

Clearing Rule Book and Regulation amendments following internal and external review – 27 August 2021

1. Introduction

1. On 11 May 2021 EuroCCP published an updated version of its Clearing Rule Book (“CRB”) on its website for consultation. The amendments relate to the introduction of a clearing service for certain types of equity derivative instruments. The changes to the CRB were open for consultation for a 30-calendar day consultation period. This period ended on 10 June 2021.
2. Following the Clearing Rule Book consultation and regulatory review, EuroCCP has taken note of questions and suggested improvements of the Clearing Rules and has made final changes that will apply from the launch of equity derivatives clearing. Changes compared to the consultation documents are discussed in this document.

2. Clearing Rule Book

3. Account related definitions are improved to include clear umbrella definitions and definitions that describe the specific accounts in more detail.
4. Article 9.1.3 (a) CRB on the application of financial resources has been amended to clarify how losses are attributed against Applicable Contributions where Open Positions are subject to a direct sale (Applicable Contributions will be applied on a pro rata basis) and where Open Positions are subject to an auction (Applicable Contributions will be applied proportionately according to distance from winning bid (Non-Winning Bidders) or on a pro rata basis (Winning Bidders)). Article 9.1.3 (b) now refers to Article 9.1.3 (a) as a whole to clarify that the Residual Contributions will be applied on a pro rata basis for both Open Positions that are subject to an auction as well as Open Positions that are subject to a direct sale.
5. Article 9.1.3 (a)(i)(ii) CRB on the application of financial resources has been amended to align with Article 12.3 CRB (new). According to Article 12.3 CRB, only Clearing Participants which have successfully demonstrated their ability to assess and provide a bid on an auction portfolio within a specified period of time can participate in the auction process. References to EuroCCP inviting certain Clearing Participants in (i) and (ii) have been removed as it led to misinterpretation of the procedure to be followed.
6. Article 10.2 on investment losses has been amended to clarify that the amount payable by each Clearing Participant is calculated *with respect to each Collateral Account*. Article 10.6 has been amended to clarify that if EuroCCP makes any recovery of investment losses, EuroCCP shall distribute the net proceeds of such recovery pro rata to the amount paid by each Clearing Participant.
7. Article 11.4.1(i) CRB has been amended to be subject to Article 11.4.1(e) CRB, to clarify that EuroCCP shall first attempt to port any positions, after which it may exercise any of the rights set out in Article 11.4.1(i) CRB.
8. As mentioned above, Article 12.3 CRB has been added: “*Only Clearing Participants which have successfully demonstrated their ability to assess and provide a bid on an auction portfolio within a specified period of time can participate in the auction process*”, to clarify which Clearing Participants can participate in auctions and subsequently can have their Contributions applied on a pro rata basis if deemed Winning Bidder in accordance with Article 9.1.3 CRB.
9. Article 13.2.3 CRB on the discharge of EuroCCP once payment and settlement of Securities have occurred, has been amended to also include Derivatives.
10. Article 15.7 CRB “*the position account*” has been replaced with “*each position account*”, to clarify that the Net Settlement Amount for each House Position Account, Omnibus Client Position Account, Omnibus Indirect Client Position Account and Individual Client Position Account is calculated by netting all Net

Asset Positions in these Accounts against all Net Liability Positions in these Accounts as well as against any other obligation, including the Collateral in the relevant Collateral Account the Clearing Participant may have towards EuroCCP.

3. Regulations

11. Regulation Clearing Days, p.3: the reference to bank holidays in the country of the currency of origin has been improved.
12. Regulation Portability, p.4: condition 2 and 3 have been combined to align with the text of EMIR.
13. Regulation Settlement, p.17: “*by EuroCCP at its discretion*”, is replaced with “*by EuroCCP at its reasonable discretion*”, to clarify that if the settlement value of a Derivative is not available or the normal settlement procedure cannot be utilized due to a trading disruption or other unusual circumstances, the settlement value of such Derivative shall be determined by EuroCCP at its reasonable discretion, taking into account relevant parameters.
14. Regulation Settlement, p. 17: premium payments were missing in the direct debit section and are included for operational efficiency, together with the obligation of EuroCCP to credit the relevant account of a Clearing Participant in case of an amount receivable by the Clearing Participant. EuroCCP aggregates the relevant amounts and calculates a single net amount payable per currency, per Clearing Participant, per day. Also, payment deadlines have been added.
15. Regulation Transfer and Open/Close has been renamed to “Regulation Position Management”. It has been redrafted and now also includes the request for Open Position close-out instructions and Trade Leg splits, which is standard market practice.
16. Regulation Investment Policy, drafting has been improved and a reference to third country financial institutions as referred to in Article 45(1)(b)(ii) of Regulation (EU) No 153/2013 of 19 December 2012 on requirements for central counterparties has been added.
17. Regulation Derivatives, p.3, “code” has been replaced with “ticker symbol” and more detail is added under “contract size”.
18. Regulation Dedicated Own Resources will be published with updated CRB references and minor drafting improvements. Relevant regulations not impacted by the introduction of equity derivatives have also been aligned and will be published with updated CRB references.
