Prudential requirements for credit institutions and investment firms: exemptions for commodity dealers

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OPINION OF THE EUROPEAN CENTRAL BANK on a proposal for a regulation amending Regulation (EU) No 575/2013 as regards exemptions for commodity dealers.

The ECB considered that while the large exposures and own funds requirements of Regulation (EU) No 575/2013 do not seem to be tailor-made for commodity dealers, a decision to extend the exemptions from these prudential requirements should take into consideration any potential systemic risks posed by commodity dealers. Such risks could stem from a number of sources.

The ECB has **so far not identified any concrete indications of systemic risk created by commodity dealers** that would make it strictly necessary at this stage to remove the exemptions for requirements concerning large exposures and own funds that apply at present.

Despite the considerable growth of the commodity derivatives markets over the past 15 years, there is no conclusive evidence, according to the ECB, that commodity derivatives trading has adverse effects on the wider financial system.

However, a **detailed impact analysis** appears to be a necessary step in terms of taking the most appropriate decision regarding the removal or the temporary extension of the exemptions. In particular, the ECB stated that consideration should be given to **level playing-field** issues relative to credit institutions which trade in commodities.

The ECB considered that the exemptions should indeed only be of temporary nature. The European Commission is expected to present a proposal for a comprehensive review of the prudential regulation of investment firms. The rationale for, and the objective of, a temporary extension of the exemptions should be confined to the avoidance of significant regulatory changes before such a comprehensive review, which should be carried out as soon as possible.