EXPLANATORY MEMORANDUM TO

THE CENTRAL COUNTERPARTIES (TRANSITIONAL PROVISION) (EXTENSION AND AMENDMENT) REGULATIONS 2026

2026 No. 1010

1. Introduction

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

1.2 This memorandum contains information for the Secondary Legislation Scrutiny Committee.

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 Technology, Innovation and Sustainability at HM Treasury confirms that this Explanatory Memorandum meets the required standard.

3. Contact

3.1 The financial market infrastructure policy team at HM Treasury (fmipolicybranch@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 This instrument extends by a further 12 months the transitional regime for overseas qualifying CCPs ("QCCPs") contained within Article 497 of the Capital Requirements Regulation[1] ("UK CRR"), as it forms part of assimilated law by virtue of the European Union (Withdrawal) Act 2018 ("EUWA 2018"). The expiry date of this transitional regime differs between CCPs because it depends on when the relevant CCP applied for recognition in the UK. However, for some CCPs within the regime, the expiry date currently falls on 31 December 2026. Without an extension, there is a risk of disruption to international financial markets.

4.2 The transitional regime for qualifying CCPs ("QCCP transitional regime") ensures that UK firms with indirect exposures to these overseas CCPs can continue to benefit from the lower capital requirement associated with QCCP status. An indirect exposure arises where a UK firm accesses the CCP's clearing services through another firm rather than being a direct clearing member of the CCP itself. For example, a UK firm may clear transactions through an overseas bank that is a clearing member of the CCP. The extension will ensure that UK firms with indirect exposures to the QCCPs within the regime will not face a sudden and disruptive increase in their capital requirements on the expiry of the QCCP transitional regime. As part of updating the

[1] Regulation (EU) 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 No (EU) 648/2012.

UK's framework for UK and overseas CCPs, the government has also announced proposals for a new permanent framework for determining QCCP status. These proposals would introduce new permanent routes through which overseas CCPs may obtain QCCP status and would replace the current QCCP transitional regime.[2] HM Treasury intends to legislate to implement these reforms later in 2026. This extension will help ensure continuity until the updated framework is in place.

4.3 HM Treasury has previously extended the QCCP transitional regime four times, by 12 months each time:

- the Central Counterparties (Transitional Provision) (Extension and Amendment) Regulations 2022 (the "2022 Extension Regulations")[3]
- the Central Counterparties (Transitional Provision) (Extension and Amendment) Regulations 2023 (the "2023 Extension Regulations")[4]
- the Central Counterparties (Transitional Provision) (Extension and Amendment) Regulations 2024 (the "2024 Extension Regulations")[5]
- the Central Counterparties (Transitional Provision) (Extension and Amendment) Regulations 2025 (the "2025 Extension Regulations")[6].

4.4 This instrument also makes consequential amendments to the Financial Services and Markets Act 2023 (Commencement No. 15 and Saving and Transitional Provisions) Regulations 2026 ("the CRR revocation regulations"), to ensure that the saving and transitional provisions provided for in that instrument in respect of QCCPs align with the extended expiry date under Article 497 of UK CRR.

4.5 The House of Lords' Secondary Legislation Scrutiny Committee has previously drawn the House's attention to the previous extension instruments. This is addressed further in paragraphs 11.1 to 11.4 of this explanatory memorandum.

Where does the legislation extend to, and apply?

4.6 The extent of this instrument (that is, the jurisdiction(s) which the instrument forms part of the law of) is England and Wales, Scotland, and Northern Ireland.

4.7 The territorial application of this instrument (that is, where the instrument produces a practical effect) is England and Wales, Scotland, and Northern Ireland.

5. Policy Context

What is being done and why?

Role of CCPs and the current legal framework

5.1 CCPs are used by firms to reduce certain risks that arise when trading on financial markets, such as derivatives and equities markets. They sit between the buyers and sellers of certain 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.

