EXPLANATORY MEMORANDUM TO

THE CENTRAL COUNTERPARTIES (EQUIVALENCE) (INDONESIA AND THE PEOPLE'S REPUBLIC OF CHINA) REGULATIONS 2026

2026 No. 1134

1. Introduction

1.1 This explanatory memorandum has been prepared by HM Treasury and is laid before Parliament by Command of His Majesty.

2. Declaration

2.1 Lucy Rigby, Economic Secretary to the Treasury confirms that this Explanatory Memorandum meets the required standard.

2.2 Fayyaz Muneer, Deputy Director for Prudential and Sustainability at HM Treasury confirms that this Explanatory Memorandum meets the required standard.

3. Contact

3.1 Katherine Pride HM Treasury (email: Katherine.Pride@hmtreasury.gov.uk) can be contacted with any queries regarding the instrument.

Part One: Explanation, and context, of the Instrument

4. Overview of the Instrument

What does the legislation do?

4.1 The UK's regulatory framework for central counterparties (CCPs) is set out in the European Market Infrastructure Regulation, as retained in UK law through the European Union (Withdrawal) Act 2018 and amended by regulations made under section 8 of that Act. This legislation, forming part of assimilated European Union ('EU') law, is referred to in this explanatory memorandum as 'UK EMIR'.

4.2 'Equivalence' refers to legislative provisions inherited from the EU that, for different areas of financial services, allow HM Treasury to determine that the regulatory and supervisory approach taken by an overseas jurisdiction achieves similar outcomes to the UK. The equivalence framework for financial services currently exists as a collection of individual provisions across several regulations and relate to different areas of financial services activity.

4.3 At the end of the Transition Period on 31 December 2020, around 270 EU equivalence decisions were assimilated into UK law. Equivalence decisions for CCPs were not among those decisions, and HM Treasury elected instead to conduct its own assessments with a view to granting equivalence. Article 25(6) of UK EMIR provides that HM Treasury may make regulations for this purpose, and provides for those regulations to specify that:

- the legal and supervisory arrangements of an overseas country ensure that CCPs authorised in that overseas country comply on an ongoing basis with legally binding requirements which are equivalent to the requirements laid down in Title IV of UK EMIR;

- those CCPs are subject to effective supervision and enforcement in that overseas country on an ongoing basis; and
- the legal framework of that overseas country provides for an effective equivalent system for the recognition of CCPs authorised under legal regimes of other countries.

4.4 Article 25(1) of UK EMIR provides that overseas CCPs may only provide clearing services to clearing members or trading venues established in the United Kingdom if the CCP is recognised by the Bank of England ('the Bank'). A pre-condition of recognition is that HM Treasury has made an equivalence determination in regulations made under Article 25(6).

Where does the legislation extend to, and apply?

4.5 The extent of this instrument (that is, the jurisdiction(s) which the instrument forms part of the law of) is the United Kingdom.

4.6 The territorial application of this instrument (that is, where the instrument produces a practical effect) is the United Kingdom.

5. Policy Context

What is being done and why?

5.1 UK EMIR sets out regulatory and supervisory requirements for CCPs, as well as for trade repositories and for derivatives traded on a bilateral basis.

5.2 CCPs are used by firms to reduce certain risks that arise when trading on financial markets, such as derivatives and equities markets. Derivatives are contracts between two or more parties, the value of which is based on an underlying asset. CCPs sit between the buyers and sellers of financial instruments, providing assurance that contractual obligations will be fulfilled. The process of transacting through a CCP is known as 'clearing'. CCPs have played a vital role in making markets safer following the 2008 financial crisis, and they help substantially in managing potential systemic risk arising from global financial transactions.

5.3 Access to overseas CCPs' services allow UK firms to more easily and directly engage in overseas derivatives markets, including products and clearing services, that may not be easily accessible via UK CCPs.

5.4 Put forward by the Committee on Payments and Market Infrastructures and the International Organization of Securities Commissions, the Principles for Financial Market Infrastructures ('PFMIs')[1] are a set of guidelines for appropriate regulation of financial market infrastructures, including for CCPs. UK EMIR has implemented the PFMIs, which serve as a benchmark for determining whether the regulatory and supervisory framework of an overseas jurisdiction is equivalent to the UK's framework.

