to quantify these costs? How could the costs be reduced without compromising the objective of sound risk management and keeping the proposal aligned with international standards?

- FFI appreciates the fact that proposed European standards mainly follow the proposals at the global level. Still, proposed collateral requirements will create administrative burden and costs to small and medium sized entities.

  - **Any flexibility allowed in the global standards should be used and will help in minimizing the burden in the first place.**

- Large part of the costs will derive from the need to re-negotiate existing contracts and to document a lot of information.

  - **To minimize the negative impact of these requirements the FFI proposes that the evaluation of several documents is done in the same period** (i.e. regardless of the document, it should be reviewed e.g. yearly or every six months).

- Operation of margin transfers will require more resources or reallocations of existing resources in smaller entities (which many European companies are). These costs are hard to quantify but the requirements will result in higher operational and funding costs. The same applies to diversification requirements which we urge to be redrafted by the ESAs. An example is suggested later in this response. In general, promotion of standardized third party solutions may reduce the operational burden and IT development costs.

- Some of the costs of these requirements will touch upon the whole market. IM margin requirements are a change to the established market practise and will lead to higher costs for derivatives end users. Hence a risk exists that companies will not hedge their positions. This, in turn, is detrimental to the whole economy and the prevention of systemic risks.

- The requirement for EU counterparties to collect margin from all entities regardless of their origin is problematic. This poses both business and regulatory challenges. Basically, third country entities do not belong to the traditional scope of EMIR. It seems challenging to ask those entities to not only post IM to their EU counterparty, but also to make the needed representation of their thresholds and classification under EMIR.

- Due to the operational burden and additional costs of posting IM according to proposed rules, non-EU entities are less likely to trade with EU counterparties. This in turn would lead to further market fragmentation and disadvantage for the EU economy. Even more operational burden is caused by the fact that even NFC outside of EU would be required to post IM according to the current draft.

  - **FFI urges ESAs to reconsider this requirement. IM should only be exchanged between counterparties that are in the scope of EMIR.** Widening this obligation can be first considered when the extraterritoriality issues are finalized and in this respect, ESAs and the Commission should work towards consistency and alignment of requirements globally. This applies to the whole content of the requirements (thresholds, timing of the requirements, entities that will be in the scope of these rules, possible exemptions etc.).

Q2: Are there particular aspects, for instance of an operational nature, that are not addressed in an appropriate manner? If yes, please provide the rationale for the concerns and potential solutions.

- We are pleased with the level of thresholds set in the draft rules. These are a great tool to ensure proportionality. Still it must be kept in mind that even in the case where one of the counterparties does not overcome the proposed thresholds and a need to exchange margin does not exist, a number of agreements need to be entered into. Due to the limited resources many counterparties (both financial and non-financial) have, this will pose a significant operational burden. As an example, the compliance department of a small or medium sized securities dealing firm in Finland may consist of one to two lawyers and a legal secretary.

- The explanatory notes suggest that the exemptions were introduced to ease the operational burden and ensure proportionate implementation of margining requirements. However, the requirement of a positive agreement (whether in writing or other equivalent electronic means) in order to benefit from exemptions seems to contradict with such objective. This will create administrative burden even for exempted counterparties, products, and implementation phases.

  - **The benefit of phasing-in is watered down as long as it does not reduce the documentation burden. Therefore we ask ESAs to require counterparties to provide the appropriate documentation only as soon as they become subject to Initial Margin requirements.**

- Draft rules propose that in case of any other collateral than cash, concentration limits of collateral shall apply. The operation burden of collateral substitution due to concentration limits must be addressed more appropriately. This requirement would result in increased settlement risks and new functionality requirements in collateral management systems. In general it should be noted that in the current market situation, few asset classes move around the proposed diversification limits[1]. Based on this evidence, it is likely that these currently proposed rules would add the operational burden for many participants.

  - **As a solution, the concentration limits should allow for more flexibility. As an example, they should only apply when the limits have been exceeded for a certain amount of days. The level of the limits has to be reconsidered based on the margin surveys.** For more comments on this issue, please see our response to Q5.

- The current wording of the draft RTS may allow misunderstandings. According to art 2 GEN point 3, counterparties may agree not to exchange IM where the sum of the total IM calculation does not exceed EUR 50 million. Following this requirement we understand that they can also agree to post IM voluntarily in these cases, too.