[2] https://assets.publishing.service.gov.uk/media/6874f98b93d52d8659e46564/Updating_the_UK_s_regulatory_framework_for_central_counterparties_final.pdf, paragraphs 3.28 to 3.37.
[3] https://www.legislation.gov.uk/uksi/2022/1244/made
[4] https://www.legislation.gov.uk/uksi/2023/999/made
[5] https://www.legislation.gov.uk/uksi/2024/923/made
[6] https://www.legislation.gov.uk/uksi/2025/1030/made

5.2 The UK's regulatory framework for CCPs is set out primarily in the European Market Infrastructure Regulation ("EMIR")[7], as it forms part of assimilated law by virtue of the EUWA 2018 and amended by regulations made under section 8 of the EUWA 2018. This legislation, as amended and forming part of assimilated law, is referred to in this explanatory memorandum as "UK EMIR". UK EMIR lays down rules on over-the-counter derivatives and trade repositories, as well as CCPs.

5.3 Article 25 of UK EMIR establishes that an overseas CCP may provide clearing services to clearing members (i.e., the direct members of the CCP) or trading venues established in the UK where the jurisdiction it is in has been deemed equivalent by the Treasury and the overseas CCP has been recognised by the Bank of England ("the Bank").

5.4 The government did not incorporate the equivalence decisions for CCPs that the EU had made under Article 25 of EMIR into domestic UK law prior to the UK's withdrawal from the EU. Following EU exit, HM Treasury was given the responsibility to undertake new assessments for all overseas jurisdictions, to determine whether, in specific areas of financial services regulation, another jurisdiction's regulatory and supervisory frameworks can be deemed equivalent to the UK's.

5.5 The Bank is responsible for making the decision to recognise individual CCPs within a jurisdiction deemed to be equivalent once the Bank has completed a recognition assessment. This, in turn, enables UK clearing members and trading venues to use the clearing services of that CCP. In broad terms, HM Treasury assesses whether the regulatory and supervisory framework of a jurisdiction is equivalent to that of the UK, while the Bank assesses individual CCPs established in that jurisdiction. An overseas CCP can generally only be recognised once its home jurisdiction has been found equivalent.

5.6 Recognition under Article 25 of UK EMIR determines whether an overseas CCP may provide clearing services in the UK. As explained below, a separate concept, known as QCCP status, determines the prudential capital treatment of exposures to overseas CCPs. Following the UK's withdrawal from the EU, temporary arrangements were introduced to allow overseas CCPs to continue accessing the UK market and to continue to have QCCP status whilst UK authorities completed the necessary equivalence and recognition assessments and developed the UK's post-EU exit framework for overseas CCPs.

Transitional arrangements following EU exit

5.7 During the period of transition following EU exit, two temporary regimes applied in relation to overseas CCPs: the Temporary Recognition Regime ('TRR') and the QCCP transitional regime. The TRR is primarily concerned with market access, allowing certain overseas CCPs to continue providing clearing services in the UK on a temporary basis while UK authorities complete the relevant recognition processes. By contrast, the QCCP transitional regime is primarily concerned with prudential capital treatment, allowing certain overseas CCPs that have applied for recognition to maintain temporarily QCCP status so that UK firms with exposures to those CCPs do not face higher capital requirements while the relevant assessments are completed.

[7] 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

The Temporary Recognition Regime

5.8 The TRR was provided for in Regulations 11 to 26 of the Central Counterparties (Amendment, etc., and Transitional Provision) (EU Exit) Regulations 2018[8] (the "CCP Regulations"). The TRR ensured that overseas CCPs were able to continue to provide services in the UK for a set period after the end of the transition period ("TP"), provided that the overseas CCPs were recognised in the EU under EMIR before the end of the TP, and had notified the Bank that they intended to continue to provide services in the UK post-TP.[9]

5.9 The TRR also provided the government with the necessary time to progress the revocation of our EU-inherited framework for CCPs and its replacement with an updated framework. The updated framework is described in paragraphs 5.23 to 5.32 below. To accommodate this work, the TRR has been extended beyond its initial expiry date of 31 December 2023 to 31 December 2027. This instrument does not extend the TRR further (unlike the previous extension regulations set out at paragraph 4.3) as HM Treasury expects the regime to replace the TRR to be in place ahead of 31 December 2027, as explained in paragraphs 5.33 to 5.35. As CCPs in the TRR are treated as though they are recognised under Article 25 UK EMIR, they also benefit from QCCP status during that period. As a result, the TRR provides both temporary market access and, indirectly, access to the preferential capital treatment associated with QCCP status. The concept of QCCP status is explained below.

