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## Information and Notices

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<sup>(1)</sup> Text with EEA relevance.

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<sup>(1)</sup> Text with EEA relevance.

## I

*(Resolutions, recommendations and opinions)*

## RECOMMENDATIONS

## EUROPEAN SYSTEMIC RISK BOARD

## RECOMMENDATION OF THE EUROPEAN SYSTEMIC RISK BOARD

**of 25 May 2020**

**on liquidity risks arising from margin calls**

**(ESRB/2020/6)**

(2020/C 238/01)

THE GENERAL BOARD OF THE EUROPEAN SYSTEMIC RISK BOARD,

Having regard to the Treaty on the Functioning of the European Union,

Having regard to Regulation (EU) No 1092/2010 of the European Parliament and of the Council of 24 November 2010 on European Union macro-prudential oversight of the financial system and establishing a European Systemic Risk Board <sup>(1)</sup>, and in particular Article 3(2)(b), (d) and (f) and Articles 16 to 18 thereof,

Having regard to Decision ESRB/2011/1 of the European Systemic Risk Board of 20 January 2011 adopting the Rules of Procedure of the European Systemic Risk Board <sup>(2)</sup>, and in particular Article 15(3)(e) and Articles 18 to 20 thereof,

Whereas:

- (1) Central clearing and exchanges of margins for non-centrally cleared transactions are of significant benefit to financial stability, particularly in terms of counterparty risk management. Greater central clearing of derivatives and collateralisation of non-centrally cleared derivatives positions have significantly strengthened the resilience of derivatives markets since the 2008 financial crisis. These reforms – led by the Financial Stability Board, on the basis of agreements reached at the G20 level – helped to ensure that recent market stress has not resulted in widespread concern about counterparty credit risk. Central clearing also maximises netting opportunities, and thus liquidity savings, including in respect of variation margin payments that mechanically reflect movements in market prices.
- (2) Market shocks, such as sharp drops in asset prices and high levels of market volatility, translate into increases in variation margins and may also lead to significant initial margin calls on positions in cash securities, commodities or derivatives. Margins are fundamental to how a central counterparty (CCP) manages counterparty credit risk and are an integral part of risk management and support systemic resilience.
- (3) Such market conditions could have major implications for the liquidity management of market participants, for their funding needs, and possibly even for their solvency if the liquidity stress leads to systematic fire sales of assets.
- (4) Ultimately, the externalities resulting from significant market movements and the corresponding margin calls may jeopardise the stability of the financial system.

<sup>(1)</sup> OJ L 331, 15.12.2010, p. 1

<sup>(2)</sup> OJ C 58, 24.2.2011, p. 4.

- (5) The outbreak of the COVID-19 pandemic and the recent sharp increase in the volatility of the price of oil have resulted, among other things, in significant margin calls across centrally cleared and non-centrally cleared markets. Since the middle of February 2020, initial margins have increased – more significantly for listed derivatives than for over-the-counter (OTC) derivatives – in the wake of higher transaction volumes, and as a margin model's response to potentially higher future losses due to the heightened market volatility. Furthermore, CCPs have issued calls for and collected large amounts of intraday variation margin covering market movements, with the corresponding payout often occurring only the next morning, causing liquidity to be temporarily held on the accounts of the CCPs. A significant rise in the payment and receipt of the daily variation margin on bilateral portfolios has since been recorded in March.
- (6) Many clearing members have seen a particularly marked increase in initial margins and some clearing members may have experienced increased liquidity constraints. However, no default has occurred in any CCP established in the Union. Margin calls may have had a significant impact on non-bank entities, via client clearing or in non-centrally cleared transactions, due to liquidity constraints. Looking ahead, the ability of market participants to cover margin calls will depend on future levels of volatility and the continuing resilience of their liquidity management.
- (7) Overall, concentration at the level of CCPs and clearing members and the interconnectedness between CCPs through common clearing members, liquidity providers, custodians or investment counterparties may also exacerbate liquidity risk contagion.
- (8) The technical standards and guidance on antiprocyclicality (APC margin measures) introduced pursuant to Regulation (EU) No 648/2012 of the European Parliament and of the Council <sup>(3)</sup> are directed at limiting the risk of procyclicality of CCP margin. Commission Delegated Regulation (EU) No 153/2013 <sup>(4)</sup> contains specifications on the procyclicality of margins and collateral, which national competent authorities are required to observe. The amendments to EMIR, introduced by Regulation (EU) 2019/834 of the European Parliament and of the Council (EMIR Refit) <sup>(5)</sup>, enhance the transparency of margin setting between CCPs and clearing members, yet the same level of transparency is not extended to the relationship between clearing members and their clients.
- (9) The European Systemic Risk Board (ESRB) is responsible for the macroprudential oversight of the financial system within the Union. In fulfilling its mandate, the ESRB should contribute to the prevention and mitigation of systemic risks to financial stability, including those related to liquidity. In performing its task the ESRB evaluates the risks for the financial system that could emerge from large margin calls and proposes how these risks might be mitigated.
- (10) The ESRB acknowledges the benefits in terms of liquidity savings for the whole financial system related to the multilateral netting benefit provided by central clearing; the ESRB also appreciates the systemic benefit of central clearing as a critical means to reinforce financial stability by ensuring and developing sound risk management practices in terms of credit and liquidity risk.
- (11) The ESRB also acknowledges that policy action on margins must not jeopardise protection against counterparty credit risk. Counterparties, including CCP clearing members and their clients, should ensure that they maintain sufficient liquidity to meet margin calls in a timely fashion. It is, however, also beneficial, from a financial stability perspective, to ensure that CCPs' decisions in terms of risk management do not unnecessarily burden clearing members, clearing members' clients and other counterparties because of excessive procyclical features, thus unintentionally creating liquidity strains, that could develop into solvency issues. In response to these present recommendations, the ESRB anticipates that CCPs ensure that their risk management and resilience remain sound and continue to protect market participants against loss resulting from defaults.

<sup>(3)</sup> 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 (OJ L 201, 27.7.2012, p. 1).

<sup>(4)</sup> Commission Delegated Regulation (EU) No 153/2013 of 19 December 2012 supplementing Regulation (EU) No 648/2012 of the European Parliament and of the Council with regard to regulatory technical standards on requirements for central counterparties (OJ L 52, 23.2.2013, p. 41).

<sup>(5)</sup> Regulation (EU) 2019/834 of the European Parliament and of the Council of 20 May 2019 amending Regulation (EU) No 648/2012 as regards the clearing obligation, the suspension of the clearing obligation, the reporting requirements, the risk-mitigation techniques for OTC derivative contracts not cleared by a central counterparty, the registration and supervision of trade repositories and the requirements for trade repositories (OJ L 141, 28.5.2019, p. 42).

- (12) Recommendations A and D are aimed at ensuring that sudden and significant (hence procyclical) changes and cliff effects relating to initial margins (including add-on margins) and collateral are limited: (i) by CCPs vis-à-vis their clearing members; (ii) by clearing members vis-à-vis their clients; and (iii) in the bilateral sphere, where they result from the mechanical reliance on credit ratings and possibly from procyclical internal credit scoring methodologies. Liquidity planning should be predictable and manageable to the extent possible by limiting unexpected and significant margin calls. Providing reasonable and enforceable notice periods for any changes in the margin and haircut protocols could ensure that market participants adapt in an orderly fashion.
- (13) Recommendation B is aimed at ensuring that CCPs capture comprehensively in their liquidity stress testing any events that could lead to them experiencing a liquidity shortfall, with a view to incentivising them to improve their management of their reliance on liquidity service providers. This will improve the overall market resilience, given that there is a large degree of concentration and interconnection among CCPs and their liquidity service providers, and that prudent liquidity management at individual CCP level in this regard would enhance risk management from a systemic and macroprudential, perspective.
- (14) Recommendation C is aimed at ensuring that CCPs, while maintaining their financial resilience, limit the asymmetry in the payment of variation margins collected intraday – and that they design their margin frameworks and schedules so as to be predictable and avoid excessive liquidity constraints for clearing members that could lead to default events.
- (15) This Recommendation is without prejudice to the monetary policy mandates of the central banks in the Union.
- (16) Recommendations of the ESRB are published after the addressees have been informed, and after the General Board has informed the Council of the European Union of its intention to do so and provided the Council with an opportunity to react,

