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⁽¹⁾ Text with EEA relevance.

EN

Acts whose titles are printed in light type are those relating to day-to-day management of agricultural matters, and are generally valid for a limited period.

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II

(Non-legislative acts)

REGULATIONS

COMMISSION DELEGATED REGULATION (EU) 2021/236

of 21 December 2020

amending technical standards laid down in Delegated Regulation (EU) 2016/2251 as regards to the timing of when certain risk management procedures will start to apply for the purpose of the exchange of collateral

(Text with EEA relevance)

THE EUROPEAN COMMISSION,

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

Having regard to Regulation (EU) No 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories ⁽¹⁾, and in particular Article 11(15) thereof,

Whereas:

- (1) Commission Delegated Regulation (EU) 2016/2251 ⁽²⁾ specifies, among others, the risk-management procedures, including the levels and type of collateral and segregation arrangements referred to in Article 11(3) of Regulation (EU) No 648/2012, that financial counterparties are required to have for the exchange of collateral, with respect to their OTC derivative contracts not cleared by a central counterparty. Delegated Regulation (EU) 2016/2251 implements the international framework for the exchange of collateral that has been agreed at the global level by the Basel Committee on Banking Supervision (BCBS) and the International Organisation of Securities Commissions (IOSCO).
- (2) Many counterparties enter into physically settled foreign exchange forward and physically settled foreign exchange swap contracts to hedge their risks associated with their currency risk exposures. In view of the specific risk profile of these contracts and the need for international regulatory convergence, it is appropriate to restrict the mandatory exchange of variation margin for those contracts between the most systemic counterparties. A permanent exemption should be introduced for these contracts when entered into with non-institutions.
- (3) Delegated Regulation (EU) 2016/2251 provides for a phase-in over a number of years which reflects the implementation schedule agreed by the BCBS and the IOSCO. That phase-in aims at ensuring international consistency and thus at minimising possibilities for regulatory arbitrage. The phase-in also aims at facilitating a proportionate and effective implementation of the requirements concerned by giving counterparties, depending on the category of counterparty, on the type of contract and on when the contract was entered into or novated, sufficient time to adapt their internal systems and processes to the requirements concerned. Finally, the phase-in provided for in Delegated Regulation (EU) 2016/2251 takes into account the scope and level of implementation for

⁽¹⁾ OJ L 201, 27.7.2012, p. 1.

⁽²⁾ Commission Delegated Regulation (EU) 2016/2251 of 4 October 2016 supplementing Regulation (EU) No 648/2012 of the European Parliament and of the Council on OTC derivatives, central counterparties and trade repositories with regard to regulatory technical standards for risk-mitigation techniques for OTC derivative contracts not cleared by a central counterparty (OJ L 340, 15.12.2016, p. 9).

the requirements concerning the exchange of collateral that was agreed by the BCBS and the IOSCO for other jurisdictions, thus avoiding market fragmentation and ensuring a global level playing field for counterparties established in the Union. In particular, Delegated Regulation (EU) 2016/2251 provides for more time for certain products that are not subject to equivalent margin requirements in other jurisdictions.

