# Consultation Paper

On draft Implementing Technical Standards on main indices and recognised exchanges under the Capital Requirements Regulation

29 September 2014 | ESMA/2014/1188

European Securities and Markets Authority

Date: 29 September 2014
ESMA/2014/1188

## Responding to this paper

The European Securities and Markets Authority (ESMA) invites comments on all matters set out in this consultation paper and, in particular, on the specific questions listed in Annex 1. Comments are most helpful if they:

- indicate the number of the question to which the comment relates;
- respond to the question stated;
- contain a clear rationale, including on any related costs and benefits; and
- describe any alternatives ESMA should consider.

Comments should reach us by November 1st 2014.

All contributions should be submitted online at www.esma.europa.eu under the heading 'Your input/Consultations'.

### Publication of responses

All contributions received will be published following the end of the consultation period, unless otherwise requested. Please clearly and prominently indicate in your submission any part you do not wish to be publically disclosed. A standard confidentiality statement in an email message will not be treated as a request for non-disclosure. Note also that a confidential response may be requested from us in accordance with ESMA's rules on access to documents. We may consult you if we receive such a request. Any decision we make is reviewable by ESMA's Board of Appeal and the European Ombudsman.

### Data protection

Information on data protection can be found at www.esma.europa.eu by following the link 'Data protection'.

### Who should read this paper?

All interested stakeholders are invited to respond to this consultation paper. It will primarily be of interest to credit institutions and investment firms who need to calculate their credit risk exposure under the Capital Requirements Regulation (EU) No 575/2013 of 26 June 2013.

**Contents**

## Acronyms used

| | |
|---|---|
| ADT | Average Daily Turnover |
| CAs | Competent Authorities |
| CP | This Consultation Paper |
| CRR | Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012 |
| EBA | European Banking Authority |
| EMIR | European Market Infrastructures Regulation – Regulation (EU) 648/2012 of the European Parliament and Council on OTC derivatives, central counterparties and trade repositories |
| ESMA | European Securities and Markets Authority |
| ITS | Implementing Technical Standards |
| MiFID | Markets in Financial Instruments Directive – Directive 2004/39/EC of the European Parliament and the Council |

# I. Executive summary

**Reasons for publication**

The Capital Requirements Regulation (EU) 575/2013 (CRR) was published in the *Official Journal of the European Communities* on 27 June 2013 and entered into force on 1 January 2014. ESMA is required to submit draft Implementing Technical Standards (ITS) on main indices and recognised exchanges to the European Commission by 31 December 2014.

According to Articles 10 and 15 of Regulation (EU) No 1095/2010 of the European Parliament and of the Council establishing ESMA (the ESMA Regulation), ESMA must conduct a public consultation before submitting draft ITS to the Commission. This Consultation Paper (CP) therefore seeks stakeholders' views on the ITS. The input from stakeholders will help ESMA finalise them. Respondents to this CP are encouraged to consider the costs and benefits that the draft ITS would imply and provide the relevant data to support their arguments or proposals.

**Contents**

The CRR tasks ESMA with defining "main indices" and "recognised exchanges", concepts that are used – inter alia - in the specification of "eligible collateral", which in turn is important for the calculation of credit risk by the credit institutions and investment firms to which that Regulation applies. This CP sets out a proposed rationale for each definition, and includes a draft ITS which contains a proposed list of "main indices" and "recognised exchanges".

**Next steps**

ESMA will consider all feedback received in relation to this consultation when finalising the draft ITS to be submitted to the European Commission by 31 December 2014 for endorsement.

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# II. Background

1. The CRR entered into force on 1 January 2014. Its main aim is to minimise the effects of credit institutions and investment firms ("institutions") failing by ensuring that they hold enough financial resources to cover the risk associated with their business. An important element of this is prescribing the way in which organisations should treat the credit risk of assets for which they have taken collateral. The CRR's definition of when securities can be eligible as collateral refers to equities and convertible bonds that are constituents of a "main index" and to debt securities that are listed on a "recognised exchange". The requirements are based on the Basel Accords.

