

Cabinet News and Views

Informed analysis for the financial services industry



Bank of England and CFTC Announce Agreement on CCP Supervision



By **Alix Prentice**
Partner | Financial Regulation

Post-Brexit, the Bank of England (the “Bank”) assumed responsibility for recognising and supervising incoming, non-UK central counterparties (“CCPs”), and on 14 April, the Bank and the Commodity Futures Trading Commission announced that the relationship between the two authorities meets the expectations of the Bank’s Level 1 Informed Reliance Assessment. This means that the Bank has made an assessment of the level of risk to UK financial stability that incoming CCPs supervised by the CFTC pose and has determined that it can defer to the CFTC as the home supervisory authority.

In June 2022 the Bank published [The Bank of England’s approach to tiering incoming central counterparties under EMIR Article 25 - Statement of Policy](#), which sets out the approach to tiering incoming CCPs, with Tier 2 CCPs (those that are assessed as systemically important or likely to become systemically important for the financial stability of the UK) becoming subject to direct UK supervision and regulation. An important aspect of the tiering process is the “informed reliance assessment” under which the Bank determines the extent to which it is able to rely on the incoming CCP’s home authority for supervision and regulation. The Memorandum of Understanding entered into by the Bank and CFTC in 2020 included within its scope the common understanding of mutual practices in connection with U.S. and UK cross-border CCPs, clearly facilitating this tiering decision.
