

EuroCCP Clearing Rule Book consultation

Proposal to change certain provisions – comments requested by 10 June 2021

1. Introduction

EuroCCP is proposing changes to its Clearing Rule Book to facilitate the clearing of certain types of equity derivative instruments, as set out in the Regulation Derivatives.

A marked-up copy of the draft Clearing Rule Book compared to the current Clearing Rule Book is published on the EuroCCP website.

Marked-up or new versions of the following Regulations are also available on the EuroCCP website:

- Regulation Margin
- Regulation Settlement
- Regulation Clearing Days
- Regulation Clearing Hours
- Regulation Transfer and Open/Close (new)
- Regulation Clearing Fund
- Regulation Trade Refusal
- Regulation Portability
- Regulation Derivatives (new)

2. Reading instruction

This memo should be read together with the WORD COMPARISON version of the draft EuroCCP Clearing Rule Book and the markup or new versions of the draft EuroCCP Regulations. References to articles in this memo refer to article numbers in the WORD COMPARISON version of the draft EuroCCP Clearing Rule Book.

Changes in the WORD COMPARISON version of the draft EuroCCP Clearing Rule Book that are marked **green**, are **moved sections**. Changes that are marked **blue** are **new insertions** and sections that are marked in **red** are **deleted sections**. Moved sections or textual drafting edits are not explained.

3. Time lines

Pursuant to Article 3.7.3 of the Clearing Rule Book, the changes to the Clearing Rule Book are open for consultation for a period of 30 calendar days, starting on 11 May 2021 and ending on **10 June 2021**.

Given that the changes to the relevant Regulations are part of the overall new framework we welcome any comments on any changes in these Regulations as well during the Clearing Rule Book consultation period.

EuroCCP expects the changes to apply as of Monday 6 September 2021. Clearing Participants will be advised of the outcome of the consultation by newflash following the consultation period.

All changes are subject to regulatory review and approval.

PART 1: RULE BOOK

Article 1 CRB: Definitions

4. The following definitions have been added or amended:
- a. **Buyer:** defines the buying party with respect to an Options Contract and a Futures Contract.
 - b. **Cash Settled Obligation:** defines the payment obligations under an Options Contract upon exercise and the payment obligations under a Futures Contract during the lifetime of the contract and at Expiry. This excludes the payment of the premium for Options Contracts, which is of a different nature and has a separate definition set out in article 5.6.
 - c. **Client:** changed to make it apply to either or both Product Classes.
 - d. **Collateral Account:** now includes Omnibus Indirect Client Collateral Account, which EuroCCP will be offering in accordance with RTS 149/2013, art. 4(2)(4).
 - e. **Contract Terms:** refers to the contract terms for the relevant Options Contract or Futures Contract at the Exchange. The Contract Terms include requirements on the calculation of the Exchange Delivery Settlement Price, the Daily Settlement Price and the payment of the Premium for Options Contracts.
 - f. **Daily Settlement Price:** refers to the Contract Terms on the Exchange side that specify the calculation of the daily settlement price.
 - g. **Derivative:** the derivative products that can be cleared are listed in Regulation Products.
 - h. **Derivatives Contract:** an umbrella definition for Futures Contracts and Options Contracts.
 - i. **DVP:** limited to securities.
 - j. **EMIR / EUR:** added for clarification purposes.
 - k. **Exchange Delivery Settlement Price:** refers to the price at which Options Contracts and Futures Contracts are settled and refers to the Exchange Contract Terms for the calculation of the Exchange Delivery Settlement Price.
 - l. **Expiry:** refers to the expiry date and time of Options Contracts and Futures Contracts.
 - m. **Futures Contract:** defines a Futures Contract including the daily settlement obligation.
 - n. **Gross Omnibus Client Collateral Account:** this clarifies the current EuroCCP account offering. An Omnibus Client Collateral Account will be either gross or net.
 - o. **Gross Omnibus Client Position Account:** this clarifies the current EuroCCP account offering. An Omnibus Client Position Account will be either gross or net.
 - p. **Gross Omnibus Indirect Client Collateral Account:** EuroCCP will offer Clearing Participants this type of Indirect Client Collateral Account. It will be either gross or net.
 - q. **Gross Omnibus Indirect Client Position Account:** EuroCCP will offer Clearing Participants this type of Indirect Client Position Account. It will be either gross or net.
 - r. **Initial Margin:** definition in line with article 1 RTS 153/2013.