HAS ADOPTED THIS RECOMMENDATION:

#### SECTION 1

#### RECOMMENDATIONS

##### **Recommendation A – Limiting cliff effects in relation to the demand for collateral**

1. It is recommended that the competent authorities seek to ensure that CCPs analyse the performance of their policies required by Article 28 of Delegated Regulation (EU) No 153/2013 during periods of acute stress and report their findings to their competent authority.
2. It is recommended that the competent authorities seek to ensure, taking into consideration the findings of the analyses carried out in compliance with Recommendation A(1), that to the extent permitted by law and consistent with CCPs' financial resilience:
  - (i) CCPs' models and parameters for setting margin requirements and CCPs' policies and procedures for the acceptance and valuation of collateral and for determining prudent haircuts do not unnecessarily and excessively result in sudden and significant changes leading to cliff effects in initial margins, including add-on margins, and collateral. CCPs should ensure that their models, parameters, policies and procedures:
    - (a) use a granular scale for internal credit scoring models and adopt a progressive approach that implements changes to margin requirements, including add-ons, and collateral arrangements, without unduly delaying the reflection of these downgrades in their overall risk management practices;
    - (b) adopt a comprehensive approach to limiting procyclical features pursuant to the regulatory requirements on procyclicality in Article 41 of Regulation (EU) No 648/2012, in particular in the event of downgrades of credit ratings;
  - (ii) CCPs inform, without prejudice to Article 49 of Regulation (EU) No 648/2012, their competent authorities, and competent authorities inform members of the college established under Article 18 of Regulation (EU) No 648/2012, when they:
    - (a) reduce the scope of eligible collateral;

- (b) materially modify collateral haircuts;
- (c) materially decrease the concentration limits applied in accordance with Article 42 of Commission Delegated Regulation (EU) No 153/2013.

To the extent that it does not interfere with the timely implementation of risk management decisions, this information should be provided sufficiently in advance of implementation.

3. It is recommended that, to the extent permitted by law, the clearing members' relevant competent authorities engage with the clearing members within the context of ongoing supervision to ensure that the application by the clearing members of their risk-management procedures when providing clearing services to their clients does not result in sudden and significant changes and cliff effects in margin calls and the collection of margins – unless these sudden and significant changes and cliff effects are an inevitable result of market events – and does not result in collateral practices in the event of downgrades of credit ratings, and does not materially curtail the soundness of the risk management practices adopted by the clearing members or affect their resilience.
4. It is recommended that, to the extent permitted by law, the relevant competent authorities of financial counterparties and non-financial counterparties that enter into non centrally cleared OTC derivative contracts and securities financing transactions seek to ensure that their risk management procedures do not result, in the event of downgrades of credit ratings, in sudden and significant changes and cliff effects in margin calls and collection and in collateral practices. This could be achieved, for example, by encouraging counterparties to:
  - (i) use a progressive and granular sequence when implementing downgrades of credit ratings, in their overall risk management practices;
  - (ii) maintain a comprehensive approach to limiting procyclical features in accordance with the regulatory requirements in Article 11 of Regulation (EU) No 648/2012, especially with respect to ratings downgrades.

#### **Recommendation B – Stress scenario for the assessment of future liquidity needs**

1. It is recommended that the European Securities and Markets Authority (ESMA) review the draft technical standards <sup>(6)</sup> developed under Article 44(2) of Regulation (EU) No 648/2012, and in particular Article 32(4) of those draft technical standards, to include provisions that require CCPs to include in their stress scenarios under Article 44 of Regulation (EU) No 648/2012 the default of any two entities that provide services to the CCP and whose default could materially affect the liquidity position of the CCP.
2. Until any action taken by ESMA to comply with Recommendation B(1) and the possible introduction of corresponding Union legislation, it is recommended that competent authorities, to the extent permitted by law, seek to ensure that the stress scenarios under Article 44 of Regulation (EU) No 648/2012 include the default of any two entities that provide services to the CCP and whose default could materially affect the liquidity position of the CCP; such entities could include the liquidity service providers, settlement service providers or any other service providers whose default could possibly affect the liquidity position of the CCP.
3. It is recommended that competent authorities, to the extent permitted by law, seek to ensure that CCPs' remedial actions to address any shortfall in resources available to cover liquidity needs that is identified by applying the additional stress scenarios referred to in Recommendation B(2) or Recommendation B(1), once corresponding Union legislation is in force, do not, when applied in times of market stress, place an additional burden on the clearing members. To this end, the competent authorities should ensure that CCPs seek additional liquidity from alternative market sources.
4. It is recommended that, to the extent permitted by law, ESMA, in cooperation with the competent authorities, engage with CCPs – and to the extent possible with relevant authorities in third countries – to conduct coordinated liquidity stress test exercises which also take into account the default of any two entities as referred to in Recommendations B(1) and B(2).

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<sup>(6)</sup> Draft technical standards under Regulation (EU) No 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC Derivatives, CCPs and Trade Repositories (ESMA/2012/600).

**Recommendation C – Limiting liquidity constraints related to margin collection**

1. It is recommended that the competent authorities seek to ensure, to the extent permitted by law and consistent with CCPs' adequate risk management practices and financial resilience, that when CCPs issue margin calls and collect margins to limit their credit exposures, they aim to avoid creating unnecessary liquidity constraints for clearing members, including by ensuring that:
  - (i) with respect to margins called and collected on an intraday basis, and to the extent operationally and legally possible, CCPs identify separately:
    - (a) the margin covering potential exposures, including exposures resulting from positions entered into and novated on that day;
    - (b) the margin covering realised exposures resulting from market movements on that day, which CCPs should consider collecting and paying out on the same day;
  - (ii) when initial margin collateral has been provided by a clearing member in excess of the collateral required to cover the risk stemming from the positions registered in an account, including positions novated intraday and any increased exposure incurred intraday, CCPs prioritise, where operationally possible, the use of excess collateral over collecting additional collateral, unless the clearing member voluntarily posts the add-on margin. This process should be carried out in a predictable, transparent and scheduled manner;
  - (iii) CCPs ensure that the process for collecting of initial and variation margins does not result in excessive operational constraints for the clearing member which may pose additional liquidity risk.
  
2. It is recommended that the clearing members' relevant competent authorities monitor and, where necessary and permitted by law and consistent with adequate risk management practices and financial resilience, engage with the clearing members within the context of ongoing supervision so that when clearing members issue margin calls and collect initial and variation margins from their clients, including financial and non-financial counterparties, in order to limit their credit exposures, they aim to avoid unnecessary liquidity constraints for their clients. This could be achieved, for example, by ensuring that:
  - (i) when sufficient initial margin has been provided by a client to cover the risk stemming from the positions registered with the clearing member, including positions novated intraday and any increased exposure incurred intraday, clearing members prioritise the use of excess initial margin collateral over collecting additional collateral unless the client voluntarily posts the add-on margin;
  - (ii) clearing members ensure that the process for the collection of initial and variation margins does not result in excessive operational constraints for the clients which may pose additional liquidity risk.

**Recommendation D – Mitigation of procyclicality in the provision of client clearing services and in securities financing transactions**

1. It is recommended that relevant competent authorities contribute to steer discussions at international level, through their participation in international fora and standard-setting bodies, where applicable, on means to mitigate the procyclicality in margin and haircut practices in the provision of client services related to exchange traded and over-the-counter derivatives as well as securities financing transactions, whether centrally cleared or not centrally cleared. These discussions should aim at developing global standards governing minimum requirements for the mitigation of procyclicality when providing these services.
  
2. If, such global standards are set, it is recommended that the European Commission considers proposing that Union legislation give them effect.