2. Paragraph 8 of Article 197 of the CRR requires ESMA to specify "main index" and "recognised exchange", as follows:

> *"8. ESMA shall develop draft implementing technical standards to specify the following:*
> *(a) the main indices referred to in point (f) of paragraph 1 of this Article, in point (a) of Article 198(1), in Article 224(1) and (4), and in point (e) of Article 299(2);*
> *(b) the recognised exchanges referred to in point (a) of paragraph 4 of this Article, in point (a) of Article 198(1), in Article 224(1) and (4), in point (e) of Article 299(2), in point (k) of Article 400(2), in point (e) of Article 416(3), in point (c) of Article 428(1), and in point 12 of Annex III in accordance with the conditions laid down in point (72) of Article 4(1).*

*ESMA shall submit those draft implementing technical standards to the Commission by 31 December 2014."*

## III. Main Indices

3. Under the CRR, an equity or convertible bond that is included in a main index is eligible collateral and can therefore be used as collateral by an institution whatever approach or method it is using of those provided in the CRR for calculating credit risk. If it uses the Financial Collateral Comprehensive Method, however, it can also use equities and convertible bonds that are not included in a main index, but that are "listed on a recognised exchange". Both main index and non-main index securities are subject to a volatility adjustment, and this discounts main index securities by smaller factors than non-main index securities.

4. In considering the best way to identify main indices, ESMA has considered what the consequences would be of too restrictive or too broad a definition of main index, considered the features that are therefore required of a main index, and developed criteria that it would expect a main index to meet.

5. If "main index" is defined too restrictively, it will shrink the pool of eligible collateral that institutions could use for credit risk mitigation, so that some of the collateral they are currently using could become ineligible and they would need to find alternative forms of collateral or increase their own funds.

6. Making the definition too wide could potentially allow institutions to use poor quality collateral. But there are other constraints on institutions. Although Article 197 lists eligible assets, Article 194(3)(b) says that in addition to being on the list, the assets must also be "sufficiently liquid and their value over time sufficiently stable to provide appropriate certainty as to the credit protection achieved…".

7. ESMA has considered other recent regulatory work on indices:

    a) The EBA published draft final ITS[1] on 17 December 2013 under Article 344 of the CRR specifying "appropriately diversified indices" following a CP published on 25 June 2013. The purpose of this was to identify indices for which specific risk incorporated in a stock index could be ignored. The EBA therefore based its criteria on the breadth and diversity of the index, rather than on the quality of individual constituents of the index as potential collateral.

    b) On 18 September 2013, the European Commission published a draft Regulation on indices used as benchmarks in financial instruments and financial contracts.[2]

    c) The Implementing Regulation 827/2012 under the Short Selling Regulation uses "main national equity index" in Article 6(4) as part of the criteria for whether a share is easy to borrow or purchase. Rather than list indices, the Regulation leaves it to the national competent authority of each Member State to name its main national equity index. The con-

[1] *EBA Final draft Implementing Technical Standards on appropriately diversified indices under Article 334(1) of Regulation (EU) No 575/2013 (Capital Requirements Regulation – CRR)*, European Banking Authority, 17 December 2013, www.eba.europa.eu/regulation-and-policy/market-risk/draft-implementing-technical-standards-on-appropriately-diversified-indices

[2] *Proposal for a Regulation of the European Parliament and of the Council on indices used as benchmarks in financial instruments and financial contracts*, COM/2013/0641 Final, European Commission, 18 September 2013, eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52013PC0641

cept of “main national equity index” is also included in Article 23(1) of Implementing Regulation 918/2012 under the Short Selling Regulation.

8. ESMA takes the view that the definition of “main index” for Article 197 of the CRR should be such that most of the constituents of each index are blue chip companies with liquid shares, which could be sold at close to their market valuation at reasonable speed, where an institution would need to use its collateral.

9. ESMA has approached this in two ways:

- First, an absolute approach based on applying the same absolute measure of liquidity to the constituents of each index, regardless of the market on which the index is based; and

- Second, a relative approach based in part on the representativeness of an index in terms of liquidity of the EEA market it represents.

### III.I. Absolute criteria approach

10. As noted above the purpose of defining “main index” is to provide a list of instruments that an institution could expect to be able to realise at close to their market value at reasonable speed, and so the “absolute criteria” approach selects indices where all – or almost all – of the constituents meet a common standard of liquidity.

11. There are a number of possible measures that could be used to represent liquidity, including ones based on the average bid-offer spread, number of transactions per day, value of transactions per day and volatility. The criteria used under the Markets in Financial Instruments Directive (MiFID) for determining which equities are liquid for the purpose of various transparency provisions are: the share must be traded daily, with a free float of at least €500million, and either average daily number of transactions is ≥500 or average daily turnover is ≥€2m.

12. Data for many of the more sophisticated criteria are not easily available on a consistent basis for equities worldwide. On that basis, it is proposed to use a simple test that the value of shares in free float should be greater than €500 million. Where figures are available to compare more elaborate tests of liquidity, the results are not very different. ESMA is aware that outside the EEA there is no strict universal definition of what constitutes free float, but it has not been observed that this has led to any unexpected indices being included or excluded.

