

December 14, 2020

VIA ELECTRONIC SUBMISSION

Organisation for Economic Co-operation and Development (OECD)
OECD Centre for Tax Policy and Administration
2, rue André Pascal
75016 Paris
France

Re: Public Consultation Document on the Reports on the Pillar One and Pillar Two Blueprints

Dear Madam, Dear Sir,

CCP12 - The Global Association of Central Counterparties - is pleased to see progress on the key OECD/G20 Inclusive Framework on BEPS, which is critical in addressing tax challenges given the evolution of trade and provision of goods and services globally. We consider that the consultation entitled "Public Consultation Document on the Reports on the Pillar One and Pillar Two Blueprints" issued by the OECD ("Consultation")¹ is carefully thought out and addresses the key points for both policy makers and the generally public to consider.

The report correctly excludes various industries, including Finance, and explicitly outlines the rationale for the exclusion of Banks, Insurance, and Asset Management. We consider however, that the **consultation would benefit from an explicit exclusion of Central Counterparties and the Exchanges they serve**. We suggest an exemption for CCPs that are registered, regulated, authorised or supervised in a jurisdiction or do not need to be registered, regulated, authorised or supervised by virtue of falling outside the requirement to be so by the competent authorities.

Central Counterparties, or CCPs, are risk management entities at the centre of financial markets. They are highly regulated entities, with global standards, local legislation, and regulations which outline their governance, operational requirements, functions and role in ensuring market transparency and fairness. The use of central clearing services provided by CCPs have been promoted by the IMF and the global financial standard setting bodies (Committee on Payments and Market Infrastructures, International Organisation of Securities Commissions, Financial Stability Board, Basel Committee on Banking Supervision), following the G20 commitments to increase their use in the aftermath of the Great Financial Crisis of 2007-2009.²

As outlined in the Report on Pillar One Blueprint³, there are certain sectors where the policy challenges of digitalisation do not present themselves, including finance. It is the clear view of CCP12 and its members that the regulated central clearing space of finance is such a sector and that the OECD/G20 work would benefit from an explicit exclusion. While we consider that much of the financial and commodity markets for which CCPs provide risk management services are already excluded by virtue of the Automated Digital Services and Consumer Facing Business tests, clarity for CCPs would

¹ OECD, Public Consultation Document on the Reports on the Pillar One and Pillar Two Blueprints (Oct. 2020), available at <http://www.oecd.org/tax/beps/public-consultation-document-reports-on-pillar-one-and-pillar-two-blueprints-october-2020.pdf>.

² G20 Leaders Statement: The Pittsburgh Summit, (Nov. 2011), available at <http://www.g20.utoronto.ca/2009/2009communique0925.html>.

³ OECD, Tax Challenges Arising from Digitalisation – Report on Pillar One Blueprint (Oct. 2020), available at <http://www.oecd.org/tax/beps/tax-challenges-arising-from-digitalisation-report-on-pillar-one-blueprint-beba0634-en.htm>.

be beneficial. This is also helpful for Banking, Insurance and Asset Management companies that are often the primary participants in the markets for which CCPs providing clearing services.

In particular, the explicit exclusion of Banking, Insurance, and Asset Management services despite the broad use of information technology also applies to centrally cleared markets (122, 123, 124 of the Report on Pillar One Blueprint). To the degree that certain centrally cleared markets may be considered to have a CFB nature, these are nonetheless subject to the same strict regulation and supervision as outlined in the Report³.

In addition to this commonality, CCP12 believes that exclusion of CCPs is warranted on the basis of the following key attributes:

- CCPs are highly regulated entities, subject to local regulatory requirements in their home jurisdiction that are consistent with international standards (i.e., PFMI) that are driven by the G20 and other multilateral organisations. These requirements cover, among other things, governance, membership, operations, risk management and geographical scope.
- Similarly to banks, a number of CCPs and CSDs are formally authorised credit institutions subject to additional prudential requirements.
- The markets that CCPs operate includes, amongst others;
 1. Government and corporate bond markets (primary, secondary, repo markets, and derivatives), including with Public Treasuries, Debt Management Offices and Central banks as members or participants;
 2. Equity markets (primary, secondary, securities financing markets, and derivatives markets); and
 3. Commodities markets (including physically settled and delivered agricultural goods and soft commodities, energy products such as oil and natural gas, and a wide variety of metals).

In addition to these primary considerations, we would note that as with the other three explicitly excluded portions of Finance, if CCPs were to be considered in the scope, there would need to be attention paid to the specific nature of CCPs fee policies. CCPs interpose themselves between trades conducted by their members, acting as buyer to every seller and seller to every buyer. CCPs do not have positions of their own, but the entire members' trading volume is processed by the CCP. Thus, substantial technical consideration would be required in the Blueprints to consider what, if any, the correct metrics would be for CCPs.

Should you have any questions, please do not hesitate to contact us or our members directly.

Sincerely,

Teo Floor

CEO CCP12 – The Global Association of CCPs

About CCP12

CCP12 is the global association for CCPs, representing 37 members who operate more than 60 individual central counterparties (CCPs) globally across the Americas, EMEA and the Asia-Pacific region.

CCP12 promotes effective, practical and appropriate risk management and operational standards for CCPs to ensure the safety and efficiency of the financial markets it represents. CCP12 leads and assesses global regulatory and industry initiatives that concern CCPs to form consensus views, while also actively engaging with regulatory agencies and industry constituents through consultation responses, forum discussions and position papers.

For more information please contact the office by e-mail at office@ccp12global.com or through our website by visiting ccp12.org.

CCP12 Members



CCP12 Primary Members	Website
Australian Securities Exchange	http://www.asx.com.au/
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Chicago Mercantile Exchange Group	http://www.cmegroup.com/
China Securities Depository & Clearing Corporation Ltd	http://www.chinaclear.com.cn
Clearing Corporation of India Ltd	http://www.ccilindia.co.in
Comder, contraparte Central S.A	http://www.comder.cl
Depository Trust & Clearing Corporation	http://www.dtcc.com
Dubai Commodities Clearing Corporation	http://www.dccc.co.ae/
Eurex Clearing Group	http://www.eurexclearing.com
Hong Kong Exchanges and Clearing Limited	http://www.hkex.com.hk
Intercontinental Exchange, Inc.	http://www.theice.com
Japan Securities Clearing Corporation	http://www.jpx.co.jp
Johannesburg Stock Exchange	http://www.jse.co.za
KDPW CCP.A.	http://www.kdpw.pl
Kliring Penjaminan Efek Indonesia	http://www.kpei.co.id
Korea Exchange	http://www.krx.co.kr
London Stock Exchange	http://www.lseg.com
Multi Commodity Exchange Clearing Corporation Limited	www.mcxcl.com
Minneapolis Grain Exchange, Inc.	http://www.mgex.com
Nasdaq Clearing AB	http://www.nasdaq.com
NSE Clearing Limited	https://www.nscclindia.com/
New Zealand Clearing and Depository Corporation Limited	https://www.nzx.com/services/nzx-clearing
Options Clearing Corporation	http://www.theocc.com
Shanghai Clearing House	http://www.shclearing.com
Singapore Exchange Limited	http://www.sgx.com
Taipei Exchange	http://www.tpex.org.tw
Taiwan Futures Exchange	http://www.taifex.com.tw
Taiwan Stock Exchange	http://www.twse.com.tw
Takasbank	https://www.takasbank.com.tr/en/
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CCP12 Observer Members	Website
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