## SECTION 2

## IMPLEMENTATION

**1. Definitions**

1. For the purposes of this Recommendation the following definitions apply:

- (a) 'competent authority' means an authority designated by a Member State in accordance with Article 22 of Regulation (EU) No 648/2012;
- (b) 'CCP' has the same meaning as in Article 2(1) of Regulation (EU) No 648/2012;
- (c) 'clearing' has the same meaning as in Article 2(3) of Regulation (EU) No 648/2012;
- (d) 'clearing member' has the same meaning as in Article 2(14) of Regulation (EU) No 648/2012;
- (e) 'derivative' or 'derivative contract' has the same meaning as in Article 2(5) of Regulation (EU) No 648/2012;
- (f) 'relevant competent authority' means the competent authority referred to in the legislation referred to in Article 2(8) of Regulation (EU) No 648/2012 and the competent authority designated by a Member State pursuant to and for the purposes of Article 10(5) of Regulation (EU) No 648/2012;
- (g) 'financial counterparty' has the same meaning as in Article 2(8) of Regulation (EU) No 648/2012;
- (h) 'non-financial counterparty' has the same meaning as in Article 2(9) of Regulation (EU) No 648/2012;
- (i) 'client' has the same meaning as in Article 2(15) of Regulation (EU) No 648/2012.

**2. Criterion for implementation**

In implementing this Recommendation, due regard should be paid to the principle of proportionality, taking into account the objective and the content of each recommendation.

**3. Timeline for the follow-up**

In accordance with Article 17(1) of Regulation (EU) No 1092/2010 addressees must communicate to the European Parliament, the Council, the Commission and to the ESRB the actions undertaken in response to this recommendation or substantiate any inaction. Communications should be sent in compliance with the following timelines.

**1. Recommendation A**

- (a) By 30 November 2020, the competent authorities are requested to submit to the European Parliament, the Council, the Commission and to the ESRB the form in Annex I on the implementation of Recommendations A(1) and A(2).
- (b) By 30 November 2020, the relevant competent authorities are requested to deliver to the European Parliament, the Council, the Commission and to the ESRB the form in Annex I on the implementation of Recommendations A(3) and A(4).

**2. Recommendation B**

- (a) By 31 December 2021, ESMA is requested to deliver to the European Parliament, the Council, the Commission and to the ESRB the form in Annex I on the implementation of Recommendation B(1).
- (b) By 30 November 2020, the competent authorities are requested to deliver to the European Parliament, the Council, the Commission and to the ESRB the form in Annex I on the implementation of Recommendations B(2), B(3) and B(4).

**3. Recommendation C**

- (a) By 30 November 2020, the competent authorities are requested to deliver to the European Parliament, the Council, the Commission and to the ESRB the form in Annex I on the implementation of Recommendation C(1).
- (b) By 30 November 2020, the relevant competent authorities of clearing members are requested to deliver to the European Parliament, the Council, the Commission and to the ESRB the form in Annex I on the implementation of Recommendation C(2).



#### 4. Recommendation D

- (a) By 31 December 2021, the competent authorities and the relevant competent authorities are requested to deliver to the European Parliament, the Council, the Commission and the ESRB, the form in Annex I on the implementation of Recommendation D(1).
- (b) By 31 December 2022 the Commission is requested to deliver to the European Parliament, the Council and the ESRB, the form in Annex I on the implementation of Recommendation D(2).

#### 4. Monitoring and assessment

1. The General Board will assess the actions and justifications communicated by the addressees and, where appropriate, may decide that this Recommendation has not been followed and that an addressee has failed to provide adequate justification for its inaction.
2. The methodology set out in the Handbook on the assessment of compliance with ESRB recommendations <sup>(7)</sup>, which describes the procedure for assessing compliance with ESRB recommendations, shall not apply.

Done at Frankfurt am Main, 25 May 2020.

*Head of the ESRB Secretariat,  
on behalf of the General Board of the ESRB*  
Francesco MAZZAFERRO

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<sup>(7)</sup> Handbook on the assessment of compliance with ESRB recommendations, April 2016, available at [https://www.esrb.europa.eu/pub/pdf/recommendations/160502\\_handbook.en.pdf](https://www.esrb.europa.eu/pub/pdf/recommendations/160502_handbook.en.pdf)

## ANNEX I

**Communication of the actions undertaken in response to the recommendation****1. Details of addressee**

Recommendation	
Country of the Addressee	
Institution	
Name and contact details of the respondent	
Date of communication	

**2. Communication of actions**

<b>Recommendation</b>	<b>Do you comply? (yes/no/not applicable)</b>	<b>Description of actions taken to ensure compliance</b>	<b>Justification for partial compliance or non-compliance</b>
Recommendation A(1)			
Recommendation A(2)			
Recommendation A(3)			
Recommendation A(4)			
Recommendation B(1)			
Recommendation B(2)			
Recommendation B(3)			
Recommendation B(4)			
Recommendation C(1)			
Recommendation C(2)			
Recommendation D(1)			
Recommendation D(2)			

**3. Notes**

1. This form is used for the communication required by Article 17(1) of Regulation (EU) No 1092/2010.
2. Each addressee should submit the completed form to the ESRB via the ESRB Secretariat electronically via DARWIN in the dedicated folder or by email to [notifications@esrb.europa.eu](mailto:notifications@esrb.europa.eu). The ESRB Secretariat will arrange for the transmission of the communications to the European Parliament, the Council and the Commission, on an aggregated basis.
3. If a recommendation does not apply, please select 'non-applicable' in the box 'Do you comply?'.

4. Addressees are expected to provide all relevant information and documentation related to the implementation of the recommendations, including information on the substance and timing of the actions taken.
  5. If an addressee only partially complies, it should provide a full explanation of the extent of non-compliance, as well as other details of partial compliance. The explanation should specify clearly the relevant parts of the recommendation which the addressees do not comply with.
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## II

*(Information)*INFORMATION FROM EUROPEAN UNION INSTITUTIONS, BODIES, OFFICES  
AND AGENCIES

## EUROPEAN COMMISSION

**Non-opposition to a notified concentration****(Case M.9872 – Atlas/Permasteelisa)****(Text with EEA relevance)**

(2020/C 238/02)

On 15 July 2020, the Commission decided not to oppose the above notified concentration and to declare it compatible with the internal market. This decision is based on Article 6(1)(b) of Council Regulation (EC) No 139/2004 <sup>(1)</sup>. The full text of the decision is available only in English and will be made public after it is cleared of any business secrets it may contain. It will be available:

- in the merger section of the Competition website of the Commission (<http://ec.europa.eu/competition/mergers/cases/>). This website provides various facilities to help locate individual merger decisions, including company, case number, date and sectoral indexes,
- in electronic form on the EUR-Lex website (<http://eur-lex.europa.eu/homepage.html?locale=en>) under document number 32020M9872. EUR-Lex is the online access to European law.

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<sup>(1)</sup> OJ L 24, 29.1.2004, p. 1.

## IV

(Notices)

## NOTICES FROM EUROPEAN UNION INSTITUTIONS, BODIES, OFFICES AND AGENCIES

## EUROPEAN COMMISSION

Euro exchange rates <sup>(1)</sup>

17 July 2020

(2020/C 238/03)

1 euro =

Currency	Exchange rate	Currency	Exchange rate		
USD	US dollar	1,1428	CAD	Canadian dollar	1,5510
JPY	Japanese yen	122,53	HKD	Hong Kong dollar	8,8617
DKK	Danish krone	7,4453	NZD	New Zealand dollar	1,7463
GBP	Pound sterling	0,91078	SGD	Singapore dollar	1,5887
SEK	Swedish krona	10,3330	KRW	South Korean won	1 376,55
CHF	Swiss franc	1,0753	ZAR	South African rand	19,0496
ISK	Iceland króna	160,20	CNY	Chinese yuan renminbi	7,9975
NOK	Norwegian krone	10,5995	HRK	Croatian kuna	7,5380
BGN	Bulgarian lev	1,9558	IDR	Indonesian rupiah	16 793,45
CZK	Czech koruna	26,682	MYR	Malaysian ringgit	4,8723
HUF	Hungarian forint	353,72	PHP	Philippine peso	56,511
PLN	Polish zloty	4,4827	RUB	Russian rouble	81,8409
RON	Romanian leu	4,8422	THB	Thai baht	36,238
TRY	Turkish lira	7,8413	BRL	Brazilian real	6,0839
AUD	Australian dollar	1,6360	MXN	Mexican peso	25,6132
			INR	Indian rupee	85,6700

<sup>(1)</sup> Source: reference exchange rate published by the ECB.

