



LSEG

RBNZ AND FMA – EXPOSURE DRAFT FMI STANDARDS

**LSEG RESPONSE TO THE RBNZ AND FMA'S EXPOSURE
DRAFT FMI STANDARDS**

November 2022

Introduction

LSEG (London Stock Exchange Group) is a diversified global financial markets infrastructure and data business, headquartered in London, with significant operations in Europe, North America, and Asia. With extensive experience, deep knowledge and worldwide presence across financial markets, we enable businesses and economies around the world to fund innovation, manage risk and create jobs. At LSEG, we help to drive financial stability, empower economies and enable customers to create sustainable growth through three business divisions: data and analytics, capital markets and post-trade.

LSEG has majority ownership of the multi-asset global central counterparty clearing house (“CCP”) operator, LCH Group (“LCH”). LCH has two licensed CCP subsidiaries – LCH Ltd in the UK and LCH S.A. in France. Both are leading multi-asset class and international clearing houses, serving major international exchanges and platforms as well as a range of OTC markets. They clear a broad range of asset classes, including securities, exchange-traded derivatives, commodities, foreign exchange derivatives, interest rate swaps, credit default swaps, Euro and Sterling denominated bonds and repos.



Executive summary

LSEG welcomes the opportunity to respond to the Reserve Bank of New Zealand (RBNZ) and the Financial Markets Authority (FMA)'s exposure drafts of the standards for financial market infrastructure (FMIs) following the passing of the Financial Market Infrastructures Act 2021 (the FMI Act).

LSEG supports the overall approach taken to establish a comprehensive framework for the oversight and regulation of FMIs. We strongly support the distinction made between domestic and overseas FMIs and the proposed overseas equivalence framework, which protects the New Zealand financial system while not imposing unnecessary regulatory burden on FMI operators. We strongly support the alignment with the CPMI-IOSCO Principles for Financial Market Infrastructures as the appropriate international standard in this area of regulation. We appreciate the transparent and consultative nature of the process and the approach of both the RBNZ and FMA to thoroughly engage with potentially affected stakeholders.

Our response focuses on LCH Limited and in particular the SwapClear service, which has members and clients in New Zealand and has previously been identified by New Zealand regulators as an FMI that is potentially systemically important. The RBNZ is also a member of LCH's Global College which is chaired by its home regulator, the Bank of England.



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Questions

- 1. *What transitional arrangements do you think are necessary for the implementation of the FMI Standards? Are there any particular standards that will be difficult to comply with ahead of the proposed commencement date of 1 August 2023?***

We consider the proposed approach to be appropriate, i.e. the final FMI Standards coming into effect approximately 4-5 months after they are issued and once the designation of FMIs under the FMI Act is also complete.

- 2. *Is the overseas-equivalence framework appropriate?***

We strongly support the proposed overseas equivalence framework as striking the appropriate balance between protecting the New Zealand financial system but not imposing undue regulatory burden on FMI operators where their home regulatory regime is equivalent.