  - From an operational perspective it will be simpler to only then run an IM calculation. Additional capital calculations should only be required if the counterparties choose to follow the threshold exemption set in 2.3 GEN.

[1] See for example ISDA Margin Survey 2014 (http://www2.isda.org/functional-areas/research/surveys/margin-surveys/)

Q3: Does the proposal adequately address the risks and concerns of counterparties to derivatives in cover pools or should the requirements be further tightened? Are the requirements, such as the use of the CRR instead of a UCITS definition of covered bonds, necessary ones to address the risks adequately? Is the market-based solution as outlined in the cost-benefit analysis section, e.g. where a third party would post the collateral on behalf of the covered bond issuer/cover pool, an adequate and feasible alternative for covered bonds which do not meet the conditions mentioned in the proposed technical standards?

- The regulation of covered bond programs and covered bonds is already quite strict and limiting. They should not be further restricted. Tightening regulation even further, in our opinion, would not benefit the investors or the counterparties hedging their positions. It would do quite the opposite.

- The underlying cover pool assets already cover the interest of the hedging counterparties to the same extent as the cover pool assets cover the interest of the covered bond holders. More restrictive regulation would only add administrative burden without notable benefits. A requirement to post collateral in respect of the derivatives which are also covered by the cover pool assets would result in a situation where the hedging counterparties would have a stronger protection than the investors. This would not be consistent with the investor's protection point of view.

- According to the current wording of article 3 GEN 1. (a) no event of default (e.g. payment default) relating to the issuer would be permitted. This requirement would be incompatible with market practice and reach beyond the requirements applied by the rating agencies for AAA compliant covered bond related derivatives. The purpose of this restriction should be to avoid that the derivative is terminated as a result of the issuer's insolvency, not to prevent the counterparty from terminating upon other limited non-insolvency related defaults.

  - **Hence the requirements in Article 3 GEN 1. (a) should be limited to insolvency related defaults only. We propose ESAs to add the words "insolvency related" before "default" in paragraph (a) of Article 3 GEN.**

- Regarding Article 3 GEN (1) (F), we believe it should be sufficient to have a de facto 2% over collateralisation and not a necessity to have a legal requirement in each jurisdiction.

Chapter 2 - Margin methods

Article 1 SMI - Standardised Method
Article 1 MRM - Initial margin models
Article 2 MRM - Confidence interval and risk horizon
Article 3 MRM - Calibration of the model
Article 4 MRM - Primary risk factor and underlying classes
Article 5 MRM - Integrity of the modelling approach
Article 6 MRM - Qualitative requirements

- FFI supports the possibility for different margin models. Indeed, some parties may benefit from the simplicity of a standardized model whereas other, more active parties will be able to use their internal models. The clarification in the draft rules that an internal model can be provided by a third party is very welcome.

- However, there is a risk that an agreement on IM model could become a challenge and may lead to difficulties in negotiations especially between different sized market participants. Even if the same model is used, counterparties in general may use different market price, underlying values in the portfolio (i.e. variation margin), etc. In practice, the choice of internal model methodologies will also differ across counterparties and lead to an escalation in the number of disputes.

- **On the other hand, the level of standardized models is still too high and reduces the usability of such models. In the current level, they are not a viable option for a less sophisticated counterparty to request to be used. Therefore they should be brought closer to the level of existing internal models.**

- Unified modelling approach between market participants, e.g. ISDA's SIMM should be developed and used. We believe this is the best way to ensure a transparent and efficient margin process, in particular in regards to the dispute resolution procedures. In connection to this we do not believe that the "practical and legal issues" as mentioned in ART. 1 MRM should hinder efforts to agree on a coordinated European and eventually global model approval process. Even though certain details may differ in the various countries, it is our view that a unified industry model and a coordinated approval process would, all things considered, be preferable to alternative diversified approaches.

- Finally, the ways to define internal models are still unclear and raise many questions. If the use of an internal model is agreed on, many questions are still left unanswered. How will it be followed in practise? Should there be an ex ante approval and calibration thereafter? Margin calculations may even with the same model lead to different end results. Following this, one of the counterparties may be required to post more margin than expected with the internal model. Finally, is it intended that a party has several different internal models, one for each counterparty or type of counterparty?