## V

(Announcements)

PROCEDURES RELATING TO THE IMPLEMENTATION OF COMPETITION  
POLICY

EUROPEAN COMMISSION

**Prior notification of a concentration**  
**(Case M.9619 – CDC/EDF/ENGIE/La Poste)**

(Text with EEA relevance)

(2020/C 238/04)

1. On 10 July 2020, the Commission received notification of a proposed concentration pursuant to Article 4 of Council Regulation (EC) No 139/2004 <sup>(1)</sup>.

This notification concerns the following undertakings:

- the Caisse des Dépôts et Consignations ('CDC', France),
- EDF Pulse Croissance Holding (France), belonging to the Électricité de France group ('EDF'),
- ENGIE (France),
- La Poste SA (France), belonging to the La Poste group, controlled by CDC.

CDC (including La Poste), EDF and Engie acquire within the meaning of Article 3(1)(b) and Article 3(4) of the Merger Regulation joint control of Archipels, a newly created company.

The concentration is accomplished by way of purchase of shares in a newly created company constituting a joint venture.

The same concentration was already notified to the Commission on 19 May 2020, but the notification was withdrawn on 22 June 2020.

2. The business activities of the undertakings concerned are:

- CDC is a public group which carries out tasks of general interest in support of public policies conducted by the State and local authorities.
- EDF is mainly active in France and abroad in the electricity markets. In the digital trust sector, EDF's sole activity consists in providing, free of charge, an EDF tool operating a blockchain which makes it possible to verify that a press release issued by EDF is authentic.
- ENGIE is an international industrial and services group active in gas and electricity business and energy services. This group is not active in the digital trust sector.
- La Poste is the incumbent operator of the postal service in France. It is organised into five main branches of activity, including the La Banque Postale branch, which carries out banking and insurance activities, and the Digital branch, which develops digital solutions and services, in particular through Docaposte, which offers customer identification, electronic signature and certification.

3. On preliminary examination, the Commission finds that the notified transaction could fall within the scope of the Merger Regulation. However, the final decision on this point is reserved.

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<sup>(1)</sup> OJ L 24, 29.1.2004, p. 1 (the 'Merger Regulation').

4. The Commission invites interested third parties to submit their possible observations on the proposed operation to the Commission.

Observations must reach the Commission no later than 10 days following the date on which this notification is published. The following reference should always be specified:

M.9619 – CDC/EDF/ENGIE/La Poste

Observations can be sent to the Commission by email, by fax, or by post. Please use the contact details below:

Email: [COMP-MERGER-REGISTRY@ec.europa.eu](mailto:COMP-MERGER-REGISTRY@ec.europa.eu)

Fax +32 22964301

Postal address:

European Commission  
Directorate-General for Competition  
Merger Registry  
1049 Bruxelles/Brussel  
BELGIQUE/BELGIË

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**Prior notification of a concentration**  
**(Case M.9787 — Česká Spořitelna/Československá Obchodní Banka/Komerční Banka/JV)**  
**Candidate case for simplified procedure**

(Text with EEA relevance)

(2020/C 238/05)

1. On 10 July 2020, the Commission received notification of a proposed concentration pursuant to Article 4 of Council Regulation (EC) No 139/2004 <sup>(1)</sup>.

This notification concerns the following undertakings:

- Česká spořitelna, a.s. (CS, Czechia), belonging to Erste Group Bank AG (Austria),
- Československá obchodní banka, a.s. (ČSOB, Czechia), belonging to KBC Group (Belgium),
- Komerční banka, a.s. (KB, Czechia), belonging to Société Générale Group (France).

CS, ČSOB an KB acquire within the meaning of Article 3(1)(b) and 3(4) of the Merger Regulation joint control of a newly created company constituting a joint venture (the 'JV', Czechia).

The concentration is accomplished by way of purchase of shares in a newly created company constituting a joint venture.

2. The business activities of the undertakings concerned are:

- CS: is a banking company operating in Czechia, which provides banking and financial services to individuals, small and medium enterprises, municipalities and other public sector entities and also to multinational corporations and financial institutions,
- ČSOB: is a banking company operating in Czechia. ČSOB offers banking products and services to all groups of clients, i. e., individuals, SMEs and to corporate and institutional clients,
- KB: is a banking company operating in Czechia and in the EEA, which provides a wide range of services in retail, corporate and investment banking,
- The JV will provide e-identification services in Czechia.

3. On preliminary examination, the Commission finds that the notified transaction could fall within the scope of the Merger Regulation. However, the final decision on this point is reserved.

Pursuant to the Commission Notice on a simplified procedure for treatment of certain concentrations under the Council Regulation (EC) No 139/2004 <sup>(2)</sup> it should be noted that this case is a candidate for treatment under the procedure set out in the Notice.

4. The Commission invites interested third parties to submit their possible observations on the proposed operation to the Commission.

Observations must reach the Commission not later than 10 days following the date of this publication. The following reference should always be specified:

M.9787 — Česká Spořitelna/Československá Obchodní Banka/Komerční Banka/JV

<sup>(1)</sup> OJ L 24, 29.1.2004, p. 1 (the 'Merger Regulation').

<sup>(2)</sup> OJ C 366, 14.12.2013, p. 5.



Observations can be sent to the Commission by email, by fax, or by post. Please use the contact details below:

E-mail: [COMP-MERGER-REGISTRY@ec.europa.eu](mailto:COMP-MERGER-REGISTRY@ec.europa.eu)

Fax +32 22964301

Postal address:

European Commission  
Directorate-General for Competition  
Merger Registry  
1049 Bruxelles/Brussel  
BELGIQUE/BELGIË

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## OTHER ACTS

## EUROPEAN COMMISSION

**Publication of an application for approval of an amendment, which is not minor, to a product specification pursuant to Article 50(2)(a) of Regulation (EU) No 1151/2012 of the European Parliament and of the Council on quality schemes for agricultural products and foodstuffs**

(2020/C 238/06)

This publication confers the right to oppose the amendment application pursuant to Article 51 of Regulation (EU) No 1151/2012 of the European Parliament and of the Council <sup>(1)</sup> within three months from the date of this publication.

APPLICATION FOR APPROVAL OF AN AMENDMENT TO THE PRODUCT SPECIFICATION OF PROTECTED DESIGNATIONS OF ORIGIN/PROTECTED GEOGRAPHICAL INDICATIONS WHICH IS NOT MINOR

**Application for approval of an amendment in accordance with the first subparagraph of Article 53(2), of Regulation (EU) No 1151/2012****‘VINAGRE DE JEREZ’****EU No: PDO-ES-0723-AM01 – 18.12.2018****PDO (X) PGI ()****1. Applicant group and legitimate interest**

Consejo Regulador de las Denominaciones de Origen Protegidas [Regulatory Board for the Protected Designations of Origin] ‘Jerez-Xérès-Sherry’, ‘Manzanilla-Sanlúcar de Barrameda’ and ‘Vinagre de Jerez’. Avenida Alcalde Álvaro Domecq nº 2. 11402 Jerez de la Frontera (Cádiz). Spain. Tel. + 34 956332050. vinjerez@sherry.org

The Order of 12 February 2018 (of the Regional Department of Agriculture, Fisheries and Rural Development of the Autonomous Community of Andalusia) approving the Regulation on the functioning of the Regulatory Board for the Protected Designations of Origin ‘Jerez-Xérès-Sherry’, ‘Manzanilla-Sanlúcar de Barrameda’ and ‘Vinagre de Jerez’ provides that the Regulatory Board is the management body of the Protected Designation of Origin ‘Vinagre de Jerez’ in accordance with the terms laid down in Chapter IV of Title III of Law 2/2011 of 25 March 2011 on food and fisheries quality in Andalusia. Therefore, it clearly has a legitimate interest in applying for this amendment to the product specification.

