

Nathaniel Lalone Discusses French Equivalence Proposal With *Risk.net*

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Financial Services partner Nathaniel Lalone spoke with *Risk.net* on a "bombshell proposal" by the French delegation to the Council of the European Union that would require non-EU firms to open satellite offices within the bloc, even if they come from a jurisdiction deemed equivalent. Nate stated, "It is no longer equivalence. Equivalence is about recognizing a foreign jurisdiction's rules are similar to your own, so you no longer need to exercise substantial oversight of that firm because they have equivalent rules. By forcing a firm to establish a presence inside your territory that then has to be subject to your direct oversight, that is not equivalence any more. It is the exact opposite." He noted that this will have a significant impact on the over-the-counter (OTC) derivatives market. "No-one inside the EU will be able to transact OTC derivatives with anybody outside of the EU if this rule is adopted because every non-EU dealer would have to establish a subsidiary inside the EU to do that business. If they are not willing to do that, this would have the effect of cutting off the EU from the wider swaps market." There is speculation that the French are proposing this requirement as a response to Brexit and potentially forcing firms to choose other EU locations over London. ("French 'Bombshell' Would Gut MiFIR Equivalence, Say Lawyers," June 4, 2018)

CONTACTS

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