Chapter 3 - Eligibility and treatment of collateral

Article 1 LEC – Eligible collateral for initial and variation margin Article 2 LEC – Collateral Management Article 3 LEC – Credit Quality Assessment Article 4 LEC – Credit Risk Assessment by the collateral taker using the Internal Rating Based Approach Article 5 LEC – Eligibility Criteria for UCITS Article 6 LEC – Eligibility criteria to avoid wrong way risk Article 7 LEC – Concentration limits for initial and variation margins Article 1 HC – Calculation of the adjusted value of collateral Article 2 HC – Own estimates of the adjusted value of collateral

- FFI sees it extremely important that the list of eligible collateral is wide but with appropriate haircuts. This is the only way to ensure that market participants are not forced to over-rely on external collateral providers. It will also aim to avoid the worst case scenario where they are unable to enter any contracts at all due to collateral scarcity in the markets.

- Daily re-valuation of collateral is in general a workable proposal and covers most of the current market practise. However, some CSA-agreements may still be based on longer re-evaluation periods. Even though the rules apply only to new contracts, this might require some flexibility or a phase-in period.

  - **We support the use of internal models for determining collateral haircuts. However, these haircut estimates should not be run separately from the IM model themselves. Any correlations between the unsecured exposure, collateral or exchange rates between**

these two models need to be taken into account. Inconsistencies are likely to increase the risk of disputes.

- In a number of cases it seems that the proposed standard haircut schedule will be overly penal and not justified on the risk basis. As an example, Danish Flex bonds are given a minimum 12% haircut for >5y issues, which could be harmful to both issuers of and investors in these bonds.

- With regard to article 6 LEC we believe that it is sufficient to have only a requirement that the securities are not subject to any significant wrong way risk (art. 1 LEC (c)). This means that securities issued by the posting counterparty may not be subject to any wrong way risk if the securities are guaranteed by a third party guarantor. In addition, we see that securities issued by entities which are part of the same group may be ring-fenced and therefore do not pose any significant wrong way risk.

Q4: In respect of the use of a counterparty IRB model, are the counterparties confident that they will be able to access sufficient information to ensure appropriate transparency and to allow them to demonstrate an adequate understanding to their supervisory authority?

- No. The current IRB model may be hard to implement in practise as the counterparties may not be able to share sufficient information about the IRB model to be used.

  - **It would be more appropriate that the counterparty which provides for the IRB is required to provide appropriate information for counterparties.** This ensures that they are able to fulfil these requirements.

Q5: How would the introduction of concentration limits impact the management of collateral (please provide if possible quantitative information)? Are there arguments for exempting specific securities from concentration limits and how could negative effects be mitigated? What are the pros and cons of exempting securities issued by the governments or central banks of the same jurisdiction? Should proportionality requirements be introduced, if yes, how should these be calibrated to prevent liquidation issues under stressed market conditions?

- We see that the introduction of concentration limits will largely increase the operational costs. Concentration of collateral will need to be checked and crossing them will trigger collateral substitution calls which in turn need allocated resources. There is an increased risk that the costs of these limits will fall largely on the smaller participants or for example pension funds, which are not able to hold enough cash to fulfil future collateral requirements. Proportionality requirements should hence be introduced.

- In general, the list for eligible collateral is well drafted and should be enough to ensure that highly liquid collateral is used. Therefore proportionality does not need to be calibrated to prevent liquidation issues.

- Article 7 LEC imposes different concentration limits for both initial and variation margin. These limits are drafted as percentual portions of the whole collateral collected from an individual counterparty. The current concentration scheme poses several problems. First of all, it applies to all counterparties and collateral positions of any size. Secondly, it is likely that the collateral may exceed the threshold one day but with new margin calls, it might be below the threshold already the next day.

- Proposing this tight and disproportionate concentration limit structure will only harm many, especially the smaller market participants, without any concrete benefits or an influence on systemic risk. As an example, this could be especially problematic for certain entities (e.g. SPVs) that only hold certain types of assets and thereby are unable to meet these rules. On the other hand, their collateral positions traditionally remain small enough to avoid any pricing or liquidating problems.

- The aim of these limits is clear. It is to ensure that the value of collateral and the ability to liquidate the collateral is secured even in the event of a counterparty default. To fulfil this aim in a workable and proportionate way we suggest that concentration limits will be based on appropriately calibrated thresholds. This would mean that only the largest collateral positions are required to be diversified. This is justified on the basis that in large positions concentration on a single product may substantially diminish the value of collateral, as well as the ability to liquidate it in the event of a default.