13. Even free float figures are not available for components of all indices, and in those cases it is proposed that market capitalisation should be greater than €1,000 million.

14. Where an index is predominantly composed of liquid shares but has a small number of outliers, it does not seem appropriate to ESMA for its test to rule out the whole index, thus depriving institutions of potential sources of collateral. It is therefore proposed to include an index if no more than 10% by number of the constituents of the index fail the free float or market capitalisation test.

15. ESMA sees limited interest in including further indices if all of their components are included in indices already on the list. So for example, the NASDAQ100 as well as the S&P 500 are included, as there are around 20 shares on the former that are not included in the latter. But the Dow Jones Industrial Average has not been included, as all of its 30 constituents also appear in the S&P 500.

16. There are some national markets where there is no index which can be included in the list under either approach. In some cases, there may nonetheless be a small number of large companies in that country with liquid shares. The inclusion in ESMA's list of a number of regional and global indices that meet the criteria will make it possible for some such equities to be used as eligible collateral. The regional and global indices will also fill gaps where there are liquid shares of companies in non-EEA markets whose indices ESMA has not considered.

17. MSCI World has been selected due to its widespread use as underlying of listed derivatives[3] and ETFs: for instance it is the worldwide index with the largest volume of ETFs[4]. STOXX Europe 600 has also been retained among other commonly used regional indices as the other possible candidates for the region had a smaller number of constituents, most of which were therefore already included in the STOXX Europe 600 (e.g. STOXX Europe 50, FTSE Europe 100, S&P Europe 350, Bloomberg Europe 500, etc.).

18. Applying these criteria gives a list that includes most of the best-known equity indices from the major developed economies, as shown in Annex 1 to the draft ITS[5] .

**Q1: Do you agree with the criteria proposed for an absolute test? If not what criteria would you propose?**

### III.II. Relative approach

19. The "relative approach" selects indices that are the most representative of a trading venue or of the securities market of a country where it encompasses shares from different trading venues.

20. An ESMA fact-finding exercise evidences that there are blue chip indices representing the highest traded and highest market capitalised shares of a trading venue and that some common characteristics can be identified among them.

21. The blue chip stocks are, in principle, issued by financially stable companies the performance of which is less volatile. It seems reasonable to consider that positions adopted as collateral should be judged relative to the trade sizes observed in the trading venues where the given instruments are traded.

22. In contrast, broad indices (e.g. composite indices) encompass regularly either a big number of shares or all shares listed in a trading venue and are better for reflecting general market risk and to track the performance of a whole market. Consequently, under these broad indices, there can be shares with low market capitalisation and low levels of liquidity. Broad indices are therefore not suitable for defining instruments appropriate to be eligible collateral.

23. Blue chip indices regularly include in the selection criteria elements of liquidity. Furthermore, the fact of being part of an index may increase the liquidity of these shares as, for instance, index tracker funds need to keep in portfolio the constituents of indices. Therefore, a share that is part of a blue chip companies index may be viewed as providing a warranty of a certain degree of minimum liquidity and consequently of it being of higher quality when used for collateral.

[3] Futures on MSCI World are listed on Eurex and Nyse for instance.
[4] In May 2014, ETFs based on MSCI World amounted to US$27.0bn in terms of assets under management (source : Bloomberg)
[5] See Annex 2 to this CP

24. An additional layer of liquidity comes from the existence of exchange-traded derivatives on the indices or the underlying constituents. Arbitrage trades, exercise and maturity of stock options and futures on indices create more liquidity in the constituent elements. Therefore, indices used as underlying for derivatives are likely to experience greater liquidity.

25. The relative approach takes into account the above factors, but needs to be completed with minimum liquidity criteria of indices to be included in order to provide a coherent image of liquidity across Europe. The ESMA MiFID database is a reliable source of information that helps to identify indices where for instance 90% of its constituents are above an Average Daily Turnover (ADT) level of €100,000.

26. Bringing together the above elements, under the relative approach, a main index is representative of a trading venue or a group of trading venues where in relative terms:

- The number of constituents is less than 50% of the total number of companies whose shares are admitted to trading on the venue/group of venues from which the index constituents are drawn; and

- The ADT of 90% of the constituents is above €100,000.

And it fulfils two out of the three following criteria:

- The market capitalisation represented by the index compared to the market capitalisation of the whole venue or group of venues is equal to or greater than 40%;

- The percentage of turnover traded on index constituents is equal to or greater than 40% of the total turnover in equities of the trading venue or group of trading venues;

- The index serves as an underlying for exchange-traded derivatives

When there are indices representing the same trading venue or group of trading venues fulfilling at the same time two out of the three criteria the indices selected under the relative approach would be those that are used as a benchmark for derivatives. If more than one index meets that criterion, the selected index should be the broader one.