**2. Member State or third country**

Spain

**3. Heading in the product specification affected by the amendment(s)**

- Name of product
- Description of product
- Geographical area
- Proof of origin
- Method of production
- Link
- Labelling
- Other [to be specified]

<sup>(1)</sup> OJ L 343, 14.12.2012, p. 1.

#### 4. Type of amendment(s)

- Amendment to product specification of a registered PDO or PGI not to be qualified as minor in accordance with the third subparagraph of Article 53(2) of Regulation (EU) No 1151/2012.
- Amendment to product specification of registered PDO or PGI for which a Single Document (or equivalent) has not been published not to be qualified as minor in accordance with the third subparagraph of Article 53(2) of Regulation (EU) No 1151/2012.

#### 5. Amendment(s)

Four fundamental amendments with an impact on various sections of the product specification and the Single Document are proposed, which are reproduced here to explain the proposed changes:

##### 5.1. Removal of the requirements concerning the dry extract and ash content of the protected vinegars

Sections concerned:

Section B.2 of the product specification and point 3.2 of the Single Document

Previous text:

(...)

*It must have a minimum dry extract content of 1,3 grams per litre and percentage acidity as acetic acid, the minimum for the 'Vinagre de Jerez Gran Reserva' being 2,3 grams per litre and percentage acidity as acetic acid.*

*An ash content of between 2 and 7 grams/litre, except for 'Vinagre de Jerez Gran Reserva', which must have between 4 and 8 grams/litre.*

Amended text:

*(These two requirements are deleted from section B.2)*

Section F.4 of the product specification and point 5.3 of the Single Document

Previous text:

(...)

*Maturing in oak barrels and the particular micro-climatic conditions of the cellars moreover ensure that the vinegar acquires some very particular characteristics during the maturing process. The type of barrel used – American oak cask, long seasoned with sherry wines – has a capacity for micro-oxygenation which is ideal for the slow development of the vinegars and allows the gradual release of components during ageing, which help to stabilise the colouring substances, form polymer groups and give the characteristic tones between amber and mahogany, the notes of vanilla and the aromas of white coffee and 'torrefacto' roast coffee. Furthermore, the hemicellulose of the wood allows the water content to gradually evaporate, which increases the dry extract, mineral salt and vinegar ash content. Consequently, 'Vinagre de Jerez' must have a minimum dry extract content of 1,3 grams per litre and percentage acidity as acetic acid, the minimum for 'Vinagre Jerez Gran Reserva' being 2,3 grams per litre and percentage acidity as acetic acid, and an ash content of between 2 and 7 grams/litre, except for 'Vinagre de Jerez Gran Reserva', which must have between 4 and 8 grams/litre.*

(...)

Amended text:

(...)

*Maturing in oak barrels and the particular micro-climatic conditions of the cellars moreover ensure that the vinegar acquires some very particular characteristics during the maturing process. The type of barrel used – American oak cask, long seasoned with sherry wines – has a capacity for micro-oxygenation which is ideal for the slow development of the vinegars and allows the gradual release of components during ageing, which help to stabilise the colouring substances, form polymer groups and give the characteristic tones between amber and mahogany, the notes of vanilla and the aromas of white coffee and 'torrefacto' roast coffee.*

(...)

Reason for amendment

The establishment in the product specification of a minimum ash content and dry extract content that went beyond the requirements of the general legislation on vinegars reflected the general values that were traditionally found in the protected vinegars. These were generally higher, because of the characteristics of the raw material used to produce the wine suitable for making the vinegar, as a result of the practice of using musts obtained with a certain pressure (second pressing) and harvesting exclusively by hand, thus including the stalk or stem. Both factors had a direct impact on the ash content and the dry extract of the wine suitable for making the vinegars, and thus ultimately on the resulting vinegars.

These days, almost half the grapes grown in the area of production for the designation of origin are harvested mechanically as a result of the technological improvements made by the wine-growers: planting patterns better adapted to mechanisation, training the vines higher, using harvesters that treat the vines and the grapes better, etc. All this means that a good part of the grapes used for producing the wines suitable for making 'Vinagre de Jerez' are crushed without stalks, which significantly reduces the level of tannins and thus of ash and dry extract.

Similarly, the trend of producers producing finer and more elegant vinegars has led to the increasing use of musts from the first press, obtained with very low pressure and generally improved through temperature control. This again means obtaining wines that are more fragrant and delicate but also have less structure, a lower ash content, and less dry extract. It should also be borne in mind that these two parameters do not necessarily affect the quality of the vinegar. What is always much more important is to have a well-vinified, wholesome, quality raw material, with the appropriate expression of variety and terroir.

For all these reasons, the Regulatory Board, advised by the Technical Committee created for this purpose, proposes the removal of these parameters from the product specification. The provisions of the general legislation on vinegars remain applicable.

## 5.2. Use of grape must

Sections concerned:

Section B.4 of the product specification and point 3.2 of the Single Document

Previous text:

(...)

In addition, depending on the variety of wine used, semi-sweet 'Vinagre de Jerez' can be divided into the following types, which may belong to any of the categories described in the previous point:

- (1) 'Vinagre de Jerez al Pedro Ximénez': the vinegar covered by this designation to which Pedro Ximénez wines are added during the production process.
- (2) 'Vinagre de Jerez al Moscatel': the vinegar covered by this designation to which Moscatel wines are added during the production process.

Amended text:

(...)

B.4.2. The following types of semi-sweet 'Vinagre de Jerez' can be found in each of the above categories:

- (1) 'Vinagre de Jerez al Pedro Ximénez': vinegar covered by this designation, to which Pedro Ximénez wine or the must of very ripe or sun-baked Pedro Ximénez variety grapes from the production area is added and to which neutral vinous alcohol has been added to stop fermentation.
- (2) 'Vinagre de Jerez al Moscatel': vinegar covered by this designation, to which Moscatel wine or the must of very ripe or sun-baked Moscatel variety grapes from the production area is added, and to which neutral vinous alcohol has been added to stop fermentation.

Section C.5 of the Product Specification; no amendment of the Single Document

Previous text:

The following practices are permitted in the production of 'Vinagre de Jerez':

(...)

Likewise, for 'Vinagre de Jerez al Pedro Ximénez' and 'Vinagre de Jerez al Moscatel', the addition of fortified wines from wineries listed in the registers for the 'Jerez-Xérès-Sherry' designation of origin is permitted.

Amended text:

The following practices are permitted in the production of 'Vinagre de Jerez':

(...)

Likewise, for 'Vinagre de Jerez al Pedro Ximénez' and 'Vinagre de Jerez al Moscatel', the addition of fortified wines from wineries listed in the registers for the 'Jerez-Xérès-Sherry' designation of origin is permitted, as is the addition of the must of very ripe or sun-baked grapes of these varieties from the production area to which neutral vinous alcohol has been added to stop fermentation. The latter must also come from wineries listed in the registers for the 'Jerez-Xérès-Sherry' designation of origin.

Reason for amendment

When the product specification for the designation of origin was drafted, the possible sweetening of protected vinegars to make semi-sweet vinegars was limited to fortified wines produced using Pedro Ximénez or Moscatel varieties at wineries listed in the registers for the 'Jerez-Xérès-Sherry' designation of origin.

However, the need for these wines – in accordance with the product specification for the designation of origin 'Jerez-Xérès-Sherry' – to have an alcoholic strength of 15 % vol. greatly limits the possibilities for their use, as it dilutes the degree of acidity and increases the alcohol content, which may place the resulting vinegars outside the limits set for these parameters in the specification.