- In addition, we also suggest that highly rated government bonds and covered bonds should be excluded from any concentration limits. This exclusion is needed because the operational costs will out weight the liquidation issues under stressed scenarios. Both of these assets have high level guarantees in either rating or in the collateral. The relative term “high rated” ensures this population of securities is practically fenced from all adverse (negative) credit migration. In other words, the portfolio would only carry jump-to-default risk, which we think could be neglected in this issuer group. Another angle is to say that estimating any credit correlation needed for calculating concentration limits would be a highly theoretical exercise.

  - **As a summary, the structure for concentration limits has to be fine-tuned as follows, to balance the costs and administrative burden and to ensure prevention of systemic risks.**

    - **Concentration limits should only apply when a value threshold is reached;**
    - **Limits should only apply when a duration threshold of for example 10 days is exceeded;**
    - **The level of limits for all assets should be raised from 5 to 10%;**
    - **A more simple structure with only two or three different concentration limit levels.**

Chapter 4 - Operational procedures

Article 1 OPE - Operational process for the exchange of collateral Article 1 SEG - Segregation of initial margins Article 1 REU - Treatment of collected initial margins

- The requirement in article 1 SEG (5) is unworkable and will become unintentionally expensive for the counterparties. In the current form it can be read that counterparties will need to obtain a legal opinion in all relevant jurisdictions on whether the segregation arrangements meet the requirements set out in Art. 1 SEG (3) and (4) at the inception of each transaction and on a regular basis thereafter and at least annually.

- As currently drafted, this obligation is considerably more rigid and formalistic than similar obligations concerning the need to assess and monitor legal risks under the CRR or, in fact the corresponding obligations regarding segregation in the case of CCP clearing under Art. 39 EMIR. Requirement for a new legal opinion for each transaction would be impossible to implement and is presumably not intended.

- **ESAs should clarify that counterparties are required to make a legal assessment regarding the effectiveness of a segregation arrangement prior to entering into such arrangement based on the most recent legal opinion.** This would allow for the possibility to rely on existing opinions in respect of standard arrangements.

- **The rigid timeframe for updates of legal opinions should also be replaced by more flexible approach. For example, counterparties could instead be required to regularly review whether existing legal opinions can still be relied upon**

- In order to ensure consistency, we see that bankruptcy remote assets posted as collateral should result in an exposure value of zero in the same way as collateral posted to a CCP. If these assets are treated differently, then the received and posted IM will net out against each other without the IM giving a proportionate reduction in capital.

- Finally, currently the CRR/CRD IV is not clear enough to allow this IM and capital offset as this text only seems to refer to CCPs. Consistency would in the first hand require an update to the CRR/CRD IV text adding several other counterparties to the list. This update in itself could be problematic as we understand CRR/CRD IV will not be reviewed before the start of 2017, while bilateral IM requirements would apply before the end of 2015. Therefore it is necessary to clarify these RTSs.

Q6: How will market participants be able to ensure the fulfilment of all the conditions for the reuse of initial margins as required in the BCBS-IOSCO framework? Can the respondents identify which companies in the EU would require reuse or re-hypothecation of collateral as an essential component of their business models?

- In European law-making regulators should always make sure that European companies retain their capability to create growth, and that it is not harmed with more stringent requirements. This is not the case with the current ESA proposal that would ban rehypothecation of collateral. A level playing field between different markets is crucial especially in derivatives markets which are global in nature.

  - **FFI urges ESAs to follow the flexibility provided in global rules and ensure a level playing field for European companies.**

- Several partially overlapping regulatory initiatives have led to an increased demand of collateral and rehypothecation is an important measure to fulfil these collateral requirements. ESAs need to ensure in their rules that the scarcity of collateral will not prevent new market entries or become too much of a burden for the smaller and medium-sized companies.

- The requirements set out in BCBS-IOSCO framework are well suited to ensure high-level protection of the original collateral. Some requirements for rehypothecation of collateral are also provided for in other European regulations (for example Proposal for a regulation of the European parliament and of the Council on reporting and transparency of securities financing transactions (COM (2014) 40 final)). This proposal contains some pretty clearly drafted information requirements that may not fit perfectly for the actual proposal but could suit well for the purpose of risk-mitigation in this respect.

