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FIRM NEWS

Nathaniel Lalone Explores Brexit's Impact on Singapore Swaps Equivalence

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Financial Services partner Nathaniel Lalone spoke with *Risk.net* on the European Commission's (EC) long-awaited equivalence decision on Singapore's swaps trading venues. Originally thought to have a smooth path to approval, the EC is under political pressure stemming from Brexit. EU lawmakers are potentially looking to toughen equivalence for the United Kingdom, which could complicate Singapore's efforts. Nate stated, "Even though the EU's equivalence frameworks for trading venues and central counterparties (CCPs) differ, it would have been very difficult for the European Commission to grant equivalence to Singapore, which has its own regulatory regime, whilst at the same withholding equivalence from the UK whose rules are, in fact, those of the EU. The sequencing doesn't surprise me at all—I think the two are unquestionably related."

Negotiations between the EC and the Monetary Authority of Singapore (MAS) have been viewed as positive for the market; however there are some concerns that the agreement could potentially be lopsided towards European firms. Nate clarified, "All the EU is doing is saying EU firms can meet their mandatory derivatives trading obligation on a Singapore trading venue. That's just one limited form of equivalence—it's not an exemption from any licensing requirements for those same venues. So, if a Singapore venue tries to onboard a firm located in a particular EU member state, it will have to make sure it complies with any licensing requirements under the national rules of that member state. So this is not exactly a reciprocal agreement." ("Brexit Relief Aids Singapore on EU Swaps Trading Equivalence," March 6, 2019)

CONTACTS

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