



**Mr Valdis Dombrovskis**  
Vice-President  
Euro & Social Dialogue  
European Commission  
Rue de la Loi 200  
B-1049 Brussels  
BELGIUM

15 February 2019

Dear Vice-President,

## **EU Benchmarks Regulation**

I write to you regarding the EU Benchmarks Regulation which contains transitional provisions which allow banks to continue to reference non-EU indices which do not yet comply with the Regulation until 31 December 2019.

We are concerned that important benchmarks on interest rates, currencies, equities and commodity prices in financial instruments will be prohibited for banks and investment firms as of 1 January 2020. Consequently, non-financial companies which use these financial instruments to hedge against interest rate, exchange rate or commodity prices risks related to their operative business will no longer be able to do so. This affects contracts, not only related to more distant markets like China, India, and South America but also neighboring ones like Turkey and Russia.

Authorisation of non-compliant benchmarks is based on very stringent requirements which make the regime practically unusable for a significant number of non-EU benchmarks. To date, no equivalence determinations have been completed and it is uncertain whether, and until what extent, non-EU authorities are actively working towards obtaining authorisation for their benchmarks. This could even affect non-Euro benchmarks within the EU; for interest rates, currently only the Czech domestic rate (PRIBOR) is registered with ESMA and it is uncertain if other EU administrators for interest rate benchmarks have already applied for authorisation.

In order to counter the risk that non-financial companies will no longer be able to hedge certain risks related to these countries, it is important that the transitional provisions in the Benchmarks Regulation are extended so that market participants get more time to adjust.



On-going negotiations regarding the proposal to amend Regulation (EU) 2016/1011 on low carbon benchmarks and positive carbon impact benchmarks could be an opportunity to do that for critical benchmarks, but extensions are also of crucial importance for non-critical and non-EU benchmarks.

In addition to that, the legislator should work towards finding a permanent solution that would make the authorisation regime for non-compliant benchmarks easier to ensure their continued use in the EU.

This will not only safeguard non-financial companies' ability to manage financial risks but also their overall competitiveness when non-EU competitors face less constraints to use benchmark-related hedging instruments.

We hope that you share these concerns and remain at your disposal should you wish to discuss this further.

Yours sincerely,



Markus J. Beyrer