27. Applying this test gives a list of examples that includes equity indices from the major developed economies, as shown in Annex 1 to the draft ITS[6].

**Q2: Do you agree with the criteria proposed for a relative test? If not what criteria would you propose?**

### III.III. Convertible bond indices

28. ESMA has considered indices of convertible bonds. So far it has not been possible to identify any major convertible bond index for which the list of constituents is readily available, and where most of the individual convertible bonds appear to be liquid. Therefore, the draft ITS does not include any con-

[6] See Annex 2 to this CP.

vertible bond indices. ESMA is interested in any proposals from stakeholders for convertible bond indices that should be defined as “main indices”.

**Q3: Do you believe that there are convertible bond indices that should be specified as main indices? If so please provide details and evidence in support.**

### III.IV. Conclusion

29. The two approaches to defining main index set out above lead to the list of indices shown in Annex 1 to the draft ITS.

**Q4: Do you believe that for equities the list should include both those that meet the absolute test and those that meet the relative test? If not which test do you think should be used?**

**Q5: Do you agree with the list of indices in the Annex? If you believe there should be additions please provide details, say what criteria they meet, and provide evidence in support.**

## IV. Recognised exchanges

### IV.I. Description

30. The CRR uses the concept of a recognised exchange in a significant number of provisions and the concept is already defined in Article 4(1)(72) of the CRR. ESMA has to further specify the concept of a recognised exchange for the precise provisions listed in the empowerment in Article 197(8)(b) of the CRR but has to do so in accordance with the conditions imposed in the definition in Article 4(1)(72) CRR.

31. ESMA therefore considers that any specification of the concept of recognised exchange via an implementing technical standard is naturally limited by the conditions imposed in Article 4(1)(72) CRR. ESMA differentiates between three conditions contained in the CRR definition, which are further described below.

32. A definition of ‘recognised exchanges’ was already contained in Article 4(1)(47) CRD III. Under the CRD III regime each national competent authority could on that basis decide freely which venue they would recognise as exchanges for CRR purposes. Under the CRR and via specifying the concept of a recognised exchange further by ESMA, the aim is to unify the application of the recognised exchange concept in relation to the provisions listed in Article 197(8)(b) CRR.

33. If assets are not traded on a recognised exchange they do not fall under the Articles mentioned in the ESMA empowerment of Article 197(8)(b) CRR. Therefore, these assets cannot be used for credit risk mitigation under Articles 197(4), 198(1)(a), 224(1) and (4), and 299(2)(e) with the consequence of a capital charge enhancement for the bank. In Article 400(2)(k) exemptions for large credit exposure rules are defined. Only “assets items” constituting claims on and other exposure to recognised exchanges may fully or partially be exempted by a competent authority. If an asset does not meet these criteria the bank may violate the large exposure limit. Assets not listed on a recognised exchange also fail to meet the criteria laid out in Articles 416(3)(e), 428(1)(c) and Annex III (12) CRR for recognition as liquid assets and the bank may fail to comply with liquidity requirements.

34. The **first condition** to be met for an exchange to be a “recognised exchange” is being a “regulated market”. A definition of the term “regulated market” is already contained in Article 4(1)(14) of Directive

2004/39/EC (MiFID). For the purpose of specifying the "recognised exchanges" referred to in the Articles listed in Article 197(8)(b) CRR ESMA considers that a regulated market under the CRR is identical to a regulated market under MiFID so that all regulated markets authorised under MiFID shall also be considered regulated markets for the CRR. A "regulated market" in MiFID is defined as a multilateral system operated and/or managed by a market operator, which brings together or facilitates the bringing together of multiple third-party buying and selling interests in financial instruments – in the system and in accordance with its non-discretionary rules – in a way that results in a contract, in respect of the financial instruments admitted to trading under its rules and/or systems, and which is authorised and functions regularly and in accordance with Title III of MiFID.

35. A list of all regulated markets authorised under MiFID is published on the ESMA website (http://mifiddatabase.esma.europa.eu/Index.aspx?sectionlinks_id=23&language=0&pageName=REGULATED_MARKETS_Display).

36. The **second condition** to be met for an exchange to be a "recognised exchange" is having a clearing mechanism. Having consulted the European Commission on how this second condition is to be applied, ESMA understands that there is flexibility and that a broad selection of mechanisms can qualify.