- (4) The BCBS and IOSCO have now amended their schedule for the implementation of the requirements concerning the exchange of collateral to support the smooth and orderly implementation of the margin requirements at the international level, and in particular because smaller counterparties were not able to meet the originally envisaged deadline. In addition, there are still third countries in which certain products are not subject to equivalent margin requirements. That amendment to the implementation schedule the BCBS and the IOSCO should therefore be reflected in the phase-in provided for in Delegated Regulation (EU) 2016/2251.
- (5) The European Banking Authority, the European Insurance and Occupational Pensions Authority and the European Securities and Markets Authority (the ESAs) have monitored the progress that counterparties have made implementing the initial margin requirements for non-centrally cleared derivatives. The ESAs are aware that in the final phase of implementation, the initial margin requirements will apply to a large number of entities for the first time. In the interest of supporting the smooth and orderly implementation of the margin requirements across members of the BCBS and the IOSCO and to avoid market fragmentation, the deadline for the implementation of the initial margin requirements should be extended by an extra year for counterparties with an aggregate average notional amount of non-centrally cleared derivatives between EUR 8 billion and EUR 50 billion.
- (6) The ESAs have also monitored the impact of the COVID-19 outbreak on the financial markets, and in particular with respect to the significant challenges posed to counterparties by COVID-19, including the displacement of staff and the need to focus resources on managing risks associated with the related market volatility. The BCBS-IOSCO framework was also amended to take into account those effects of the COVID-19 outbreak and to postpone the implementation of the of the initial margin requirements. That amendment needs to be reflected in the implementation schedule laid down in Delegated Regulation (EU) 2016/2251. Such further extension of the deadline for the implementation of the initial margin requirements would result in counterparties with an aggregate average notional amount of non-centrally cleared derivatives above EUR 50 billion being subject to the initial margin requirements from 1 September 2021, and counterparties with an aggregate average notional amount of non-centrally cleared derivatives above EUR 8 billion being subject to the initial margin requirements from 1 September 2022.
- (7) Delegated Regulation (EU) 2016/2251 provides for a deferred date of application of the bilateral margin requirements for non-centrally cleared OTC derivative contracts concluded between counterparties which are part of the same group and where one counterparty is established in a third country and the other counterparty is established in the Union. That deferred date of application was necessary to ensure that such OTC derivative contracts were not subject to the bilateral margin requirements before the adoption of an implementing act pursuant to Article 13(2) of Regulation (EU) No 648/2012. Despite the efforts invested to analyse third country jurisdictions in relation to which any such implementing act may be warranted, to date, only two such implementing acts have been adopted pursuant to Article 13(2) of Regulation (EU) No 648/2012 in relation to non-centrally cleared OTC derivative transactions. The application of the bilateral margin requirements for non-centrally cleared OTC derivative intragroup contracts should therefore be further deferred to avoid the unintended detrimental economic impact that the expiry of that exemption would have on Union firms.
- (8) To avoid market fragmentation and to ensure a global level playing field for counterparties established in the Union, international regulatory convergence should also be ensured with regard to risk-management procedures for other classes of OTC derivatives that are not subject to equivalent margin requirements. In particular, acknowledging the fact that in some jurisdictions single-stock equity options and index options are not subject to equivalent margin

requirements, and that it is unlikely, especially in the current context, that those jurisdictions will move anytime soon towards more regulatory convergence with regard to those products, the treatment of those products should be further phased-in. That further phase-in period should provide time for monitoring regulatory developments in other jurisdictions and should ensure that appropriate requirements are in place in the Union to mitigate counterparty credit risk in respect of such contracts whilst avoiding scope for regulatory arbitrage.

- (9) The United Kingdom became a third country on 1 February 2020 and Union law will cease to apply to and in the United Kingdom on 31 December 2020. The requirement to exchange collateral set out in Regulation (EU) No 648/2012 in respect of over-the-counter ('OTC') derivative contracts not cleared by a central counterparty ('CCP') does not take into account the eventuality of a Member State withdrawing from the Union. The challenges faced by parties to an OTC derivative contract whose counterparties are established in the United Kingdom are a direct consequence of an event that is beyond their control and may put them at a disadvantage compared to other counterparties in the Union. Delegated Regulation (EU) 2016/2251 specifies different dates of application of the procedures to exchange collateral for non-centrally cleared OTC derivative contracts, depending on the category of counterparty to those contracts. Counterparties cannot predict what the status of a counterparty established in the United Kingdom might become or to what extent that counterparty would be able to continue providing certain services to counterparties established in the Union.
- (10) To address that situation, counterparties may want to novate their contract by replacing the counterparty established in the United Kingdom with a counterparty in a Member State. Before Regulation (EU) No 648/2012 and Delegated Regulation (EU) 2016/2251 applied, counterparties to non-centrally cleared OTC derivative contracts were not required to exchange collateral, and bilateral trades were therefore not collateralised or they were collateralised on a voluntary basis. If counterparties were to be required to exchange collateral as a result of novating their contracts to address the withdrawal of the United Kingdom from the Union, the other counterparty may not be able to agree to the novation. In order to ensure the smooth functioning of the market and a level playing field between counterparties established in the Union, counterparties should be able to replace counterparties established in the United Kingdom with counterparties in a Member State without being required to exchange collateral in respect of those novated contracts.
- (11) In addition, counterparties should be given sufficient time to replace their counterparties established in the United Kingdom. The date from which the requirement to exchange collateral may be triggered for the novation of those contracts should therefore be deferred.
- (12) Delegated Regulation (EU) 2016/2251 should therefore be amended accordingly.
- (13) This Regulation is based on the draft regulatory technical standards submitted by the ESAs to the Commission.
- (14) The amendments to Delegated Regulation (EU) 2016/2251 are limited adjustments of the existing regulatory framework in line with international developments. Given the limited scope of the amendments and the urgency of the matter, it would be disproportionate for the ESAs to conduct open public consultations or analyses of the potential related costs and benefits. The ESAs nevertheless requested the opinion of the Banking Stakeholder Group established in accordance with Article 37 of Regulation (EU) No 1093/2010 of the European Parliament and of the

