

**JOINT BANK OF ENGLAND / FINANCIAL CONDUCT AUTHORITY / US COMMODITY FUTURES
TRADING COMMISSION PRESS CONFERENCE**

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Opening Remarks by Mark Carney

Good morning everyone.

It's a great pleasure to welcome Chair Giancarlo of the CFTF and the CEO of the FCA Andrew Bailey, to the Bank of England for this joint statement.

And the purpose of the joint statement is really to reassure derivative markets that derivatives activity will continue to function smoothly, just as today, whatever form Brexit takes.

Let me step back before getting into some of the details. Derivatives can seem far removed from the everyday concerns of households and businesses, but they are essential.

- Derivatives allow our pension funds and insurance companies to manage interest rate and inflation risk so that those safety nets can be there when we need them,
- They help our banks and building societies manage interest rate risk so/on that loans and mortgages lowering borrowing costs for borrowers,
- Through derivatives energy suppliers and their customers can hedge movements in commodity prices, leading to more predictable costs,
- And derivatives allow our manufacturing companies to manage credit risks in their supply chains, helping them to be more efficient and more resilient.

In each case, derivatives help businesses to plan and invest with confidence, ultimately leading to lower and more stable prices for consumers and better returns to savers and investors.

And the US and UK host the largest derivatives markets in the world. 80% of the world's over-the-counter interest rate derivatives are written here or in the UK or in the US – each representing around \$1.2 trillion of notional value every day.

And our markets are the most interconnected. One third of the £230 trillion notional OTC derivatives at UK CCPs comes from US clearing members, more than any other international jurisdiction.

And as hosts to the world's largest and most sophisticated derivatives markets, the US and the UK have special responsibilities to keep these markets resilient, efficient and open.

And the measures we are announcing today will do just that.

There are three main elements.

First, the CFTF's existing arrangements for UK firms will continue. UK market participants will be granted the same reliefs from CFTF registration and reporting requirements as today. And firms will

continue to be able to satisfy certain CFTC requirements by complying with the relevant UK laws or using eligible UK trading venues.

Second, and reciprocally, US trading venues, firms, and CCPs will continue to be able to provide services in the United Kingdom. We are working closely with HM Treasury and the CFTC with a view to making a full equivalence and recognition decision on the CFTC's clearing regime and CFTC-registered CCPs as a matter of a priority. But as of today we are able to confirm that CFTC Registered clearing houses will be able to continue providing clearing services in the UK, for a minimum of 3 years, in a no deal scenario.

And third, US and UK authorities are committing to continue to work together to supervise each other's derivatives activities. To that end, the Bank, FCA and CFTC are in the process of updating our Memoranda of Understanding to support information sharing and supervisory cooperation and promote financial stability in a post Brexit world.

So today's package of measures is consistent with our firmly held view of each of these agencies that open, integrated and resilient financial markets are global public goods.

The alternative—fragmentation—is in no one's economic interest. Fragmentation is inefficient and it can undermine financial stability. And it can lead to higher cost that produce the incentives to hedge risk increasing the amount of risk that the real economy would have to bear.

That's why these three agencies have worked hard in recent years to create open, integrated and resilient derivatives markets. With today's announcements we are taking the necessary steps to ensure these markets will continue to perform their vital functions. Market participants can be confident that the clearing and trading of derivatives between the US and UK will maintain today's high standards, whatever form Brexit takes.

Now I will ask my colleagues to expand on the actions before we take any questions and let me go first to Chair Giancarlo.