37. In practice, all regulated markets, trading financial instruments not listed in Annex II of the CRR, should by virtue of being licensed as a regulated market under MiFID and by already having to have rules and procedures for the clearing and settlement of transactions in place under Article 42 (2e) MiFID be deemed of fulfilling this second condition.

38. For all contracts listed in Annex II of the CRR a **third condition** to be met for an exchange to be considered a "recognised exchange" is that the exchange has a clearing mechanism and that those contracts are subject to daily margin requirements which, in the opinion of the competent authorities, provide appropriate protection. Therefore all MiFID exchanges listing and trading the derivatives described in Annex II of the CRR have to have a clearing mechanism and appropriate margining requirements in place to qualify as a recognised exchange under the CRR.

39. In respect of margin requirements, ESMA takes the view that at least requirements as described in Article 41 of EMIR have to be in place to meet the requirements of the CRR. In addition, those margin requirements have to apply on a daily basis. For those rare derivatives exchanges which are not served by CCPs, the margining rules laid down in EMIR could be used as the benchmark for assessing the appropriateness of margining requirements.

40. Having scrutinised all the articles mentioned in the ESMA empowerment under Article 197(8)(b) CRR, ESMA notes that derivatives as listed in Annex II of the CRR are only within the scope of Article 299(2)(e), Article 400(2)(k) and Article 416(3)(c) CRR. The scope of the other Articles relevant for the ESMA empowerment in Article 197(8)(b) CRR covers only debt securities (Article 197 (4)(a) CRR), equities or convertible bonds (Article 198(1)(a) CRR), other equities or convertible bonds and other securities (Article 224(1) and (4) CRR), equity securities of non-financial entities (Article 428(1)(c) CRR), and Gold (point 12 of Annex III CRR). Therefore only those three Articles apply also to derivatives and only there daily margin requirements which, in the opinion of the competent authorities, provide appropriate protection can be relevant if a derivatives exchange is to qualify as a recognised exchange for the purposes of the CRR.

41. As far as third country exchanges are concerned ESMA takes note upon receiving advice from the European Commission that such exchanges are not to be specified in this ITS.

### IV.II. Conclusion

42. Upon consulting the European Commission, ESMA takes note that the legislative intent is to establish a concrete list of recognised exchanges via an ITS.

43. ESMA has therefore asked all CAs to apply the three criteria as described above to their national markets and proposes that all markets listed in the annex to the draft ITS below are to be considered recognised exchanges for the purposes of the CRR.

**Q6: Do you agree with ESMA's approach on how to specify recognised exchanges? Please give reasons for your answer**

**Q7: Do you agree with the concrete list of recognised exchanges as proposed?**

## V. Update

44. ESMA points out that due to the legislative constraints being imposed by the empowerment and the choice of an ITS as the legal instrument for establishing these concrete lists any change in practice to the list of exchanges, for instance due to a new exchange acquiring a licence, or reconsideration of the indices to be considered as "main index" will also necessitate a change of the ITS itself.

## Annex 1 – List of questions

**Q1: Do you agree with the criteria proposed for an absolute test? If not what criteria would you propose?**

**Q2: Do you agree with the criteria proposed for a relative test? If not what criteria would you propose?**

**Q3: Do you believe that there are convertible bond indices that should be specified as main indices? If so please provide details and evidence in support.**

**Q4: Do you believe that for equities the list should include both those that meet the absolute test and those that meet the relative test? If not which test do you think should be used?**

**Q5: Do you agree with the list of indices in the Annex? If you believe there should be additions please provide details, say what criteria they meet, and provide evidence in support.**

**Q6: Do you agree with ESMA's approach on how to specify recognised exchanges? Please give reasons for your answer**

**Q7: Do you agree with the concrete list of recognised exchanges as proposed?**

## Annex 2 – draft ITS

**COMMISSION IMPLEMENTING REGULATION (EU) No …/...**

**of […]**

**laying down implementing technical standards with regard to main indices and recognised exchanges according to Regulation (EU) No 575/2013 of the European Parliament and of the Council**

THE EUROPEAN COMMISSION,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to Regulation (EU) No 575/2013 of 26 June 2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012[7] and in particular Article 197(8) third subparagraph thereof,

Whereas:

*(1)* Article 197(1) of Regulation (EU) No 575/2013 states that equities or convertible bonds that are included in a main index can be used by credit institutions and investment firms as eligible collateral. Therefore, the indices listed in this Regulation should be ones that mainly consist of securities that can reasonably be expected to be realisable when a credit institution or investment firm needs to liquidate its collateral. This should be the case when at least 90% of the components of an index have a free float of at least €500 million or, in the absence of information about free float, a market capital of at least €1,000 million.