Council ⁽³⁾, the opinion of the Insurance and Reinsurance Stakeholder Group and the Occupational Pensions Stakeholder Group established in accordance with Article 37 of Regulation (EU) No 1094/2010 of the European Parliament and of the Council ⁽⁴⁾, and the opinion of the Securities and Markets Stakeholder Group established in accordance with Article 37 of Regulation (EU) No 1095/2010 of the European Parliament and of the Council ⁽⁵⁾.

- (15) It is necessary to provide market participants legal certainty as quickly as possible so that they can adequately prepare for complying with the requirements laid down in Regulation (EU) No 648/2012, the application of which will be affected by this Delegated Regulation, in particular with respect to the requirements for which the current applicable deadline is approaching rapidly. This Regulation should therefore enter into force as a matter of urgency,

HAS ADOPTED THIS REGULATION:

Article 1

Amendment to Delegated Regulation (EU) 2016/2251

Delegated Regulation (EU) 2016/2251 is amended as follows:

- (1) the following Article 31a is inserted:

Article 31a

Treatment of physically settled foreign exchange forwards and physically settled foreign exchange swaps

By way of derogation from Article 2(2), counterparties may provide in their risk management procedures that variation margins are not required to be posted or collected for physically settled foreign exchange forward contracts and physically settled foreign exchange swap contracts where one of the counterparties is not an institution as defined in Article 4(1), point (3), of Regulation (EU) No 575/2013 of the European Parliament and of the Council ^(*) or would not qualify as such an institution if it were established in the Union.

^(*) 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 (OJ L 176, 27.6.2013, p. 1).;

- (2) Article 35 of Delegated Regulation (EU) 2016/2251 is replaced by the following:

Article 35

Transitional provisions

Counterparties referred to in Article 11(3) of Regulation (EU) No 648/2012 may continue to apply the risk-management procedures that they have in place on 18 February 2021 in respect of non-centrally cleared OTC derivative contracts entered into or novated between 16 August 2012 and the relevant dates of application of this Regulation.

⁽³⁾ Regulation (EU) No 1093/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Banking Authority), amending Decision No 716/2009/EC and repealing Commission Decision 2009/78/EC (OJ L 331, 15.12.2010, p. 12).

⁽⁴⁾ Regulation (EU) No 1094/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Insurance and Occupational Pensions Authority), amending Decision No 716/2009/EC and repealing Commission Decision 2009/79/EC (OJ L 331, 15.12.2010, p. 48).

⁽⁵⁾ Regulation (EU) No 1095/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Securities and Markets Authority), amending Decision No 716/2009/EC and repealing Commission Decision 2009/77/EC (OJ L 331, 15.12.2010, p. 84).

Counterparties referred to in Article 11(3) of Regulation (EU) No 648/2012 may also continue to apply the risk-management procedures that they have in place on 18 February 2021 in respect of non-centrally cleared OTC derivative contracts fulfilling all of the following conditions:

- (a) the non-centrally cleared OTC derivative contracts have been entered into or novated either before the relevant dates of application of this Regulation as set out in Articles 36, 37 and 38 of this Regulation or 18 February 2021, whichever is earlier;
 - (b) the non-centrally cleared OTC derivative contracts are novated for the sole purpose of replacing a counterparty established in the United Kingdom with a counterparty established in a Member State;
 - (c) the non-centrally cleared OTC derivative contracts are novated between 1 January 2021 and either of the following, whichever is the later:
 - (i) the relevant dates of application set out in Articles 36, 37 and 38 of this Regulation; or
 - (ii) 1 January 2022.;
- (3) Article 36 is amended as follows:
- (a) paragraph 1 is amended as follows:
 - (i) point (e) is replaced by the following:

‘(e) from 1 September 2021, where both counterparties have, or belong to groups each of which has, an aggregate average notional amount of non-centrally cleared derivatives that is above EUR 50 billion.;
 - (ii) the following point is added:

‘(f) from 1 September 2022, where both counterparties have, or belong to groups each of which has, an aggregate average notional amount of non-centrally cleared derivatives that is above EUR 8 billion.;
 - (b) in paragraph 2, point (a) is replaced by the following:

‘(a) from 30 June 2022 where no equivalence decision has been adopted pursuant to Article 13(2) of Regulation (EU) No 648/2012 for the purposes of Article 11(3) of that Regulation in respect of the relevant third country.;
- (4) in Article 37(3), point (a) is replaced by the following:
- ‘(a) from 30 June 2022 where no equivalence decision has been adopted pursuant to Article 13(2) of Regulation (EU) No 648/2012 for the purposes of Article 11(3) of that Regulation in respect of the relevant third country.;
- (5) in Article 38, paragraph 1 is replaced by the following:
- ‘1. By way of derogation from Article 36(1) and Article 37, in respect of all non-centrally cleared OTC derivatives which are single-stock equity options or index options, the Articles referred to in Articles 36(1) and 37 shall apply from 4 January 2024.’.

Article 2

Entry into force

This Regulation shall enter into force on the 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, 21 December 2020.

For the Commission
The President
Ursula VON DER LEYEN

COMMISSION DELEGATED REGULATION (EU) 2021/237**of 21 December 2020****amending regulatory technical standards laid down in Delegated Regulations (EU) 2015/2205, (EU) 2016/592 and (EU) 2016/1178 as regards the date at which the clearing obligation takes effect for certain types of contracts****(Text with EEA relevance)**

THE EUROPEAN COMMISSION,

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

Having regard to Regulation (EU) No 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories ⁽¹⁾, and in particular Article 5(2) thereof,

Whereas:

- (1) Commission Delegated Regulations (EU) 2015/2205 ⁽²⁾, (EU) 2016/592 ⁽³⁾ and (EU) 2016/1178 ⁽⁴⁾ specify, among others, the effective dates of the clearing obligation for contracts pertaining to the classes of OTC derivatives set out in the Annexes to those Regulations. Those Regulations laid down deferred dates of application of the clearing obligation for OTC derivative contracts concluded between counterparties which are part of the same group and where one counterparty is established in a third country and the other counterparty is established in the Union. Those deferred dates were necessary to ensure that such OTC derivative contracts were not subject to the clearing obligation before the adoption of an implementing act pursuant to Article 13(2) of Regulation (EU) No 648/2012.
- (2) Since 2018, no implementing act pursuant to Article 13(2) of Regulation (EU) No 648/2012 has been adopted in relation to the clearing obligation. The application of the clearing obligation for OTC derivative contracts concluded between counterparties which are part of the same group and where one counterparty is established in a third country and the other counterparty is established in the Union has therefore been deferred by Commission Delegated Regulation (EU) 2019/667 ⁽⁵⁾, either until 21 December 2020 or until the adoption of those implementing acts. Despite the efforts invested to analyse third-country jurisdictions in relation to which any such implementing act may be warranted, no implementing act pursuant to Article 13(2) of Regulation (EU) No 648/2012 has yet been adopted in relation to the clearing obligation. The application of the clearing obligation to those contracts should therefore be further deferred to avoid the unintended detrimental economic impact that the expiry of that exemption would have on Union firms.
- (3) The United Kingdom became a third country on 1 February 2020 and Union law will cease to apply to and in the United Kingdom on 31 December 2020. The clearing obligation laid down in Regulation (EU) No 648/2012 does not however take into account the eventuality of a Member State withdrawing from the Union. Delegated Regulations (EU) 2015/2205, (EU) 2016/592 and (EU) 2016/1178 specify the dates from which the clearing obligation is to take effect for contracts pertaining to certain classes of OTC derivatives. In addition, those Regulations provide for different dates depending on the category of counterparty to those contracts. Counterparties cannot predict what the status of a counterparty established in the United Kingdom might become

⁽¹⁾ OJ L 201, 27.7.2012, p. 1.

⁽²⁾ Commission Delegated Regulation (EU) 2015/2205 of 6 August 2015 supplementing Regulation (EU) No 648/2012 of the European Parliament and of the Council with regard to regulatory technical standards on the clearing obligation (OJ L 314, 1.12.2015, p. 13).

