Commission proposes to extend equivalence for Swiss share trading venues for six months

Once adopted, the measure will ensure that businesses and markets can continue to operate smoothly and without any disruptions after 31 December 2018. When proposing the extension of the equivalence for Swiss trading venues, the Commission has considered the outcome of the negotiations of the Institutional Framework Agreement, as well as the decision by the Swiss Federal Council to launch a consultation on the agreement that will last until spring 2019. In line with the relevant rules, the Commission is currently consulting EU Member States on the draft decision so that it can be adopted and take effect before the current equivalence expires at the end of the year. The decision would apply as of 1 January and expire on 30 June 2019.

Valdis **Dombrovskis**, Vice President for Financial Stability, Financial Services and Capital Markets Union, said: *"A temporary extension of equivalence should provide time to Switzerland to finalise its internal consultation on the Institutional Framework Agreement. It will also ensure continuity for portfolio managers and brokers active in Swiss equities. We want that European firms can continue trading in Swiss equities both in the EU and on the Swiss exchanges. Open and competitive stock markets are vital for a healthy economy and to provide reliable income sources for investors in equities."*

The EU's equivalence system in the area of financial services legislation encourages international regulatory convergence and facilitates competitive markets in some of the most widely traded Swiss shares. It allows EU traders and brokers to comply with EU law while giving them the possibility to access the best deals for EU investors. Equivalence decisions are always based on the specific circumstances of the country concerned and there is no automatic right to equivalence. In the case of Switzerland, the criteria for extending the equivalence are laid down in the current equivalence Decision of December 2017, which states: *"When deciding on whether to extend the applicability of this decision, the Commission should in particular consider progress made towards the signature of an Agreement establishing that common institutional framework."*

Following consultations with Member States and provided they agree to the extension, the Commission will be able to adopt an Implementing Act which will enter into force when published in the Official Journal, before the end of the year. Once adopted, the Commission will closely monitor the impact of the equivalence measure, taking into account the broader political context and notably the progress towards conclusion of the Institutional Framework Agreement. A full, final and clear endorsement by the Federal Council of this text, which was agreed by the EU and Swiss negotiators in long, intense and constructive negotiations, would be a precondition for future extensions of the equivalence.

Background

In selecting third country trading venues that could benefit from equivalence decisions, the Commission focuses on whether EU trading in the shares admitted to trading in the relevant third country's regulated markets is of such significance in the EU that the EU's trading obligation is triggered with respect to these shares. This is the case for shares admitted on the two Swiss exchanges and for certain shares admitted on trading venues in the United States, Hong Kong and Australia, for which equivalence decisions were adopted on 13 December 2017.

Switzerland differs from other jurisdictions which have been granted equivalence in several ways. The scope of the Swiss decision is much greater, as the trading of Swiss shares in the EU is very widespread. Commercial ties binding the EU and Switzerland are also much closer than with other countries that benefit from equivalence. EU-Switzerland relations therefore require a solid foundation in the form of an overarching institutional agreement, as recalled by the General Affairs Council conclusions of December 2014 and more recently the Council conclusions of February 2017.

For More Information

EEAS: Switzerland and the EU

European Commission reaction to Swiss Federal Council announcements