- s. **In-the-Money**: connected to article 5.12.2, which states that the Options Contract shall be deemed to have been exercised automatically by the Buyer when the Options Contract is In-the-Money at Expiry. Pursuant to article 5.12.1, a Cash Settled Obligation will then arise.
- t. **Margin**: definition in line with article 1 RTS 153/2013.
- u. **Net Omnibus Client Collateral Account**: this clarifies the current EuroCCP account offering. An Omnibus Client Collateral Account will be either gross or net.
- v. **Net Omnibus Client Position Account**: this clarifies the current EuroCCP account offering. An Omnibus Client Position Account will be either gross or net.
- w. **Net Omnibus Indirect Client Collateral Account**: EuroCCP will offer Clearing Participants this type of Indirect Client Collateral Account. It will be either gross or net.
- x. **Net Omnibus Indirect Client Position Account**: EuroCCP will offer Clearing Participants this type of Indirect Client Position Account. It will be either gross or net.
- y. **Open Position**: redefined and refers to the calculation of Open Positions set out in article 5.7.1.
- z. **Omnibus Indirect Client Collateral Account**: EuroCCP will offer Clearing Participants this type of indirect client collateral account. This will be omnibus only (RTS 149/2013, art. 4(2)(4)).
- aa. **Omnibus Indirect Client Position Account**: EuroCCP will offer Clearing Participants this type of indirect client position account. This will be omnibus only.
- bb. **Options Contract**: defines an Options Contract. The receipt of any payment is connected to the contract being In-the-Money.
- cc. **Position Account**: now includes Omnibus Indirect Client Position Account.
- dd. **Premium Payment**: connected to article 5.6, which states that the Buyer of the Options Contract pays a premium to the Seller of the Options Contract.
- ee. **Products**: umbrella definition for both product groups: Securities and Derivatives Contracts.
- ff. **Product Class**: refers to one of the product groups.
- gg. **Security**: is further specified to transferable securities withing the meaning of MiFID.
- hh. **Seller**: defines the selling party with respect to an Options Contract and a Futures Contract.
- ii. **Settlement Date**: includes the date on which the Cash Settled Obligation takes place.
- jj. **Trades**: now applies to both Product Classes.
- kk. **Transfer Time**: applies to the transfer of Derivative Trade Legs set out in article 5.9.
- ll. **Variation Margin**: definition in line with article 1 RTS 153/2013.

Article 2 CRB: General Provisions

5. Drafting improvement/relocation of text.

Article 3 CRB: Changing the Clearing Rulebook and Regulations

6. Deleted article 3.7.1: “EuroCCP may from time to time amend the Clearing Rule book” has been deleted because it is repetitive as article 3.1 also states that EuroCCP can amend the Clearing Rules.
7. Deleted article 3.10.1: “In accordance with this Clearing Rule Book, EuroCCP shall enter into Trade Legs with Clearing Participants, supervise the Open Positions of its Clearing Participants, calculate the associated risk, call Margins and Collateral to cover this risk, ensure the proper settlement of Open Positions as central counterparty, manage the default procedures, and perform all other functions specified by the Clearing Rules”, as it is an superfluous and partial summary of the clearing process. These topics are separately discussed in the rulebook. The provision did not contain any obligations for the parties.
8. Article 3.13.1: deleted text has been replaced by Article 5.7.1 Open Positions.
9. Certain headings have been removed in this section due to the relocation of certain provisions.

Article 4 CRB: Participation

10. Article 4.2 and 4.3: headings; added following the restructuring of the rulebook.
11. Article 4.6.4: Adjusted to reflect that derivatives are being added as a new product class. Regulation Securities and Regulation Derivatives will set out the currency in which Products are cleared.
12. Article 4.7, 4.8, 4.9, 4.10, 4.11, 4.12: headings added or amended for clarity.

Article 5 CRB: Clearing and Settlement of Trades

13. Article 5.1: heading has been added: “General Provisions”.
14. Article 5.1.1 includes “or cash settled” as Derivatives will be cash settled only.
15. Article 5.2.1: “Account Structure” is now a defined term.
16. Article 5.2.2 and 5.2.3 have been adjusted for clarification purposes and provide a further break down of EuroCCP’s account offering. The accounts section now include an Omnibus Indirect Client Position Account and an Omnibus Indirect Client Collateral Account. The new accounts section sets out more clearly what the accounts are that EuroCCP offers and differentiates between net and gross accounts. As mentioned, the possibility to open indirect client accounts is now created.
17. Article 5.2.4: The provision: “Upon request by the Clearing Participant EuroCCP opens sub-accounts. The sub-accounts are opened by EuroCCP for settlement and/or information purposes only. The Margin calculations relating to the sub-accounts are only provided by EuroCCP for information purposes.” is redrafted to: “Per Account, EuroCCP opens at least one sub-account for trade booking, settlement, and administrative purposes. Reports with Open Positions and Margin relating to the sub-accounts are provided by EuroCCP for information purposes only.”

The changed text accurately reflects the use of sub-accounts. The EuroCCP system requires trades to be booked in sub-accounts. That is why there is a minimum of one sub-account per Account.