QCCP status

5.10 QCCP status is a preferential status that is distinct from recognition status. It does not, by itself, allow an overseas CCP to provide services directly to UK firms or trading venues. Instead, where applicable, it prevents UK firms from facing higher capital requirements for indirect exposures to the relevant CCP. This is provided for in the UK CRR. The UK CRR is a core part of the UK's prudential regulation regime for banks, building societies and investment firms. It sets out various minimum requirements including standards on the amounts of capital that firms must hold against different types of exposures.

5.11 UK firms may have exposures to a CCP either directly or indirectly. As set out in paragraph 4.2, an indirect exposure arises where a UK firm accesses the CCP's clearing services through another firm rather than being a direct clearing member of the CCP itself. For example, a UK firm may clear transactions through an overseas bank that is a clearing member of the CCP.

5.12 Regardless of whether a CCP is classified as a QCCP or not, the UK firm retains the responsibility to ensure that it maintains adequate capital for its exposures towards the CCP. However, the capital requirements for exposures to QCCPs are much less onerous than for exposures to non-QCCPs. As a result, QCCP status can be important in determining whether it remains economically viable for UK firms to maintain exposures to a particular overseas CCP.

5.13 The distinction between recognition and QCCP status is important because permanent recognition is only one route through which an overseas CCP may obtain QCCP status. A CCP may also obtain QCCP status through certain temporary arrangements

[8] S.I. 2018/1184. S.I. 2020/56 amended these regulations to provide for the period of the TRR to be calculated by reference to the end of the transition period, instead of exit day. These regulations were also amended by SI 2020/646 and SI 2022/1080.

[9] Previously, a CCP would automatically lose its temporary recognised status if its EU recognition was withdrawn. However, this was amended by SI 2024/1215.

established following EU exit. The routes through which overseas CCPs may currently obtain QCCP status are set out below.

- Firstly, recognised CCPs: overseas CCPs that are recognised under Article 25 of UK EMIR are automatically granted QCCP status. This route applies to overseas CCPs which are based in a jurisdiction recognised as equivalent by HM Treasury under Article 25(6) of UK EMIR and have been recognised by the Bank of England.
- Secondly, CCPs temporarily recognised through the TRR: as overseas CCPs within the Temporary Recognition Regime ("TRR") are treated as if recognised under Article 25 UK EMIR, they also benefit from QCCP status whilst they are in that regime. This route applies primarily to overseas CCPs that were recognised in the EU before the end of the transition period and notified the Bank that they wished to continue providing services in the UK while the UK developed its post-EU exit framework.
- Thirdly, former TRR CCPs in run-off: there is also a time limited "run-off" regime in place for CCPs which enter the TRR but then subsequently exit the regime without permanent recognition. CCPs retain market access into the UK and continue to benefit from QCCP status whilst they are in the run-off regime (for a maximum period of three and a half years).10 This route applies to CCPs that previously benefited from the TRR but are winding down their UK business rather than seeking, or obtaining, permanent recognition.
- Finally, CCPs with a pending recognition application: as set out in paragraph 5.14, the QCCP transitional regime is the fourth route through which an overseas CCP can be granted QCCP status. This route applies to overseas CCPs that have submitted an application for UK recognition and are awaiting the completion of the relevant equivalence and recognition processes, but which do not otherwise benefit from QCCP status through one of the routes above.

QCCP Transitional Regime

5.14 The fourth route through which an overseas CCP may obtain QCCP status is the QCCP transitional regime. This regime is set out within Article 497 of the UK CRR and allows certain overseas CCPs that have submitted an application for UK recognition to be treated as QCCPs while the relevant assessments are completed.

5.15 The QCCP transitional regime establishes a transitional period during which institutions may treat exposures to certain overseas CCPs as exposures to QCCPs after the relevant CCP has submitted an application for recognition. This period was initially put in place by the EU to ensure continuity for EU firms with exposures to overseas CCPs, while jurisdictional equivalence and CCP recognition were being determined. Following EU exit, it was retained in UK law to provide continuity for UK firms and support a smooth transition to the UK's new regulatory framework.

5.16 The period during which a CCP may be treated as a QCCP depends on whether HM Treasury has made regulations under Article 25(6) of UK EMIR recognising the third country in which the CCP is located as equivalent ('EMIR regulations') at the time of the CCP's application.