- The new requirements regarding the segregation of initial margins and the ban on rehypothecation will require fundamental changes to established collateral management procedures and to the contractual documentation currently in use for margining. These changes will be extremely challenging and time consuming. It is expected that the timeline estimated for the implementation is unrealistic and will be met only with great difficulty. Less formalistic requirements would significantly reduce these time constraints. National regulatory authorities will also have difficulty committing to such a timeline given the potentially large volume of model approvals needed in expectation that the industry moves to a unified modelling approach.

Chapter 5 - Procedures concerning intragroup derivative contracts

Article 1 IGT – Procedure for the counterparties and the competent authorities Article 2 IGT – Intragroup risk management procedures Article 3 IGT – Practical or legal impediment Article 1 FP – Final provisions

Intragroup derivatives contracts

- As a guideline, ESAs should ensure that principles regarding practical or legal impediments are in line with similar CRR requirements. This applies both to the content and the form of these requirements. They will need to ensure in a clear manner that the exemption for intragroup contracts can be used as mandated and provided for in level 1 text. The current drafts will require clarification especially in terms of insolvency and resolution regimes.

- Articles 3 IGT (1) (a) and (b) mention “regulatory restrictions” and “insolvency, resolution or similar regimes” as one of the legal impediments to the prompt transfer of own funds which would prevent reliance on the intragroup exemption. Legal impediments to the prompt transfer of own funds or repayment of liabilities between the counterparties are difficult to understand on the basis of the current wording.

- There are several EU- and national rules which restrict the transfer of own funds to banks and insurance companies. This applies to for example buffer requirements. So far we have not recognized any other practical or legal impediments to the prompt payment obligations than those related to EU single rulebook.

  - **At least EU-regulations and their implementation rules need to be clearly exempted as non-impediments.**

- Many of these regulatory regimes and all insolvency, resolution or similar rules contain natural provisions which can affect the ability of the regulated or insolvent party or the party under resolution to effect payments or transfer assets. Thus, unless Article 1 IGT (1) (b) is intended to mean that such impediment is only deemed to exist upon initiation of such proceedings but not before, the relevant requirement would effectively invalidate the effects of the exemption for intragroup transactions. This cannot be the intention.

- Intragroup exemption is an essential part of the risk-mitigation scheme. It minimises the adverse effects of and challenges posed by the application of mandatory margining to transactions between members of the same group. If it were factually impossible to rely on this exemption, the negative consequences for intragroup entities would be remarkable.

- The fact that the largest banks globally (G-SIBs) and in some cases on a national level (L-SIBs) now have robust recovery and resolutions plans should also alleviate some concerns regarding intra-group exposures.

- These issues aside, in our view there is simply not the same contagion/systemic risk with intra-group exposures as there can be with exposures to external counterparties. This is important when keeping in mind that the overall aim of this initiative is to address systemic risks in the OTC derivatives market.

- We therefore question if moving to a "defaulter pays" model for intra-group exposures is (on balance and overall) really any better than the current techniques for mitigating such risk. An IM requirement on intra-group exposure puts additional strain on groups to hold and manage even more collateral. The same applies to the need to hold (potentially) larger buffers for other purposes like the LCR. In case the costs rise due to these requirements there is a risk that companies will cease to do those transactions that may be beneficial for risk control on a group level. We believe that these issues as examples with IM requirements for intra-group transactions already outweigh any perceived benefit.

- Further, in the case of intra-group exposures the financial condition of the counterparty is extremely well known, whereas in the case of external counterparties information is more scarce. In addition, it is easier to follow the development of an internal entity, i.e. any deterioration, and therefore responding to any crucial changes is faster and easy. Sometimes capital requirements are criticised to be less responsive to changes in the counterparty risk than margin requirements but this is less of a concern for intra-group exposures.

- Finally, groups have the ability to manage the risk profile both in terms of size and types of risks for the entities within the group. The same cannot be said of external counterparties.

Final provisions

- As discussed in the response, these requirements will pose significant operational and administrative burden on all market participants. IT-systems will need to be changed and contracts re-negotiated. At the same time, these entities are implementing other EMIR requirements and prepare for MIFID 2 implementation. In many cases, all of this is done with very scarce resources.

  - **Therefore there has to be a phase-in of VM requirements. The timeframe from finalization of these RTS to the proposed mandatory compliance date on 01 December 2015 seems to easily be less than 12 months. This is too short and rigid for the market to comply.**

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