⁽³⁾ Commission Delegated Regulation (EU) 2016/592 of 1 March 2016 supplementing Regulation (EU) No 648/2012 of the European Parliament and of the Council with regard to regulatory technical standards on the clearing obligation (OJ L 103, 19.4.2016, p. 5).

⁽⁴⁾ Commission Delegated Regulation (EU) 2016/1178 of 10 June 2016 supplementing Regulation (EU) No 648/2012 of the European Parliament and of the Council with regard to regulatory technical standards on the clearing obligation (OJ L 195, 20.7.2016, p. 3).

⁽⁵⁾ Commission Delegated Regulation (EU) 2019/667 of 19 December 2018 amending Delegated Regulations (EU) 2015/2205, (EU) 2016/592 and (EU) 2016/1178 to extend the dates of deferred application of the clearing obligation for certain OTC derivative contracts (OJ L 113, 29.4.2019, p. 1).

or to what extent that counterparty would be able to continue providing certain services to counterparties established in the Union. The challenges faced by the parties to an OTC derivative contract whose counterparties are established in the United Kingdom are therefore a direct consequence of an event that is beyond their control and may put them at a disadvantage compared to other counterparties in the Union.

- (4) To address that situation, counterparties may want to novate the contract by replacing the counterparty established in the United Kingdom with a counterparty in a Member State. If, due to the withdrawal of the United Kingdom from the Union, it is decided to replace the counterparty established in the United Kingdom with a new counterparty established in the Union, the replacement may trigger the clearing obligation if it occurs on or after the date from which the clearing obligation takes effect for that type of contract. As a result, the parties may have to clear that contract in an authorised or recognised CCP. Since centrally cleared contracts are subject to a different collateral regime than non-centrally cleared contracts, the triggering of the clearing obligation could force certain counterparties to discontinue their transactions, leaving certain risks unhedged. In order to ensure the smooth functioning of the market and a level playing field between counterparties established in the Union, counterparties should be able to replace counterparties established in the United Kingdom with counterparties established in a Member State without triggering the clearing obligation.
- (5) In addition, counterparties should be given sufficient time to replace their counterparties established in the United Kingdom. The date from which the clearing obligation may be triggered for the novation of those contracts should therefore be deferred.
- (6) Regulation (EU) No 648/2012 has been amended by Regulation (EU) 2019/834 of the European Parliament and of the Council ⁽⁶⁾. Due to that amendment, it is no longer required to clear certain OTC derivative contracts concluded before the clearing obligation takes effect. It is neither any longer required to specify the minimum remaining maturities of the OTC derivative contracts referred to in Article 4 of Regulation (EU) No 648/2012. Therefore, Delegated Regulations (EU) 2015/2205, (EU) 2016/592 and (EU) 2016/1178 should no longer specify minimum remaining maturities.
- (7) Delegated Regulations (EU) 2015/2205, (EU) 2016/592 and (EU) 2016/1178 should be amended accordingly.
- (8) This Regulation is based on the draft regulatory technical standards submitted to the Commission by the European Securities and Markets Authority.
- (9) The amendments to Delegated Regulations (EU) 2015/2205, (EU) 2016/592 and (EU) 2016/1178 are limited adjustments of the existing regulatory framework. Given the limited scope of the amendments and the urgency of the matter, it would be highly disproportionate for ESMA to conduct open public consultations or analyses of the potential related costs and benefits. For the same reasons ESMA has not consulted the Securities and Markets Stakeholder Group established by Article 37 of Regulation (EU) No 1095/2010 of the European Parliament and of the Council ⁽⁷⁾ of which it was informed accordingly.

⁽⁶⁾ Regulation (EU) 2019/834 of the European Parliament and of the Council of 20 May 2019 amending Regulation (EU) No 648/2012 as regards the clearing obligation, the suspension of the clearing obligation, the reporting requirements, the risk-mitigation techniques for OTC derivative contracts not cleared by a central counterparty, the registration and supervision of trade repositories and the requirements for trade repositories (OJ L 141, 28.5.2019, p. 42).

⁽⁷⁾ Regulation (EU) No 1095/2010 of the European Parliament and of the Council of 24 November 2010 establishing a European Supervisory Authority (European Securities and Markets Authority), amending Decision No 716/2009/EC and repealing Commission Decision 2009/77/EC (OJ L 331, 15.12.2010, p. 84).

