

VALDIS DOMBROVSKIS
Vice-President of the European Commission

European Commission
Rue de la Loi / Wetstraat 200
1049 Brussels, Belgium

16 December 2016

Companies operating in Europe – impact of EMIR review

Dear Vice-President Dombrovskis

In the 2016 State of the Union address, President Juncker emphasised the commitment of this Commission to addressing disproportionate burdens on Europe's businesses. This restated commitment is welcomed by the over 8,000 businesses represented by the signatories to this letter.

These companies use derivatives to manage real economic business and treasury financing risks and contribute significantly to the economy, employing millions of people.

We are writing to highlight important issues we see emerging in the context of the EMIR Review and follow-up to the Commission's call for evidence.

We fully recognize that reducing costs and alleviating burdens on companies must be achieved without impairing post-crisis financial sector reforms – upholding increased transparency for supervisors and reducing systemic risk.

Our concern, however, is that this Review's promise for the real economy will not be achieved unless three core principles are upheld:

- **Commercial hedging does not present systemic risk** – EMIR's current corporate hedging exemption must be upheld and not diluted in any manner
- **Reporting burdens for companies are significant (latest cost estimates: €2.4bn-€4.6bn annually) and responsibility should rest with financial counterparties**
 - This requires responsibility for the **content and timing** of reporting to be fully transferred to the financial counterparty to a transaction
 - **The principle of single-sided reporting has already been established** under MIFID's RTS2 Art 7 (Paras 5-6)
 - EMIR's current delegated-reporting model does not achieve this full transfer of burdens, and nor does the current SFTR reporting model
- **Intragroup transactions by corporates are not relevant for systemic risk monitoring** – and should be exempted from repository reporting

As context for this, we would recall that non-financial companies hedging commercial risks (NFC-minuses) represent only 2% of all the derivatives transactions in Europe's markets today. But these same companies represent 76% of all the counterparties captured by EMIR.

The Commission's EMIR review is a real opportunity to deliver meaningful change for these companies and will support investment, growth and jobs.

We have attached to this letter a fuller elaboration of these issues and would welcome discussing them further with yourself and your Services.

Yours sincerely



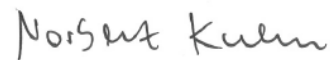
Jean-Marc Servat
Chair, European Association
of Corporate Treasurers



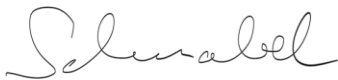
Florence Bindelle
Secretary General
European Issuers



Stefano Micossi
Director General
Assonime



Norbert Kuhn
Head of Corporate Finance
Deutsches Aktieninstitut



Helmut Schnabel
Chairman, International Group
of Treasury Associations



Michael D. Bopp
Counsel to the Coalition for
Derivatives End-Users

Copies: Vice-President Jyrki Katainen, Commissioner Bieńkowska, Paulina Dejmek-Hack PRES CAB, Jan Ceysens CAB, Marlene Madsen CAB, Fabrice Comptour CAB, Olivier Guersent, Ugo Bassi, Maria Teresa Fabregas Fernandez

Encls: Corporate end-user comments on the EC EMIR Review Report