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# Statement on use of the Temporary Transitional Power to modify the UK's derivatives trading obligation

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The UK has implemented the G20 commitment to improve over-the-counter derivatives markets by onshoring the Markets in Financial Instruments Regulation (MiFIR) derivatives trading obligation (DTO) under the EU Withdrawal Act. The UK DTO applies to the same classes of derivatives as the EU DTO.

The FCA welcomes the announcement that the UK and EU have agreed a Trade and Cooperation Agreement and the associated Joint Declaration on financial services regulatory cooperation. The FCA continues to view the agreement of mutual equivalence between the UK and EU as the best way to avoid disruption for market participants and avoid fragmentation of liquidity in DTO products, reducing costs for investors.

Without mutual equivalence, some firms, in particular the branches of EU firms in London, will be caught by a conflict of law between the EU and UK DTOs. In the absence of a co-ordinated solution, we are using the [Temporary Transitional Power](#) (TTP) to modify the application of UK DTO as follows.

Where firms that are subject to the UK DTO trade with, or on behalf of, EU clients that are subject to the EU DTO, they will be able to transact or execute those trades on EU venues providing that:

- firms take reasonable steps to be satisfied the client does not have arrangements in place to execute the trade on a trading venue to which both the UK and EU have granted equivalence; and
- the EU venue has the necessary regulatory status to do business in the UK – such venues include those that are a Recognised Overseas Investment Exchange, have been granted the relevant temporary permission, or are certain that they benefit from the Overseas Person Exclusion.

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We expect firms and other regulated persons to be able to demonstrate they are taking all reasonable steps during the first quarter of 2021 to ensure compliance with the UK DTO.

Our approach, driven by our objectives, aims to support the ability of firms based in the UK to continue to do a range of international business and serve their global clients, while upholding our G20 commitment in respect of the trading of OTC derivatives.

We will keep our use of the TTP under review. In particular we will consider by 31 March 2021 whether market or regulatory developments warrant a review of our approach. The FCA remains open to cooperation with EU authorities on ways of avoiding conflicting obligations.

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More on our approach to the DTO

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[See the explanatory note for our transitional direction for the derivatives trading obligation](#)

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