

COMMON RULES ON DERIVATIVES

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Abstract

*The EU and the US have recently reached an agreement on rules governing the complex **derivatives** market, which are considered the origin of the financial crisis that caused the **Lehman Brothers** collapse in September 2008.*

Estimates of the value of the global derivatives market are around \$630 trillion: "Our discussions have been long and sometimes difficult, but there have always been close, continuous and collaborative talks between partners and friends"- said European commissioner responsible for internal market and services, Michel Barnier.

The agreement provides reciprocity rules between the **European Commission** and the American equivalent, the Commodity Futures Trading Commission (CFTC); its president Gary Gensler stated that "We've taken another significant step in our mutual journey to bring transparency and lower risk to the global swaps market", adding that "jurisdictions and regulators should be able to defer to each other when it is justified by the quality of their respective regulation and enforcement regimes".

This relevant implementation follows the **G-20** commitment "to lower risk and promote transparency in the **Over the Counter (Otc)** derivatives markets, which were at the heart of the financial crisis" the agreement was reached at expiration of the exemptions of American rules for European operators. This has occurred in a period of tensions between the EU and the United States.

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Negotiations for the free trade agreement started on July 08, 2013 in Washington, a crucial step toward the global crisis solution and for a greater transparency of finance. "The rules in place pursue the same objectives and generate the same outcomes - says a note from the CFTC - as a result of the joint collaborative effort, in many places, final rules are essentially identical".

From a technical profile, derivatives are complex **financial instruments** disclosed in the financial markets since the early 2000s; they conquered an absolutely central role in the entire global economy, with disastrous effects. Derivatives are financial instruments that have no intrinsic value, but derive their values from something else such as an asset, an index, or an interest rate: the underlying.

Derivatives are widely employed for financial speculation in global financial markets. The dangers of derivatives is that these financial instruments are traded in the markets by an indefinite number of "financial betters" that do not necessarily hold the underlying in portfolio, they just look for easy profits.