Furthermore it should be possible for institutions to use as collateral instruments that are liquid relative to the markets in which they are operating and meets a minimum level of liquidity. Therefore indices listed in this Regulation should also include an index if it includes no more than half of the total number of companies whose shares are traded on the market on which the indices are based, if the Average Daily Turnover is at least €100,000, and if it also meets two of the following three criteria: the total market capitalisation of the index should be at least 40% of the market capitalisation of all the companies whose shares are traded on that market; the total turnover of trading in the components of the index should be at least 40% of the total turnover of all equity trading on that market; and the index serves as an underlying for derivatives products.

*(2)* Article 197(4) of Regulation (EU) No 575/2013 states that debt securities issued by certain institutions, not having a credit assessment by an ECAI can be used as eligible collateral if they fulfil a number of conditions, one of them being that they are listed on a recognised exchange.

7 OJ L 176, 27.6.2013, p. 1.

(3) [to insert explanations in respect of other CRR Articles; they should be taken from the explanatory text after the consultation]

(4) For the purpose of this Regulation, an exchange qualifies as a recognised exchange if it is licensed as a regulated market in accordance with Directive 2004/39/EC and, in the case it trades financial instruments listed in Annex II of Regulation (EU) No 575/2013, if it operates margining requirements which provide appropriate protection in the opinion of the relevant competent authority.

(5) The updating of the lists of main indices and recognised exchanges constitutes a revision of this Regulation; therefore it should be carried out in accordance with the process described in Article 197(8) of Regulation (EU) No 575/2013 and Article 15 of Regulation (EU) No 1095/2010.

(6) This Regulation is based on the draft implementing technical standards submitted by the European Supervisory Authority (European Securities and Markets Authority) to the Commission.

(7) The European Supervisory Authority (European Securities and Markets Authority) has conducted an open public consultation, [has analysed the potential related costs and benefits] and has requested the opinion of the Securities and Markets Stakeholder Group referred to in Article 37 of Regulation 1095/2010.

HAS ADOPTED THIS REGULATION:

*Article 1 – Definitions*

For the purposes of this Regulation, the following definition applies:

'Regulated market' means a regulated market as defined in Article 4(1)(14) of Directive 2004/39/EC.

*Article 2 – Main indices for the purposes of Article 197 of Regulation (EU) No 575/2013*

The list of main indices for the purposes of Article 197 of Regulation (EU) No 575/2013 is provided in Annex 1.

*Article 3 – Recognised exchanges*

The list of recognised exchanges for the purposes of Article 197 of Regulation (EU) No 575/2013 is provided in Annex 2.

*Article 4- Final provision*

This Regulation shall enter into force on the twentieth day following that of its publication in the *Official Journal of the European Union*.

This Regulation shall be binding in its entirety and directly applicable in all Member States.

Done at Brussels,

*For the Commission*
*The President*

*On behalf of the President*

*[Position]*

**Annex 1 – Main indices specified under Article 197 of Regulation (EU) No 575/2013 under absolute and relative approaches**

| Country/Area covered | | Absolute | Relative | Combined |
|---|---|---|---|---|
| **EEA** | Austria | ATX | ATX | ATX |
| | Belgium | BEL20 | BEL20 | BEL20 |
| | Denmark | OMX Copenhagen 20 | OMX Copenhagen 20 | OMX Copenhagen 20 |
| | Finland | OMXH25 | OMXH25 | OMXH25 |
| | France | SBF120[8] | CAC40 | SBF120 |
| | Germany | DAX, MDAX | DAX | DAX, MDAX |
| | Italy | FTSE MIB | FTSE MIB | FTSE MIB |
| | Netherlands | AEX | AEX | AEX |
| | Poland | WIG20 | WIG20 | WIG20 |
| | Spain | IBEX35 | IBEX35 | IBEX35 |
| | Sweden | OMX Stockholm 30 | OMX Stockholm 30 | OMX Stockholm 30 |
| | UK | FTSE 100 | FTSE 100 | FTSE 100 |
| | Czech Republic | - | PX Prague | PX Prague |
| | Greece | - | FT ASE Large Cap | FT ASE Large Cap |
| | Ireland | - | ISEQ 20 | ISEQ 20 |
| | Norway | - | OBX | OBX |
| | Portugal | - | PSI 20 | PSI 20 |
| **Third country and global/regional** | Australia | ASX100 | | ASX100 |
| | Brazil | IBOVESPA | | IBOVESPA |
| | Canada | TSX60 | | TSX60 |
| | Europe | STOXX Europe 600 | | STOXX Europe 600 |
| | Global | MSCI World | | MSCI World |
| | Hong Kong | Hang Seng | | Hang Seng |
| | India | NIFTY | | NIFTY |
| | Japan | Nikkei225 | | Nikkei225 |
| | Japan | TOPIX100 | | TOPIX100 |