It must be borne in mind that the qualitative aim is that these vinegars incorporate a certain touch of sweetness as well as the organoleptic characteristics typical of the varieties mentioned, which in the area acquire a very marked personality, due to both the characteristics of the variety and the traditional practices of over-ripening or 'asoleo' [sun-baking].

The use of grape must from these very ripe or sun-baked varieties from the production area to which neutral vinous alcohol has been added in order to stop the fermentation (which must also come from wineries listed in the registers for the 'Jerez-Xérès-Sherry' designation of origin) will make it possible to obtain protected vinegars subtly enriched by the notes of these varieties and with the necessary sweetness, but without excessively diluting the degree of acidity or significantly increasing the alcoholic strength.

### 5.3. Protection of semi-sweet and sweet types of 'Vinagre de Jerez'

Sections concerned:

Section B.2 of the Product Specification and Section 3.2 of the Single Document

Previous text:

*The specific analytical characteristics of the protected vinegars are the following:*

*The residual alcohol content must not exceed 3 % by volume, except in the case of Pedro Ximénez and Moscatel vinegars, in which it must not exceed 4 % by volume.*

*Total acetic acid must be at least 70 grams/litre, except in the case of Pedro Ximénez and Moscatel vinegars, which may have 60 grams/litre. In the case of the Gran Reserva vinegars, total acetic acid must be at least 80 grams/litre.*

(...)

*The vinegars in the Pedro Ximénez and Moscatel categories must contain at least 60 grams/litre of reducing substances from these types of wine.*

Amended text:

*The specific analytical characteristics of the protected vinegars are the following:*

*The residual alcohol content must not exceed 3 % by volume, except for the sweet or semi-sweet vinegars, in which it must not exceed 4 % by volume.*

*The total acetic acid content must be at least 70 grams/litre, except for the sweet or semi-sweet vinegars, which may have 60 grams/litre. In the case of the Gran Reserva vinegars, total acetic acid must be at least 80 grams/litre.*

(...)

*Semi-sweet 'Vinagre de Jerez' must contain at least 60 grams/litre of reducing substances.*

Sweet 'Vinagre de Jerez' must contain at least 150 grams/litre of reducing substances.

Section B.4 of the Product Specification and Section 3.2 of the Single Document

Previous text:

*The following categories can be distinguished on the basis of the vinegars' different ageing periods:*

(...)

*In addition, depending on the variety of wine used, semi-sweet 'Vinagre de Jerez' can be divided into the following types, which may belong to any of the categories described in the previous point:*

- (1) 'Vinagre de Jerez al Pedro Ximénez': the vinegar covered by this designation to which Pedro Ximénez wines are added during the production process.
- (2) 'Vinagre de Jerez al Moscatel': the vinegar covered by this designation to which Moscatel wines are added during the production process.

Amended text:

*B.4.1. The following categories can be distinguished on the basis of the vinegars' different ageing periods:*

(...)

*B.4.2. The following types of semi-sweet 'Vinagre de Jerez' can be found in each of the above categories:*

- (1) 'Vinagre de Jerez al Pedro Ximénez': vinegar covered by this designation, to which Pedro Ximénez wine or the must of very ripe or sun-baked Pedro Ximénez variety grapes from the production area is added and to which neutral vinous alcohol has been added to stop fermentation.
- (2) 'Vinagre de Jerez al Moscatel': vinegar covered by this designation, to which Moscatel wine or the must of very ripe or sun-baked Moscatel variety grapes from the production area is added, and to which neutral vinous alcohol has been added to stop fermentation.

*B.4.3. The vinegars described in the previous point may be marketed as 'Vinagre de Jerez Dulce', provided that they contain at least 150 grams/litre of reducing substances.*

Section C.5 of the Product Specification; no amendment of the Single Document

Previous text:

*The following practices are permitted in the production of 'Vinagre de Jerez':*

(...)

*Likewise, for 'Vinagre de Jerez al Pedro Ximénez' and 'Vinagre de Jerez al Moscatel', the addition of fortified wines from wineries listed in the registers for the 'Jerez-Xérès-Sherry' designation of origin is permitted.*

(...)

Amended text:

*The following practices are permitted in the production of 'Vinagre de Jerez':*

(...)

*Likewise, for 'Vinagre de Jerez al Pedro Ximénez' and 'Vinagre de Jerez al Moscatel', the addition of fortified wines from wineries listed in the registers for the 'Jerez-Xérès-Sherry' designation of origin is permitted, as is the addition of the must of very ripe or sun-baked grapes of these varieties from the production area to which neutral vinous alcohol has been added to stop fermentation. The latter must also come from wineries listed in the registers for the 'Jerez-Xérès-Sherry' designation of origin.*

*In the case of 'Vinagre de Jerez Dulce', in addition to the minimum reducing substance content from Pedro Ximénez and Moscatel wines or musts specified in point B.4, the addition of concentrated must and rectified concentrated must is permitted.*

(...)

Reason:

As stated in the previous point, the current product specification provides that products from the different categories based on ageing periods ('Vinagre de Jerez', 'Vinagre de Jerez Reserva' and 'Vinagre de Jerez Gran Reserva') may be classed as semi-sweet vinegars, if they have a reducing substance content of at least 60 grams/litre, as a result of the use of suitable wines made from the Pedro Ximénez or Moscatel varieties.

These semi-sweet vinegars are undeniably directly linked to the traditional fortified wines of the 'Jerez-Xérès-Sherry' designation of origin, from which 'Vinagre de Jerez' historically arose, and to the varieties traditionally used in the area to produce these wines. Thus, it is now proposed to extend the list of possible protected vinegars to include not just those sweetened with Pedro Ximénez or Moscatel but also those to which concentrated must or rectified concentrated must has been added, as these ingredients are also widely used to sweeten Jerez wines.

This would also make it possible to supplement the sweetness provided by these varieties, allowing the resulting vinegar to reach levels of at least 150 g/l, a level at which the perception of sweetness is already quite significant, as is the case for wine protected by the 'Jerez-Xérès-Sherry' designation of origin.

#### 5.4. Amendment of the definition of suitable wine and improvement of the list of raw materials

Section concerned:

Section D of the Product Specification and Section 3.2 of the Single Document

Previous text:

*The vinegars covered by the designation of origin 'Vinagre de Jerez' are obtained exclusively from the acetic fermentation of 'suitable wines'.*

(...)

*These wines are produced in accordance with the product specifications for their designations, complying with the requirements concerning the provenance of the grape from the PDO area and the oenological practices specified in the applicable legislation.*

Amended text:

*The vinegars covered by the Designation 'Vinagre de Jerez' are obtained from the acetic fermentation of 'suitable wines'.*

(...)

*These wines are produced in accordance with the product specifications for their designations, complying with the requirements concerning the provenance of the grape from the PDO area and the oenological practices specified in the applicable legislation, without prejudice to the fact that the spontaneous initiation of the acetification process may have caused a reduction in alcoholic strength to below the limits laid down in that legislation.*

*In addition, for 'Vinagre de Jerez al Pedro Ximénez' and 'Vinagre de Jerez al Moscatel', the addition of fortified wines from wineries listed in the registers for the 'Jerez-Xérès-Sherry' designation of origin is permitted, as is the addition of must of very ripe or sun-baked grapes of these varieties from the production area to which neutral vinous alcohol has been added to stop fermentation. The latter must also come from wineries listed in the registers for the 'Jerez-Xérès-Sherry' designation of origin.*

*In the case of 'Vinagre de Jerez Dulce', the addition of concentrated must and rectified concentrated must is also permitted.*

Reason:

The current wording of section (D) provides for the possibility of producing 'Vinagre de Jerez' from wines covered by the designations of origin 'Jerez-Xérès-Sherry' and 'Manzanilla-Sanlúcar de Barrameda' that comply with the conditions laid down in their respective product specifications. It should be recalled that 'Vinagre de Jerez' historically originated from wines in the process of ageing, which naturally 'turned' (acetified) through the action of acetic acid bacteria.