5.5 The regulatory and supervisory frameworks for CCPs differ across Indonesia and the People's Republic of China, reflecting each jurisdiction's domestic legislative arrangements. The following paragraphs describe the relevant framework in each jurisdiction, including the competent authorities, the applicable legal instruments, and the scope of this equivalence determination where relevant.

[1] https://www.bis.org/publications/principles-financial-market-infrastructures

People's Republic of China

5.6 In the People's Republic of China, the regulatory framework for financial market infrastructures ('FMIs'), including CCPs, is established through a combination of primary legislation and regulatory measures. The People's Bank of China ('PBoC') is the competent authority for CCPs authorised in the interbank market, while the China Securities Regulatory Commission ('CSRC') is responsible for FMIs involving securities, futures and related activities. The primary legislative basis for the PBoC's supervisory remit over CCPs includes the Law of the People's Republic of China on the People's Bank of China (2003 Amendment), the Futures and Derivatives Law of the People's Republic of China, and the Measures for the Supervision and Administration of Financial Infrastructure (2025) ('the 2025 FMI Measures'), which provide that financial infrastructures for the interbank market and their operators are regulated by the PBoC. The PBoC has implemented the PFMIs through domestic legislation and continuous supervision since 2013, with the 2025 FMI Measures and the PBoC's PFMI Implementation Notice serving as key instruments embedding PFMI outcomes into the domestic framework. The scope of this equivalence determination relates only to CCPs authorised in the interbank market and supervised by the PBoC; CCPs supervised by the CSRC fall outside the scope of this determination.

Indonesia

5.7 In Indonesia, the regulatory framework for CCPs is established through a combination of primary legislation and regulatory instruments, with responsibilities allocated across Bank Indonesia ('BI') and the Financial Services Authority ('OJK'). BI is the primary regulator and supervisor of CCPs authorised in the money market and foreign exchange market. Where CCPs also provide clearing services in the capital markets, ongoing coordination between BI and OJK applies, including arrangements for the exchange of information and joint supervisory activities. The overarching statutory basis for the regulation and supervision of CCPs is provided by the Law on Bank Indonesia (as amended) and the Law on the Development and Strengthening of the Financial Sector ('PPSK Act'), supported by regulations including Bank Indonesia Regulation Number 6 of 2024 on the Money Market and Foreign Exchange Market ('PBI PUVA'). The PFMIs are implemented under Indonesia's CCP regime on an ongoing basis, as established in regulation by Article 56(3)(c) of PBI PUVA and Article 6 of the Regulation of the Board of Governors Number 9 of 2024 on the Organisation of Central Counterparties ('PADG CCP'), which require CCPs to comply with applicable international standards in the form of the PFMIs. The scope of this equivalence determination relates only to CCPs authorised to conduct clearing activities in the money market and foreign exchange market and supervised by BI; CCPs operating in the capital markets under the supervision of OJK fall outside the scope of this determination.

5.8 To determine equivalence in respect of the regulatory framework of the above jurisdictions, HM Treasury has undertaken an assessment of their regimes and considered whether each achieves equivalent outcomes against the criteria set out in Article 25(6) of UK EMIR. The UK operates its equivalence framework on an 'outcomes basis'. In order to grant an equivalence determination, HM Treasury must be satisfied that the regime under assessment meets equivalent outcomes to those of the UK's regulatory regime. As a guideline for its assessment, HM Treasury has used the PFMIs. As part of its assessment, HM Treasury received technical advice from the Bank regarding the equivalence of each jurisdiction's regulatory and supervisory framework. Evidence provided by the Bank's assessment supports HMT's decision

that each of the above listed jurisdictions have regulatory frameworks consistent with the standards in the PFMIs.

5.9 HM Treasury have determined that, on an outcomes basis, the regulatory and supervisory frameworks of the above jurisdictions, in relation to specified CCPs authorised by their respective regulatory bodies specified above, is equivalent to that of the UK and meets the criteria set out in Article 25(6) of UK EMIR.

What was the previous policy, how is this different?

5.10 Prior to this instrument, no equivalence determination had been made in respect of the People's Republic of China or Indonesia. CCPs authorised in either jurisdiction therefore had no route to recognition by the Bank, and consequently no basis on which to provide clearing services to UK clearing members or trading venues.