[8] Comprises CAC40, CAC Next 20, and CAC Mid Cap

| | | | | |
|---|---|---|---|---|
| | Mexico | Mexico Bolsa Index | | Mexico Bolsa Index |
| | New Zealand | NZSE10 | | NZSE10 |
| | Singapore | FTSE Straits Times Index | | FTSE Straits Times Index |
| | South Africa | FTSE JSE Top 40 | | FTSE JSE Top 40 |
| | South Korea | KOSPI 100 | | KOSPI 100 |
| | Taiwan | TSEC Taiwan 50 | | TSEC Taiwan 50 |
| | USA | NASDAQ100 | | NASDAQ100 |
| | USA | S&P 500 | | S&P 500 |

## Annex 2 – Recognised exchanges specified under Article 197 of Regulation (EU) No 575/2013

### Part 1 - Regulated markets having a clearing mechanism in accordance with Article 4(1)(72) of Regulation (EU) No 575/2013

| Regulated market | MIC |
|---|---|
| EURONEXT PARIS | XPAR |
| BOERSE BERLIN (REGULIERTER MARKT) | BERA |
| BOERSE BERLIN (BERLIN SECOND REGULATED MARKET) | BERC |
| BOERSE DUESSELDORF (REGULIERTER MARKT) | DUSA |
| BOERSE DUESSELDORF - QUOTRIX (REGULIERTER MARKT) | DUSC |
| BOERSE BERLIN EQUIDUCT TRADING (REGULIERTER MARKT) | EQTA |
| BOERSE BERLIN EQUIDUCT TRADING (BERLIN SECOND REGULATED MARKET) | EQTB |
| HANSEATISCHE WERTPAPIERBOERSE HAMBURG (REGULIERTER MARKT) | HAMA |
| NIEDERSAECHSISCHE BOERSE ZU HANNOVER (REGULIERTER MARKT) | HANA |
| BOERSE MUENCHEN (REGULIERTER MARKT) | MUNA |
| BOERSE MUENCHEN - MARKET MAKER MUNICH (REGULIERTER MARKT) | MUNC |
| BADEN-WUERTTEMBERGISCHE WERTPAPIERBOERSE (REGULIERTER MARKT) | STUA |
| FRANKFURTER WERTPAPIERBOERSE (REGULIERTER MARKT) | FRAA |
| TRADEGATE EXCHANGE (REGULIERTER MARKT) | XGRM |
| IRISH STOCK EXCHANGE - MAIN SECURITIES MARKET | XDUB |
| EURONEXT LISBON | XLIS |
| BOLSA DE BARCELONA | XBAR, XMCE, |
| BOLSA DE BILBAO | XBIL, XMCE |
| BOLSA DE MADRID | XMAD, XMCE, MERF |
| BOLSA DE VALENCIA | XVAL, XMCE |
| BONDVISION MARKET | BOND |
| ELECTRONIC OPEN-END FUNDS AND ETC MARKET | ETFP |
| MARKET FOR INVESTMENT VEHICLES (MIV) | MIVX |
| ELECTRONIC BOND MARKET | MOTX |
| ELECTRONIC SHARE MARKET | MTAA |
| MTS GOVERNMENT MARKET | MTSC |
| MTS CORPORATE MARKET | MTSM |
| SECURITISED DERIVATIVES MARKET | SEDX |
| MERCADO DE DEUDA PUBLICA EN ANOTACIONES | XDPA |
| AIAF - MERCADO DE RENTA FIJA | XDRF, SEND |