However, one of the conditions set out in the specifications referred to above is that these wines must have a minimum actual alcoholic strength of 15 % vol. Natural acetification often means that part of that alcohol is transformed into acetic acid, which reduces the total alcoholic content below this threshold.

It is therefore proposed that the product specification for 'Vinagre de Jerez' allow for the possibility to allow for suitable wines having an alcoholic strength below the limits laid down in their respective product specifications, as a result of the spontaneous initiation of the acetification process.

Lastly, and in accordance with the amendments contained in the previous sections, the list of raw materials is completed.

## SINGLE DOCUMENT

## ‘VINAGRE DE JEREZ’

EU No: PDO-ES-0723-AM01 – 18.12.2018

PDO (X) PGI ()

1. **Name**

‘Vinagre de Jerez’

2. **Member State or third country**

Spain

3. **Description of the agricultural product or foodstuff**3.1. *Type of product*

Class 1.8: other products listed in Annex I to the Treaty (spices etc.)

3.2. *Description of product to which the name in (1) applies*

‘Vinagre de Jerez’ is the product that results from the acetic fermentation of suitable wines made in the production area, produced and aged through the traditional practices described in Section 3.4, with the organoleptic and analytical characteristics described below.

The specific analytical characteristics of the protected vinegars are the following:

- The residual alcohol content must not exceed 3 % by volume, except for the sweet or semi-sweet vinegars, in which it must not exceed 4 % by volume.
- Total acetic acid must be at least 70 grams/litre, except for the sweet or semi-sweet vinegars, which may have 60 grams/litre. In the case of the Gran Reserva vinegars, total acetic acid must be at least 80 grams/litre.
- A maximum sulphate content of 3,5 grams/litre.
- Semi-sweet ‘Vinagre de Jerez’ must contain at least 60 grams/litre of reducing substances.
- Sweet ‘Vinagre de Jerez’ must contain at least 150 grams/litre of reducing substances.

The vinegars covered by the ‘Vinagre de Jerez’ designation of origin range from old gold to mahogany in colour and have a dense and slick appearance. Their aroma is intense, slightly alcoholic, with notes of wine and wood predominating. Their taste is pleasant, despite the acidity, with a lingering aftertaste.

The following categories can be distinguished on the basis of the vinegars’ different ageing periods:

- (a) ‘Vinagre de Jerez’: the vinegar covered by this designation, aged for a minimum of six months.
- (b) ‘Vinagre de Jerez Reserva’: the vinegar covered by this designation, aged for a minimum of two years.
- (c) ‘Vinagre de Jerez Gran Reserva’: the vinegar covered by this designation, aged for a minimum of 10 years.

The following types of semi-sweet ‘Vinagre de Jerez’ can be found in each of the above categories:

- ‘Vinagre de Jerez al Pedro Ximénez’: vinegar covered by this designation, to which Pedro Ximénez wine or the must of very ripe or sun-baked Pedro Ximénez variety grapes from the production area is added and to which neutral vinous alcohol has been added to stop fermentation.
- ‘Vinagre de Jerez al Moscatel’: vinegar covered by this designation, to which Moscatel wine or the must of very ripe or sun-baked Moscatel variety grapes from the production area is added, and to which neutral vinous alcohol has been added to stop fermentation.

Finally, the types described in the preceding paragraph may be marketed as ‘Vinagre de Jerez Dulce’, provided that they have a reducing substance content of at least 150 grams/litre.



### 3.3. Feed (for products of animal origin only) and raw materials (for processed products only)

The vinegars covered by the 'Vinagre de Jerez' designation of origin are obtained from the acetic fermentation of 'suitable wines'.

The raw materials for the production of 'Vinagre de Jerez' are therefore the 'suitable wines'. These wines come from producers located in the vinegar production area, which coincides with the production area corresponding to the designations of origin 'Jerez-Xérès-Sherry' and 'Manzanilla-Sanlúcar de Barrameda' and may be:

- (a) The same year's wines sent out at their natural alcoholic strength by volume.
- (b) Mature wines that have completed the minimum average ageing periods set in their product specifications.

These wines are produced in accordance with the product specifications for their designations, complying with the requirements concerning the provenance of the grape from the PDO area and the oenological practices specified in the applicable legislation, without prejudice to the fact that the spontaneous initiation of the acetification process may have caused a reduction in alcoholic strength to below the limits laid down in that legislation.

In addition, for 'Vinagre de Jerez al Pedro Ximénez' and 'Vinagre de Jerez al Moscatel', the addition of fortified wines from wineries listed in the registers for the 'Jerez-Xérès-Sherry' designation of origin is permitted, as is the addition of must of very ripe or sun-baked grapes of these varieties from the production area to which neutral vinous alcohol has been added to stop fermentation. The latter must also come from wineries listed in the registers for the 'Jerez-Xérès-Sherry' designation of origin.

In the case of 'Vinagre de Jerez Dulce', the addition of concentrated must and rectified concentrated must is also permitted.

### 3.4. Specific steps in production that must take place in the identified geographical area

#### (a) Denaturation

All consignments of suitable wine must undergo denaturation through partial acetification on entering the facilities of the registered producers, using for this purpose vinegar from their stocks in sufficient quantity such that the resulting mixture reaches a minimum grading of 1° of acetic acid content.

#### (b) Acetification

Acetification consists in transforming the alcoholic content of the wine into acetic acid through the action of acetic bacteria. There are two possible ways of producing 'Vinagre de Jerez':

- (1) The process used by establishments known as 'Bodegas de Elaboración de Vinagre' (Vinegar Production Cellars): industrial facilities that own acetifiers in which the raw material – the suitable wine – is transformed through a process of controlled acetic fermentation into suitable vinegar.
- (2) The process used by establishments known as Bodegas de Crianza y Expedición de Vinagres (Vinegar Maturing and Supply Cellars), where acetification takes place inside the same wooden container in which the product is aged.

#### (c) Ageing or maturation

The special system of ageing or maturation necessary for obtaining protected vinegars may be by way of either the classic 'criaderas y solera' system [(in which barrels are arranged in different tiers known as *criaderas* corresponding to different degrees of ageing, with the oldest at floor level (*solera*), and the lower tiers are periodically topped up with vinegar from the higher ones) or the 'añadas' [vintage] system, to which the vinegars are subjected during the period of time necessary to achieve the organoleptic and analytical qualities of their respective categories.

##### (1) Ageing vessels

All the vinegar stocks that undergo the maturing process must be stored in wooden containers that have previously been used for ageing wine and whose capacity does not exceed 1 000 litres. The Regulatory Board may also grant ad hoc approval for the use of wooden containers whose capacity is more than 1 000 litres for the maturing of wines, provided that they are historical in nature and that their use has been registered as such in the Regulatory Board prior to the publication of the product specification.

##### (2) Minimum average age

The vinegars must all have an average age of at least six months in order to be released for consumption. In the case of 'Vinagre de Jerez Reserva' the minimum average age is two years and in the case of 'Vinagre de Jerez Gran Reserva' it is 10 years.

Vinegars that are entirely from a single year and therefore mature without ever being mixed with previous vinegars from different harvests may be labelled as 'Añada' ('Vintage'), provided that their age is at least two years. This term shall be compatible with the other descriptors mentioned in Section 3.2, provided that the wine complies with the characteristics required in each case.

3.5. *Specific rules concerning slicing, grating, packaging, etc. of the product the registered name refers to*

The bottles that contain 'Vinagre de Jerez' for direct consumption shall be made of glass or other materials that do not compromise the specific properties of the product and shall have the nominal capacities that are authorised for this product at any given time.

'Vinagre de Jerez' shall be bottled:

- (1) In bottling facilities owned by the firms entered in the register of Vinegar Maturing and Supply Cellars, or
- (2) In bottling facilities authorised by the Regulatory Board and owned by economic operators located inside or outside the Production Area, which purchase 'Vinagre de Jerez' in bulk from registered firms and are involved only at the bottling stage.