5.17 Where EMIR regulations have been made and are in force, the period ends two years after the date on which the CCP submitted its application for recognition under Article 25 of UK EMIR.

[10] https://www.legislation.gov.uk/uksi/2018/1184/regulation/19B

5.18 Where EMIR regulations have not yet been made in respect of the jurisdiction in which the overseas CCP is established, the period ends on the earlier of:

- two years after EMIR regulations come into force; or
- two years after the application date, subject to extension under Article 497(3) of the UK CRR. [11]

5.19 Where EMIR regulations have not yet been made in respect of the relevant jurisdiction, the two-year period described above has subsequently been extended by a total of 48 months by the 2022 Extension Regulations, the 2023 Extension Regulations, the 2024 Extension Regulations and the 2025 Extension Regulations. Under Article 497(3) of UK CRR, HM Treasury may extend this period by 12 months at a time where it is necessary and proportionate in order to avoid disruption to international financial markets.

5.20 In practice, many of the CCPs currently benefiting from the QCCP transitional regime applied for recognition before the end of the transition period. Under transitional provisions introduced following EU exit, those CCPs are treated as though they submitted their applications at 11pm on 31 December 2020.

5.21 By way of illustration, such a CCP, where no equivalence determination has yet been made in respect of its home jurisdiction, would currently retain QCCP status until 31 December 2026. This instrument extends that date to 31 December 2027.

5.22 CCPs that submitted their application after the end of the transition period will generally retain QCCP status for longer, with the expiry date determined by reference to the date of their application and the operation of the rules described above.

Reforms to the UK's CCP framework

5.23 As explained above, the TRR and QCCP transitional regimes applied following EU exit, in order to provide continuity whilst UK authorities completed the reforms necessary to establish the UK's post-EU exit framework for overseas CCPs. Those reforms are now being implemented through the updated CCP framework described below.

5.24 This work started with the Financial Services and Markets Act 2023 ("FSMA 2023") which revokes assimilated law (formerly retained EU law) in the UK relating to financial services, with the revocation of each piece of assimilated law taking effect in accordance with commencement regulations to be made by HM Treasury.

5.25 FSMA 2023 also granted the Bank a general rule-making power over UK CCPs so that it can take on primary responsibility for setting regulatory requirements for these entities, as well as an updated set of statutory objectives and regulatory principles that apply to the Bank in its regulation of CCPs. It also included provisions for the future framework for providing market access for overseas CCPs. The relevant provisions of FSMA 2023 were commenced on 1 January 2024.

5.26 With the Bank then positioned to set firm-facing requirements via its new rulebook, HM Treasury has been working closely with the Bank to prepare for the revocation of the CCP provisions in UK EMIR. To this end, HM Treasury published two draft statutory instruments for technical comment on 15 July 2025, alongside an accompanying policy note, which set out the main provisions of the UK's updated

[11] For those CCPs that submitted the application before 27 June 2019 the deadline was 28 June 2021.

framework for CCPs once the relevant provisions in UK EMIR are revoked[12], referred to in this memorandum as the "updated CCP framework".

5.27 The draft instruments include provisions which replace the UK's existing equivalence regime for CCPs with an "Overseas Recognition Regime" (the "Overseas CCP Regime"). This regime is designed to be more reflective of the government's objectives for enabling cross-border clearing activity and to ensure that the UK's assessments of other jurisdictions can be more proportionate. This change is intended to promote decisions being made more quickly, whilst continuing to enable rigorous assessment of other jurisdictions' standards. This will help to ensure that, in future, any outstanding jurisdictions containing CCPs accessing the UK under the TRR, or with CCPs who have already applied for recognition and therefore fall within the QCCP transitional regime, can be assessed under the new regime as quickly as possible.

5.28 The policy note accompanying the draft instruments also proposed reforms to when an overseas CCP would be deemed to be a QCCP as well as details on a proposed permanent replacement for the QCCP transitional regime[13].

5.29 Under the updated CCP framework, there would be two separate, permanent routes through which a non-UK CCP may obtain QCCP status.