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| BOURSE DE LUXEMBOURG | XLUX |
| CYPRUS STOCK EXCHANGE | XCYS |
| SPOT REGULATED MARKET - BMFMS | SBMF |
| SPOT REGULATED MARKET - BVB | XBSE |
| RM-SYSTEM | XRMZ |
| PRAGUE STOCK EXCHANGE | XPRA |
| BATS EUROPE REGULATED MARKET | BATE<br>CHIX |
| ISDX MAIN BOARD | ISDX |
| EURONEXT LONDON | XLDN |
| LONDON STOCK EXCHANGE - REGULATED MARKET | XLON |
| NASDAQ OMX RIGA | XRIS |
| GXG OFFICIAL LIST | GXGR |
| NASDAQ OMX STOCKHOLM AB | XSTO |
| NORDIC GROWTH MARKET NGM AB | XNGM |
| NASDAQ OMX COPENHAGEN A/S | XCSE |
| OSLO AXESS | XOAS |
| OSLO BØRS ASA | XOSL |
| NASDAQ OMX TALLINN | XTAL |
| NASDAQ OMX HELSINKI (ARVOPAPERIPÖRSSI) | XHEL |
| VIENNA STOCKEXCHANGE OFFICIAL MARKET (AMTLICHER HANDEL) | WBAH |
| VIENNA STOCKEXCHANGE SECOND REGULATED MARKET (GEREGELTER FREIVERKEHR) | WBGF |
| NASDAQ OMX ICELAND HF | XICE |
| BUDAPEST STOCK EXCHANGE | XBUD |
| BRATISLAVA STOCK EXCHANGE | XBRA |
| AB NASDAQ OMX VILNIUS | XLIT |
| EURONEXT BRUSSELS | XBRU |
| ZAGREB STOCK EXCHANGE | XZAG |
| ELECTRONIC SECONDARY SECURITIES MARKET | HDAT |
| ATHENS EXCHANGE SECURITIES MARKET | XATH |
| AB NASDAQ OMX VILNIUS | XLIT |
| EURONEXT AMSTERDAM | XAMS |
| BONDSPOT SECURITIES MARKET | RPWC |
| WARSAW STOCK EXCHANGE/BONDS/CATALYST/MAIN MARKET | WBON |
| WARSAW STOCK EXCHANGE/ETPS | WETP |
| WARSAW STOCK EXCHANGE/EQUITIES/MAIN MARKET | XWAR |
| LJUBLJANA STOCK EXCHANGE OFFICIAL MARKET | XLJU |

**Part 2 - Regulated markets having a clearing mechanism whereby contracts listed in Annex II of Regulation (EU) No 575/2013 provide appropriate protection in the opinion of competent authorities in accordance with Article 4(1)(72) of Regulation No 575/2013**

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| MATIF | XMAT |
| MONEP | XMON |
| POWERNEXT DERIVATIVES | XPOW |
| EUROPEAN ENERGY EXCHANGE | XEEE |
| EUREX DEUTSCHLAND | XEUR |
| MERCADO DE FUTUROS E OPCOES | MFOX |
| MERCADO REGULAMENTADO DE DERIVADOS DO MIBEL | OMIP |
| MEFF EXCHANGE | XMRV, XMPW |
| MERCADO DE FUTUROS DE ACEITE DE OLIVA - S.A | XSRM |
| DERIVATIVES REGULATED MARKET - BMFMS | BMFM |
| DERIVATIVES REGULATED MARKET - BVB | XBSD |
| POWER EXCHANGE CENTRAL EUROPE | XPXE |
| CME EUROPE LIMITED | CMED |
| INTERCONTINENTAL EXCHANGE - ICE FUTURES EUROPE | IFEU |
| ICE FUTURES EUROPE - FINANCIAL PRODUCTS DIVISION | IFLL |
| ICE FUTURES EUROPE - EQUITY PRODUCTS DIVISION | IFLO |
| ICE FUTURES EUROPE - AGRICULTURAL PRODUCTS DIVISION | IFLX |
| THE LONDON INTERNATIONAL FINANCIAL FUTURES AND OPTIONS EXCHANGES (LIFFE) | XLIF |
| THE LONDON METAL EXCHANGE | XLME |
| LONDON STOCK EXCHANGE DERIVATIVES MARKET | XLOD |
| ITALIAN DERIVATIVES MARKET | XDMI |
| NASDAQ OMX STOCKHOLM AB | XSTO |
| FISH POOL ASA | FISH |
| NASDAQ OMX OSLO ASA | NORX |
| OSLO BØRS ASA | XOSL |
| EURONEXT BRUSSELS DERIVATIVES | XBRD |
| ATHENS EXCHANGE DERIVATIVES MARKET | XADE |
| VIENNA STOCKEXCHANGE OFFICIAL MARKET (AMTLICHER HANDEL) | WBAH |
| BUDAPEST STOCK EXCHANGE | XBUD |
| EUROPEAN ENERGY DERIVATIVES EXCHANGE N.V. | NDEX |
| EURONEXT EQF - EQUITIES AND INDICES DERIVATIVES | XEUE |
| WARSAW STOCK EXCHANGE/FINANCIAL DERIVATIVES | WDER |