- (10) It is necessary to provide market participants legal certainty as quickly as possible so that they can adequately prepare for complying with the requirements under Regulation (EU) No 648/2012, the application of which will be affected by this Regulation, in particular with respect to the requirements for which the current applicable deadline is approaching rapidly. This Regulation should therefore enter into force as a matter of urgency,

HAS ADOPTED THIS REGULATION:

Article 1

Amendments to Delegated Regulation (EU) 2015/2205

Delegated Regulation (EU) 2015/2205 is amended as follows:

(1) Article 3 is amended as follows:

(a) in paragraph 2, first subparagraph, point (a) is replaced by the following:

‘(a) 30 June 2022 in case no equivalence decision has been adopted pursuant to Article 13(2) of Regulation (EU) No 648/2012 for the purposes of Article 4 of that Regulation covering the OTC derivative contracts set out in the Annex to this Regulation in respect of the relevant third country;’;

(b) the following paragraph 3 is added:

‘3. By way of derogation from paragraphs 1 and 2, in respect of contracts pertaining to a class of OTC derivatives set out in the Annex, the clearing obligation shall take effect from 18 February 2022 where the following conditions are fulfilled:

(a) the clearing obligation has not been triggered by 18 February 2021;

(b) the contracts are novated for the sole purpose of replacing the counterparty established in the United Kingdom with a counterparty established in a Member State.’;

(2) Article 4 is deleted.

Article 2

Amendments to Delegated Regulation (EU) 2016/592

Delegated Regulation (EU) 2016/592 is amended as follows:

(1) Article 3 is amended as follows:

(a) in paragraph 2, first subparagraph, point (a) is replaced by the following:

‘(a) 30 June 2022 in case no equivalence decision has been adopted pursuant to Article 13(2) of Regulation (EU) No 648/2012 for the purposes of Article 4 of that Regulation covering the OTC derivative contracts set out in the Annex to this Regulation in respect of the relevant third country;’;

(b) the following paragraph 3 is added:

‘3. By way of derogation from paragraphs 1 and 2, in respect of contracts pertaining to a class of OTC derivatives set out in the Annex, the clearing obligation shall take effect from 18 February 2022 where the following conditions are fulfilled:

(a) the clearing obligation has not been triggered by 18 February 2021;

(b) the contracts are novated for the sole purpose of replacing the counterparty established in the United Kingdom with a counterparty established in a Member State.’;

(2) Article 4 is deleted.

*Article 3***Amendments to Delegated Regulation (EU) 2016/1178**

Delegated Regulation (EU) 2016/1178 is amended as follows:

(1) Article 3 is amended as follows:

(a) in paragraph 2, first subparagraph, point (a) is replaced by the following:

‘(a) 30 June 2022 in case no equivalence decision has been adopted pursuant to Article 13(2) of Regulation (EU) No 648/2012 for the purposes of Article 4 of that Regulation covering the OTC derivative contracts set out in the Annex to this Regulation in respect of the relevant third country;’

(b) the following paragraph 3 is added:

‘3. By way of derogation from paragraphs 1 and 2, in respect of contracts pertaining to a class of OTC derivatives set out in the Annex, the clearing obligation shall take effect from 18 February 2022 where the following conditions are fulfilled:

(a) the clearing obligation has not been triggered by 18 February 2021;

(b) the contracts are novated for the sole purpose of replacing the counterparty established in the United Kingdom with a counterparty established in a Member State.’;

(2) Article 4 is deleted.

*Article 4***Entry into force**

This Regulation shall enter into force on the 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, 21 December 2020.

For the Commission
The President
Ursula VON DER LEYEN

COMMISSION IMPLEMENTING REGULATION (EU) 2021/238**of 16 February 2021****amending Implementing Regulation (EU) 2020/532 as regards a derogation from Implementing Regulations (EU) No 180/2014 and (EU) No 181/2014 for checks of specific measures for agriculture in the outermost regions of the Union and the smaller Aegean islands**

THE EUROPEAN COMMISSION,

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

Having regard to Regulation (EU) No 1306/2013 of the European Parliament and of the Council of 17 December 2013 on the financing, management and monitoring of the common agricultural policy and repealing Council Regulations (EEC) No 352/78, (EC) No 165/94, (EC) No 2799/98, (EC) No 814/2000, (EC) No 1290/2005 and (EC) No 485/2008 ⁽¹⁾, and in particular points (a) and (b) of the first subparagraph of Article 62(2) thereof,