5.30 The primary route would be through HM Treasury designating the jurisdiction in which the CCP is established under the new Overseas CCP Regime. Where a jurisdiction has been designated, CCPs established in that jurisdiction would generally be treated as QCCPs in the UK without needing to be recognised by the Bank. However, the Bank would have the power to require an individual non-UK CCP in a designated jurisdiction to obtain recognition before it can be treated as a QCCP where this is necessary for financial stability purposes. This could apply where a non-UK CCP conducts a significant volume of business with UK firms and the Bank considers that additional oversight of that CCP is warranted. HM Treasury expects this power to be used only in a limited number of cases.

5.31 The second route for a non-UK CCP to obtain QCCP status would be overseen by the Bank, with support from the Prudential Regulation Authority. Under this route, non-UK CCPs established in jurisdictions that have not been designated by HM Treasury under the Overseas CCP Regime could apply individually to the Bank for QCCP status. This route is intended to ensure that a CCP is not prevented from obtaining QCCP status solely because its home jurisdiction has not been designated. It would allow UK firms with indirect exposures to that CCP to benefit from the lower capital requirements associated with QCCP status but would not by itself grant that CCP market access to the UK. HM Treasury intends to bring these changes into force alongside the wider reforms in the updated CCP framework.

5.32 These new routes for granting QCCP status would replace the existing routes through which overseas CCPs obtain QCCP status, including the temporary arrangements established following EU exit described in paragraphs 5.7 to 5.22. In particular, the reforms would replace the QCCP transitional regime with a permanent framework under which overseas CCPs may obtain QCCP status either through HM Treasury designating their home jurisdiction under the Overseas CCP Regime or, where the jurisdiction has not been designated, through an individual assessment by the Bank.

[12] https://www.gov.uk/government/publications/updating-the-uks-regulatory-framework-for-central-counterparties

[13] See footnote 3.

Why this instrument is needed

5.33 The government intends to lay the statutory instruments which implement the updated CCP framework in 2026, subject to Parliamentary time. Once approved, HM Treasury intends to begin making jurisdictional-level designations under the new Overseas CCP Regime for jurisdictions that were not already found equivalent under Article 25 of UK EMIR. The Bank will also be able to grant QCCP status to CCPs established in jurisdictions that have not been designated by HM Treasury.

5.34 However, as HM Treasury intends to lay the relevant legislation to implement these changes later in 2026, the updated CCP framework may not come into force until after the expiry of the QCCP transitional regime for some CCPs that currently rely on the QCCP transitional regime as their route to obtaining QCCP status. UK firms with exposures to these CCPs would therefore be at risk of facing a sudden increase in their capital requirements.

5.35 This instrument therefore extends the time period for which overseas CCPs possess QCCP status after submitting an application for recognition, from six years post submission to seven years (where EMIR regulations haven't come into force more than two years before that date). This will avoid disruption at the point that the transitional period expires (the end of 2026 for some CCPs) and allow UK authorities additional time to implement the updated CCP framework and any associated changes to QCCP status. HM Treasury and the Bank then also need to make a number of follow-up decisions (e.g. Overseas CCP Regime designations for certain jurisdictions or QCCP designations of individual CCPs) once this updated CCP framework is in place. The government does not expect to make any further extensions of the QCCP transitional regime.

5.36 HM Treasury's power to extend the time limits set out in Article 497(1) of UK CRR is exercisable in exceptional circumstances, where it is necessary and proportionate to avoid disruption to international financial markets.

5.37 The extension power was originally designed by the EU to be used in a scenario where they were processing a limited number of applications for recognition from overseas CCPs (many of whom would be coming from an equivalent jurisdiction). Following EU exit, however, UK authorities were required not only to process new applications for recognition but also to undertake assessments in respect of jurisdictions and CCPs that had previously benefited from EU equivalence and recognition decisions. In addition, UK authorities have been required to develop and implement a replacement for the UK's EU-inherited framework for overseas CCPs. These exceptional circumstances arose due to EU exit and persist. The revocation and replacement of the entirety of the UK's EU-inherited regulatory framework for UK and overseas CCPs is also a unique result of EU exit.

5.38 Without an extension there is a risk of disruption to international financial markets. By extending the regime, UK firms with exposures to a QCCP will avoid a sudden increase in their capital requirements, as their exposures would then relate to a non-QCCP. This may lead to firms trying to unwind their positions, leading to uncertainty and disruption in international financial markets. Extending the transitional regime by an additional twelve months is a proportionate way of addressing these risks. It does not impose any significant burden on UK or overseas firms, and will simply maintain the status quo for an additional, time-limited period.

