

MICHEL BARNIER

Membre de la Commission européenne

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Dear Mr Kono, *Cher Kono.*

Thank you for your letter of 14 June. I am pleased to confirm that the European Commission has extended ESMA's deadline for completing its technical advice on the comparability with EMIR of several third countries' legal and supervisory frameworks. In the case of Japan, ESMA's technical advice is now due by 1 September 2013.

ESMA is expected to provide the European Commission with its technical analysis, while the European Commission remains responsible for the equivalence decisions. Concerning the equivalence assessments, as discussed between our staff, I confirm that the European Commission does not intend to conduct a rule-by-rule comparison but to rather adopt an outcome based approach. My staff will work in close cooperation with yours to ensure it has a comprehensive understanding of the Japanese legal and supervisory framework.

Regarding the comparability with international standards, I can reassure you that EMIR is fully in line with common international standards and, in particular, with the CPSS-IOSCO Principles for Financial Market Infrastructures. On that account, the equivalence assessments to be conducted by the Commission will be fully consistent with common international standards and I see no risk of reducing the value of the standards or the incentive for jurisdictions to implement them.

We share the same objectives of enabling each jurisdiction's regulator to rely upon each other's rules and supervision, with the view to avoid conflicts, inconsistencies, duplications and gaps. EMIR third country framework, based on the principle of equivalence, aims precisely at achieving this objective. In the meantime, we are well aware of the current uncertainties and their impact on the functioning of OTC derivatives markets. Those uncertainties are unavoidable since we are all just entering the phase of implementation of the reforms initiated four years ago by the G20. To reduce and manage these uncertainties as much as possible, we proposed short term mitigating measures in EMIR, by including transitional provisions that allow business continuity until the decisions on equivalence are made. For example, Japanese CCPs that apply for recognition in the Union by 15 September 2015 may continue provide services to EU clearing members until a decision is made by ESMA on their recognition.

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I also would like to seize the opportunity of this letter to inform you that the European Commission adopted on 12 July a delegated Regulation explicitly exempting the Japanese central bank and debt management offices from the application of EMIR. This delegated Regulation is now under the scrutiny period of the European Parliament and the Council.

I look forward to continuing our constructive dialogue and I am confident that sustaining our joint efforts towards an international cooperative approach will help mitigate the current uncertainties and ensure overall an efficient global outcome.

Yours sincerely, *J. M. Barroso*



Michel BARNIER