Having regard to Regulation (EU) No 228/2013 of the European Parliament and of the Council of 13 March 2013 laying down specific measures for agriculture in the outermost regions of the Union and repealing Council Regulation (EC) No 247/2006 ⁽²⁾, and in particular Article 8 and the second subparagraph of Article 18(1) thereof,

Having regard to Regulation (EU) No 229/2013 of the European Parliament and of the Council of 13 March 2013 laying down specific measures for agriculture in favour of the smaller Aegean islands and repealing Council Regulation (EC) No 1405/2006 ⁽³⁾, and in particular Article 7, Article 11(3) and the second subparagraph of Article 14(1) thereof,

Whereas:

- (1) Due to the pandemic of COVID-19 and the extensive movement restrictions put in place in the Member States, exceptional administrative difficulties have been encountered in all Member States with the planning and execution of timely on-the-spot checks to the required number.
- (2) In view of the unprecedented nature of those circumstances, it was necessary to alleviate those difficulties by derogating from different Implementing Regulations applicable in the area of the common agricultural policy as regards certain administrative and on-the-spot checks.
- (3) Commission Implementing Regulation (EU) 2020/532 ⁽⁴⁾ contains derogations from, inter alia, Commission Implementing Regulations (EU) No 809/2014 ⁽⁵⁾, (EU) No 180/2014 ⁽⁶⁾ and (EU) No 181/2014 ⁽⁷⁾.

⁽¹⁾ OJ L 347, 20.12.2013, p. 549.

⁽²⁾ OJ L 78, 20.3.2013, p. 23.

⁽³⁾ OJ L 78, 20.3.2013, p. 41.

⁽⁴⁾ Commission Implementing Regulation (EU) 2020/532 of 16 April 2020 derogating in respect of the year 2020 from Implementing Regulations (EU) No 809/2014, (EU) No 180/2014, (EU) No 181/2014, (EU) 2017/892, (EU) 2016/1150, (EU) 2018/274, (EU) 2017/39, (EU) 2015/1368 and (EU) 2016/1240 as regards certain administrative and on-the-spot checks applicable within the common agricultural policy (OJ L 119, 17.4.2020, p. 3).

⁽⁵⁾ Commission Implementing Regulation (EU) No 809/2014 of 17 July 2014 laying down rules for the application of Regulation (EU) No 1306/2013 of the European Parliament and of the Council with regard to the integrated administration and control system, rural development measures and cross compliance (OJ L 227, 31.7.2014, p. 69).

⁽⁶⁾ Commission Implementing Regulation (EU) No 180/2014 of 20 February 2014 laying down rules for the application of Regulation (EU) No 228/2013 of the European Parliament and of the Council laying down specific measures for agriculture in the outermost regions of the Union (OJ L 63, 4.3.2014, p. 13).

⁽⁷⁾ Commission Implementing Regulation (EU) No 181/2014 of 20 February 2014 laying down rules for the application of Regulation (EU) No 229/2013 of the European Parliament and of the Council laying down specific measures for agriculture in favour of the smaller Aegean islands (OJ L 63, 4.3.2014, p. 53).