Amendment to the CRR revocation regulations

5.39 Regulation 2 of the CRR revocation regulations commences the revocation of certain Articles of the UK CRR from 1 January 2027, including Article 497 of the UK CRR. Regulations 4 to 6 of the CRR revocation regulations provide saving and transitional provisions for the QCCP transitional regime.

5.40 Regulation 4 of the CRR revocation regulations provides a saving provision that preserves the treatment of a CCP as QCCP where the CCP applied for recognition under Article 25 of UK EMIR before 1 January 2027. In those circumstances the CCP may continue to be treated as a QCCP until the applicable date under Article 497 of the UK CRR as that provision had effect immediately before 1 January 2027. See paragraphs 5.16 to 5.22 for the relevant deadline.

5.41 Regulation 5 of the CRR revocation regulations provides a transitional provision for CCPs that are treated as QCCPs because they applied for recognition under Article 25 of UK EMIR on or after 1 January 2027. In those circumstances, such CCPs may continue to be treated as QCCPs until:

- If EMIR regulations are in force on the application day, two years after the application day.
- If no EMIR regulations are in force on the application day, the earlier of:
    - Two years after the day on which EMIR regulations come into force, or
    - Six years after application day.

5.42 The transitional provision under Regulation 5 of the CRR revocation regulations was intended to mirror the position for CCPs treated as QCCPs by virtue of the saving provision under Regulation 4. The effect of the extension of Article 497 of UK CRR means that for QCCPs which applied before 1 January 2027 the expiry date will be seven years (where EMIR regulations haven't come into force more than two years before that date), however, for QCCPs which applied on or after 1 January 2027, the expiry date will be six years after application date (where EMIR regulations haven't come into force more than two years before that date).

5.43 This instrument therefore consequentially amends Regulation 5 of the CRR revocation regulations so that the same maximum transitional period applies whether a CCP applied for recognition either before, on or after 1 January 2027. As a result, the maximum period for CCPs applying on or after 1 January 2027 will also be seven years, subject to the rules that apply where the relevant EMIR regulations come into force.

What was the previous policy, how is this different?

5.44 As set out in paragraphs 5.14 and 5.15, the QCCP transitional regime was retained in UK law following EU exit to provide continuity for firms. This statutory instrument represents a continuation of this policy.

6. Legislative and Legal Context

How has the law changed?

6.1 Article 497 of the UK CRR was amended by the Capital Requirements Regulation (Amendment) (EU Exit) Regulations 2019[14] and the Capital Requirements Regulation

[14] S.I. 2019/1232

(Amendment) (EU Exit) Regulations 2021[15], to ensure it continues to operate effectively following the withdrawal of the United Kingdom from the EU. These amendments included providing that (i) a power for the EU Commission to extend this QCCP transitional period by 12 months, in exceptional circumstances, where it is necessary and proportionate to avoid disruption to the international financial markets, is transferred to, and is exercisable by, HM Treasury, and (ii) that it can be exercised on more than one occasion.

6.2 The period for which a CCP could have QCCP status under the QCCP transitional regime was originally two years. The period was subsequently extended on four occasions, by 12 months each on each occasion, by the 2022 Extension Regulations, the 2023 Extension Regulations, the 2024 Extension Regulations and the 2025 Extension Regulations. HM Treasury is now extending the transitional period for a further 12 months in this instrument.

6.3 The CRR revocation regulations commence the revocation of Article 497 of the UK CRR from 1 January 2027. They provide for transitional and savings provisions in respect of the QCCP transitional regime. However, without amendment the extension of Article 497 of UK CRR could lead to a different expiry date for CCPs that are treated as being QCCPs due to applying before and on or after 1 January 2027. This instrument consequentially amends the CRR revocation regulations to ensure consistency in the expiry of the QCCP transitional regime.

Why was this approach taken to change the law?

6.4 This approach was taken given the existing powers in the UK CRR to extend these regimes, as well as the desirability of avoiding unnecessary disruption and uncertainty for firms whilst work was ongoing to implement the UK's updated CCP framework and the permanent replacement for the QCCP transitional regime.

