

ESMA sets out its final view on the derivatives trading obligation (DTO)

The European Securities and Markets Authority (ESMA), the EU's securities markets regulator, has released a [public statement](#) that clarifies the application of the European Union's (EU) trading obligation for derivatives (DTO) following the end of the UK's transition from the EU on 31 December 2020.

The statement clarifies that the DTO will continue applying without changes after the end of the transition period. ESMA considers that the continued application of the DTO would not create risks to the stability of the financial system. The statement confirms the approach outlined in ESMA's previous [statement](#) in March 2019.

ESMA acknowledges that this approach creates challenges for some EU counterparties particularly UK branches of EU investment firms. However, ESMA considers that EU counterparties can meet their obligations under the DTO by trading on EU trading venues or eligible trading venues in third countries, and this situation is primarily a consequence of the way the UK has chosen to implement the DTO.

Based on the current legal framework, and in the absence of an equivalence decision by the European Commission, ESMA does not see room for providing different guidance.

ESMA will continue to closely monitor the situation to assess whether markets would be sufficiently liquid for the purpose of the DTO after the end of the transition period.