In both cases, to be authorised, these bottling facilities must demonstrate to the Regulatory Board that they meet the legal requirements that are in force in each region for the activity of bottling vinegar, and must have in place a quality control system that ensures the total traceability and appropriate handling of the product that they purchase from registered producers for bottling.

3.6. *Specific rules concerning labelling of the product the registered name refers to*

The words *Denominación de Origen 'Vinagre de Jerez'* (Designation of Origin 'Vinagre de Jerez') must figure prominently on the main and back labels, which must also state the type of vinegar and, in general, all the information stipulated by the relevant legislation. Furthermore, vinegars must be marketed with quality seals issued by the Regulatory Board or with back labels bearing the distinctive symbol of the designation of origin as well as an identifying alphanumeric code, in accordance with the rules set by the regulatory board.

The Regulatory Board shall verify that the labels that bear the protected name 'Vinagre de Jerez' comply with the requirements of the product specification and the labelling regulation specific to the designation of origin.

4. **Concise definition of the geographical area**

The production area for 'Vinagre de Jerez' comprises the land located in the municipalities of Jerez de la Frontera, El Puerto de Santa María, Sanlúcar de Barrameda, Trebujena, Chipiona, Rota, Puerto Real and Chiclana de la Frontera in the province of Cádiz, and Lebrija in the province of Seville, located to the east of 5° 49' West and to the south of 36° 58' North.

The production area described above is the same as the production area for the designations of origin 'Jerez-Xérès-Sherry' and 'Manzanilla-Sanlúcar de Barrameda'.

5. **Link with the geographical area**

5.1. *Specificity of the geographical area:*

The specificity of the production area of 'Vinagre de Jerez' is based on historical, natural and human factors:

(a) Historical factors

Wine-growing and wine and vinegar production have been part of the backbone of the Jerez district for thousands of years, dating back to Phoenician times. The geographical location of the Jerez area, near to important commercial ports such as Cadiz and Seville, with great historical significance, ensured that the local wines and vinegars were frequently included in the cargo of ships sailing for the Americas or for markets in the north of Europe, and further ensured that for the ageing of wines and vinegars the containers that were used were made in Spain's overseas colonies, from American oak. Likewise, the 'criaderas y soleras' system, a traditional aspect of Jerez wine-making, has a clear historical origin that dates back to the 17th century and to the need to satisfy the demand of the markets for wines and vinegars of consistent quality, that do not depend on the vicissitudes of every harvest.

(b) Natural factors

The production area is characterised by flat or gently undulating land, with slopes of between 10 % and 15 %, where the prevalent soil type is known as 'albariza', a soft, white, chalky soil with a large capacity for retaining moisture. It is notable for its calcium carbonate, clay and silica content. The climate is warm, with minimum temperatures in winter around 5 °C and maximum temperatures in summer around 35 °C. The production area enjoys more than 300 days of sunshine per year and an average annual rainfall of approximately 600 litres per square metre, with the bulk of precipitation occurring in November, December and March. In any case, this factor must be considered in combination with the area's characteristic 'albariza' soil, with its capacity to retain moisture and prevent evapo-transpiration. Lastly, it is worth noting the influence of the region's two prevailing winds on the climate: the east wind, which comes from the interior of the country and is hot and dry, and the west wind, which comes from the ocean bringing a high degree of humidity and acts as an important moderating factor, especially in summer.

(c) Human factors

The 'criaderas y solera' system predominantly used for ageing 'Vinagre de Jerez' is a traditional maturing system in the production area, as is the use of the 'bota', a traditional barrel made of American oak and intensely impregnated with the flavour of the wine. Architecture also plays an important role in the special nature of vinegars with the 'Vinagre de Jerez' designation of origin. The cellars used for ageing vinegar tend to have gabled roofs and high ceilings, which help to ensure a large volume of air inside, which lessens the effects of temperature variations outside. The walls tend to be thick enough to provide insulation and the windows are high in order to allow air to circulate to take advantage of the fresh night breezes of the west wind, while avoiding light falling directly on the barrels.

## 5.2. Specificity of the product

The specificity of 'Vinagre de Jerez' must primarily be attributed to the raw material from which it is made: the suitable wines. The production area is also the origin of certain wines that have an extraordinarily authentic character, and some their characteristics are clearly discernible in 'Vinagre de Jerez': the colours ranging from old gold to mahogany and the slightly alcoholic aromas, with notes of wine and wood predominating.

Furthermore, the climatic conditions of the area and the architectural characteristics of the cellars, which help to create a specific microclimate inside the cellars, favour the concentration of the components of the vinegar through the maturing process, resulting in a lingering aftertaste.

## 5.3. Causal link between the geographical area and the quality or characteristics of the product

All the orographical, soil and climate characteristics mentioned above give the grapes of the production area distinctive characteristics that shape many of the specificities of the suitable wines and, in turn, of 'Vinagre de Jerez'. The influence of natural factors on the suitable wines obtained from the varieties of grape used (Palomino, Moscatel, and Pedro Ximénez) is decisive. In hot regions like the production area of 'Vinagre de Jerez', grapes ripen very quickly and their juice, which is very sweet, tends to have relatively low acidity values. The total light integral in the production area during the vine's most active period is particularly high, which allows the fruit to develop and ripen well. Furthermore, the production area is characterised by the dryness of its summers, coinciding with the period between ripening and the harvest, and the prevalence of the east wind, which is extremely hot and dry. In this context, the east wind, arriving from the Atlantic Ocean, with its distinctive thermal character, brings frequent night breezes in summer, which produce a lot of dew, compensating the water deficit that may be exacerbated by the area's strong sunshine. The 'albariza' soil also plays a decisive role in this regard, since its capacity to retain moisture ensures that water reserves are available in the subsoil.

Furthermore, the characteristics due to the cultures of yeast that have been selected since time immemorial and linked to the environmental conditions of the area are of great importance. The metabolisation of the alcohols and poly-alcohols of the wine by the alcohol-producing yeast which occur in the area known as the 'Marco de Jerez' results in a set of secondary elements and an alteration of the primary components of the wine: a reduction in the glycerine content and an increase in the acetaldehyde content and in the products of esterification. In turn, the resulting acetaldehydes give rise to acetoin, which in the presence of higher alcohols gives 'Vinagre de Jerez' its characteristic aroma. The presence of a considerable quantity of alcohol is also of enormous importance for the quality and personality of 'Vinagre de Jerez', because it gives rise to esterified compounds (essentially ethyl acetate) that structure the vinegar, giving it greater complexity and balancing the first aromas of the acetification.

Maturing in oak barrels and the particular micro-climatic conditions of the cellars moreover ensure that the vinegar acquires some very particular characteristics during the maturing process. The type of barrel used has a capacity for micro-oxygenation which is ideal for the slow development of the vinegars and allows the gradual release of components during ageing, which help to stabilise the colouring substances, form polymer groups and give the characteristic tones between amber and mahogany, the notes of vanilla and the aromas of white coffee and 'torrefacto' roast coffee.

The 'criaderas y soleras' system, being the dominant maturing system in the area, favours a significant homogenisation of the vinegars by moderating the effects of the various vintages. Lastly, the architectural structure of the cellars of the Jerez area, by helping to maintain the micro-climate conditions, not only facilitates the slow oxygenation of the vinegars, but also keeps the barrels in perfect condition, which enables the maturing of 'Vinagre de Jerez'.

#### **Reference to publication of the product specification**

(the second subparagraph of Article 6(1) of this Regulation)

The amended product specification can be found at the following link:

[https://juntadeandalucia.es/export/drupaljda/Pliego\\_Vinagre\\_Jerez\\_modificado.pdf](https://juntadeandalucia.es/export/drupaljda/Pliego_Vinagre_Jerez_modificado.pdf)

or via the homepage of the Regional Ministry of Agriculture, Fisheries and Rural Development (<https://juntadeandalucia.es/organismos/agriculturaganaderiapescaydesarrollosostenible.html>), by following the navigation pathway: 'Áreas de actividad'/Industrias y Cadena Agroalimentaria'/Calidad'/Denominaciones de calidad'/Vinagres'.

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