6.5 The government intends to lay the statutory instruments which implement the updated CCP framework in 2026, subject to Parliamentary time allowing. Once this is in place, HM Treasury and the Bank will take action under this updated framework to allow for the winding down of the QCCP transitional regime and HM Treasury does not expect to extend the regime further.

7. Consultation

Summary of consultation outcome and methodology

7.1 A public consultation was not undertaken for these amendments because they make use of an existing statutory power to extend the duration of a transitional regime by 12 months and make consequential amendments to related saving and transitional provisions. In substance, the instrument maintains the current treatment for a further 12 months and does not introduce a new policy approach or significant new regulatory requirements.

7.2 HM Treasury has engaged with the Bank on this instrument.

8. Applicable Guidance

8.1 HM Treasury does not propose to provide any guidance in relation to this instrument. The instrument extends the duration of an existing transitional regime and maintains

[15] S.I. 2021/558.

the current regulatory treatment. Firms are therefore not required to comply with new obligations as a result of this instrument.

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 it maintains the effect of existing regulatory standards and the impact of this SI is small (the cost to businesses is < £10m per year). A de minimis Impact Assessment is submitted with this memorandum and published alongside the 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 because the SI maintains the effect of existing regulatory standards. The direct costs to business are limited to one-off familiarisation costs of approximately £35,000.

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 The instrument does not include a statutory review clause and, in line with the requirements of the Small Business, Enterprise and Employment Act 2015, 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."

Part Three: Statements and Matters of Particular Interest to Parliament

11. Matters of special interest to Parliament

11.1 The House of Lords' Secondary Legislation Scrutiny Committee (the "Committee") has previously drawn the House's attention to the 2022 Extension Regulations[16], the 2023 Extension Regulations[17], the 2024 Extension Regulations[18] and the 2025 Extension Regulations[19].

11.2 For the 2022, 2023 and 2024 extension instruments, the Committee expressed concerns on two main areas. Firstly, the Committee noted concerns around the operation of the QCCP transitional regime on the basis that there was a risk that an unsuitable CCP could enter the regime, and benefit from QCCP status, without checks or ongoing oversight of their activities. The Committee's other main concern was then around the lack of a timeline for implementing the UK's updated regulatory framework for CCPs.

11.3 In its comments on the 2025 Extension Regulations, the Committee noted progress in this area, taking into account the policy proposals and timelines set out in the

[16] https://publications.parliament.uk/pa/ld5803/ldselect/ldsecleg/123/12304.htm
[17] https://publications.parliament.uk/pa/ld5803/ldselect/ldsecleg/260/26002.htm
[18] https://publications.parliament.uk/pa/ld5901/ldselect/ldsecleg/28/2807.htm
[19] https://publications.parliament.uk/pa/ld5901/ldselect/ldsecleg/185/18504.htm

government's July 2025 policy note and draft statutory instrument.[20] However, it also encouraged the government to ensure that parliamentary time is made available for legislation to establish a permanent regime. The government's July 2025 proposals also set out a new framework for determining QCCP status, including permanent routes through which overseas CCPs may obtain QCCP status under the updated CCP framework. These proposals are intended to replace the temporary arrangements following EU exit and provide a more durable framework for the future.

11.4 It remains the government's intention to lay the statutory instruments implementing the UK's updated CCP framework in 2026, subject to Parliamentary time allowing. The updated CCP framework, including the proposals on reforming QCCP status, is then expected to come into force shortly after the statutory instruments are made. However, as explained in paragraphs 5.33 to 5.38, some CCPs currently rely on the QCCP transitional regime as their route to obtaining QCCP status. This extension is therefore intended to ensure continuity whilst the updated CCP framework is implemented, and the relevant follow-up decisions are taken by HM Treasury and the Bank. The government does not expect to make any further extensions of the QCCP transitional regime and intends this extension to provide sufficient time for the updated framework to be implemented.

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 ("relevant European Union Acts"). It does however relate to the withdrawal of the United Kingdom from the European Union because the legislation amends the application in the UK of a transitional regime contained in assimilated law and adapted following EU-exit.

[20] https://www.gov.uk/government/publications/updating-the-uks-regulatory-framework-for-central-counterparties