- (4) Article 22 of Implementing Regulation (EU) No 180/2014 and Article 20 of Implementing Regulation (EU) No 181/2014 provide that in all appropriate cases, Member States concerned shall make use of the integrated administration and control system when performing checks on specific measures for agriculture in the outermost regions of the Union and the smaller Aegean islands. The derogations specified in Chapter I of Implementing Regulation (EU) 2020/532 in respect of controls performed in the integrated administration and control system for direct payments and cross compliance apply therefore *mutatis mutandis* for these controls.
- (5) Certain on-the-spot checks on specific measures for agriculture in the outermost regions of the Union and the smaller Aegean islands are however performed outside of the integrated administration and control system, the derogations provided for in Chapter II of Implementing Regulation (EU) 2020/532 appeared not be sufficient to address the difficulties encountered in performing the on-the-spot-checks accurately and within the time limit, especially taking into account the geographical remoteness of the outermost regions.
- (6) Therefore it is appropriate to extend the derogations referred to in Chapter II of Implementing Regulation (EU) 2020/532 to the use of alternative evidence and/or adapted timing, provided that these could serve to verify the correct implementation of the measures while maintaining an appropriate level of assurance.
- (7) As this Regulation provides for an additional derogation from Implementing Regulations (EU) No 180/2014 and (EU) No 181/2014 in respect of claim year 2020 due to the pandemic of COVID-19, it should enter into force on the day of its publication in the *Official Journal of the European Union* and apply retroactively from the same date as Implementing Regulation (EU) 2020/532.
- (8) Article 59(5) of Regulation (EU) No 1306/2013 provides that Member States are to ensure a minimum level of on-the-spot checks needed for an effective management of the risks, and are to increase that minimum level where necessary. Considering the nature of these obligations and the proportionality of the control efforts in the circumstances of the pandemic of COVID-19, Member States making use of the derogations provided for in Implementing Regulation (EU) 2020/532 should be allowed not to take into account, in respect of the following claim year, the results of the checks performed. However, the increase in control rates that should have been applied in claim year 2020, should be applied by means of a corresponding increase in claim year 2021.
- (9) Implementing Regulation (EU) 2020/532 should therefore be amended accordingly.
- (10) The measures provided for in this Regulation are in accordance with the opinion of the Committee for Direct Payments.

HAS ADOPTED THIS REGULATION:

Article 1

Implementing Regulation (EU) 2020/532 is amended as follows:

- (1) in Article 12, the following paragraphs are added:

‘5. By way of derogation from Article 16(2) and Article 22 of Implementing Regulation (EU) No 180/2014, where due to the measures put in place to address the pandemic of COVID-19 Member States are not in a position to carry out on-the-spot checks in respect of the specific measures in favour of the outermost regions in accordance with the rules set out in those Articles, Member States may decide:

- (a) to substitute on-the-spot checks by the use of new technologies, including geotagged photos, dated photographs, dated drone surveillance reports, videoconferences with the beneficiaries or any relevant documentary evidence that could serve as support when verifying the correct implementation of the measures;
- (b) to carry those checks in respect of claim year 2020 at any time of the year, in so far that they still allow the checking of the eligibility conditions, including after the final payment is effected.

Member States making use of the derogations provided for in the first subparagraph, and in particular changing the timing of checks or reducing their number shall set procedures to use alternative methodology in order to maintain the appropriate level of assurance on the legality and regularity of expenditure and compliance with the requirements and standards of cross-compliance.

6. The results of the checks carried out in accordance with paragraphs 2 and 4 of this Article shall not be taken into account in respect of the following claim year for the purposes of Article 59(5) of Regulation (EU) No 1306/2013. However, the increase in control rates that should have been applied in claim year 2020 in accordance with Article 59(5) of that Regulation, shall be applied by means of a corresponding increase in claim year 2021.;

(2) in Article 13, the following paragraphs are added:

‘5. By way of derogation from Article 13(2) and Article 20 of Implementing Regulation (EU) No 181/2014, where due to the measures put in place to address the pandemic of COVID-19 Greece is not in a position to carry out on-the-spot checks in respect of the specific measures in favour of the smaller Aegean islands in accordance with the rules set out in those Articles, Greece may decide:

- (a) to substitute on-the-spot checks by the use of new technologies, including geotagged photos, dated photographs, dated drone surveillance reports, videoconferences with the beneficiaries or any relevant documentary evidence that could serve as support when verifying the correct implementation of the measures;
- (b) to carry those checks in respect of claim year 2020 at any time of the year, in so far that they still allow the checking of the eligibility conditions, including after the final payment is effected.

If making use of the derogations provided for in the first subparagraph, and in particular changing the timing of checks or reducing their number, Greece shall set procedures to use alternative methodology in order to maintain the appropriate level of assurance on the legality and regularity of expenditure and compliance with the requirements and standards of cross-compliance.

6. The results of the checks carried out in accordance with paragraphs 2 and 4 of this Article shall not be taken into account in respect of the following claim year for the purposes of Article 59(5) of Regulation (EU) No 1306/2013. However, the increase in control rates that should have been applied in claim year 2020 in accordance with that provision, shall be applied by means of a corresponding increase in claim year 2021.’.

Article 2

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

It shall apply from 20 April 2020.

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

Done at Brussels, 16 February 2021.

For the Commission
The President
Ursula VON DER LEYEN

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