5.11 This instrument establishes the route for new access to the UK market for CCPs authorised in the People's Republic of China and Indonesia, rather than a continuation or formalisation of existing arrangements. The equivalence determination in respect of the People's Republic of China follows from engagement between the UK and Chinese governments as part of broader bilateral financial services dialogue. The determination in respect of Indonesia reflects demand from UK firms for access to Indonesian clearing services, which had been identified as a gap in the UK's equivalence framework.

5.12 As outlined in paragraph 4.4, an equivalence determination is a pre-requisite for the Bank to consider whether to recognise a CCP from one of the listed jurisdictions. Once recognised by the Bank, a CCP would be able to provide clearing services to UK clearing members and trading venues on a non-time limited basis. This instrument opens that pathway for the first time for CCPs in the People's Republic of China and Indonesia.

5.13 This instrument applies in relation to CCPs established in the People's Republic of China and Indonesia, and authorised by the relevant regulator in that jurisdiction, when they provide services to clearing members and trading venues in the UK.

6. Legislative and Legal Context

How has the law changed?

6.1 This regulation is an equivalence determination with respect to the regulatory framework in relation to authorisation and supervision of CCPs in Indonesia and the People's Republic of China, by the relevant regulator in that jurisdiction. It grants non-time limited equivalence, which is a pre-requisite for recognition to be considered by the Bank of England and non-time limited access to the UK.

Why was this approach taken to change the law?

6.2 At the end of the TP on 31 December 2020, around 270 EU equivalence decisions were assimilated into UK law. Equivalence decisions for CCPs, made by the EU under Article 25(6) of EMIR, were not among those decisions as they were revoked by regulation 9 of TRR Regulations. HM Treasury elected instead for the UK to conduct its own assessment of CCP regulatory regimes, and then to make its own decision on whether to grant equivalence. Article 25(6) of EMIR requires equivalence determinations to be made in the form of regulations.

7. Consultation

Summary of consultation outcome and methodology

7.1 HM Treasury has not undertaken a public consultation on this instrument.

7.2 HM Treasury has engaged with and received advice from the Bank in relation to the equivalence determinations contained in this instrument.

8. Applicable Guidance

8.1 No additional guidance will accompany this SI.

Part Two: Impact and the Better Regulation Framework

9. Impact Assessment

9.1 A full impact assessment has not been prepared for this instrument because, in line with Better Regulation guidance, HM Treasury considers that the net impact of this instrument will result in an Equivalent Annual Net Direct Cost to businesses of less than £10 million a year. Due to this limited impact, a de minimis impact assessment has been carried out. A copy of this assessment is published alongside this Explanatory Memorandum on the legislation.gov.uk website.

Impact on businesses, charities and voluntary bodies

9.2 There is no, or no significant, impact on business, charities or voluntary bodies.

9.3 The legislation does not impact small or micro businesses.

9.4 There is no, or no significant, impact on the public sector.

10. Monitoring and review

What is the approach to monitoring and reviewing this legislation?

10.1 As set out in the Memorandum of Understanding between HM Treasury, the Bank, the Prudential Regulation Authority and the Financial Conduct Authority (The Financial Services Regulators), HM Treasury may review the equivalence determination periodically or at any time, or in response to changes to the applicable framework. This does not prejudice HM Treasury's ability to revoke the equivalence determination at any time.

10.2 The Financial Services Regulators may also recommend to HM Treasury that a review of one or more of these equivalence determinations is undertaken in response to material changes in the applicable framework. Furthermore, any such regulator may request a review of an equivalence determination if they have concerns arising from their statutory objectives.

10.3 The instrument does not include a statutory review clause and, in line with the requirements of the Small Business, Enterprise and Employment Act 2015, the Economic Secretary to the Treasury (Lucy Rigby) has made the following statement:

'It is not proportionate to include a review clause in this instrument because the estimated annual net direct cost to business is less than £10 million and the instrument does not apply to activities that are undertaken by small businesses.'

Part Three: Statements and Matters of Particular Interest to Parliament

11. Matters of special interest to Parliament

11.1 None.

12. European Convention on Human Rights

12.1 As the instrument is subject to negative resolution procedure and does not amend primary legislation, no statement is required.

13. The Relevant European Union Acts

13.1 This instrument is not made under the European Union (Withdrawal) Act 2018, the European Union (Future Relationship) Act 2020 or the Retained EU Law (Revocation and Reform) Act 2023.