18. Article 5.4 and 5.5 headings have been improved: “*Registration – Novation*” and “*Registration – Open Offer*”.
19. Article 5.6.1: sets out the obligation of the Buyer of an Options Contract to pay a premium to EuroCCP which shall pay this amount to the Seller of the Options Contracts, in accordance with the Contract Terms on the Exchange side.
20. Article 5.7.1: “*Open Positions*”: this section on the calculation of the Open Positions has been amended to include the calculation of Open Positions in relation to Derivatives Contracts. This includes position netting.
21. Article 5.7.2: to clarify that rights connected to derivatives contracts shall terminate accordingly where netting is applied.
22. Article 5.9: “*Transfer of Trade Legs*”: section is included to facilitate a transfer of a Trade Leg upon request of a Clearing Participant to another Account of that same Clearing Participant or to the Account of another Clearing Participant. Regulation Transfer and Open/Close sets out further conditions to a transfer for Derivative Trade Legs.
23. Article 5.10: “*Open/Close Rectifications*”: an open or close indicator is an instruction of the Clearing Participant for a particular position to be offset against the opposite position. The indicator can be adjusted when incorrect, in accordance with Regulation Transfer and Open/Close.
24. Article 5.12: “*Exercise, Expiry and Settlement of Derivatives*”. With respect to Options Contracts, a Cash Settled Obligation will arise upon exercise. An Options Contract will be deemed to have been exercised when the Options Contract is In-the-Money at Expiry. With respect to Futures Contracts, a Cash Settled Obligation will arise as of the end of the Trade Date.
25. 5.13: heading has been added: “*Fails*”.

Article 6 CRB: Margin Requirements and Risk Supervision

26. Article 6.1.5, 6.2.2: drafting improvements.

Article 7 CRB: Interoperability Fund

27. Article 7.2.1 has been amended to reflect that the Interoperability Fund only relates to Clearing Participants that engage in Securities clearing.

Article 8 CRB: Clearing Fund

28. Article 8.2: contributions to the Clearing Fund will be made per Product Class (i.e. Securities and Derivatives). Contributions will be calculated daily as the sum of the base amounts applicable to each Product Class and a variable amount applicable to each Product Class. Regulation Clearing Fund sets out what the base deposits per Product Class are, what the required Clearing Fund size is and how the variable components of Contributions are determined.
29. Article 8.4: “*Application of the Clearing Fund/Contributions*” etc.: have been incorporated in section 9 of the rulebook on the application of EuroCCP’s financial resources, including Clearing Fund Contributions.
30. Article 8.5.2: deleted text has been replaced by article 9.1.3.

Article 9 CRB: Financial Resources

31. This article describes how the financial resources of EuroCCP will be applied in case of a Breach that triggers a Notice of Default. Article 9.1.2 sets out that:

- a. first the Collateral and Contributions posted by a defaulting Clearing Participant will be applied, provided that all Defaulter's Collateral related to a particular Product Class is applied first to any loss attributable to that Product Class;
 - b. second the dedicated own financial resources of EuroCCP;
 - c. third the Contributions made by non-defaulting Clearing Participants, provided that all Contributions applicable to a particular Product Class are applied first to any loss attributable to that Product Class;
 - d. fourth the additional Contributions made by non-defaulting Clearing Participants related to Contribution Cash Calls, provided that all additional Contributions applicable to a particular Product Class are applied first to any loss attributable to that Product Class; and
 - e. fifth any remaining financial resources of EuroCCP.
32. Article 9.1.3 describes the application of the Contributions of non-default Clearing Participants referred to above under (c) and (d) will be applied.

Article 11 CRB: Breaches

33. Article 11.4.1: "Measures in case of a Declaration of Default":
- (e) Indirect Client Accounts have been added;
 - (i) additional measures for Derivatives have been added: "to close Derivatives Contracts to secure compliance with the settlement obligations of the Clearing Participant, or to enter into new Trades in the name of and for the account of the Clearing Participant in order to hedge the Open Position of the Clearing Participant, or to exercise an Options Contract";
 - (j) included to reflect moved provision 12;
 - (k) Omnibus Indirect Collateral Account has been added;
34. Article 11.4.4: An Omnibus Indirect Client Position Account has been added and changes made due to changes in the Regulation Portability.
35. Article 11.4.5: Changes made due to changes in the Regulation Portability.
36. Article 11.4.6: Omnibus Indirect Collateral Account has been added.

Article 12 CRB: Voluntary Auction

37. Drafting improvements.

Article 13 CRB: Liability

38. Drafting improvements.

Article 14 CRB: Liquidity Measures

39. Drafting improvements.

Article 15 CRB: Close out netting

40. Article 15.7: Omnibus Indirect Client Position Account has been added.

Article 16 CRB: Complaints and Settlement of Disputes

41. Heading “*Complaints and Settlement of Disputes*” has been added.

Appendix 1

42. Changes made to reflect the introduction or renaming of regulations.

PART 2: REGULATIONS

43. Below discusses the changes to the EuroCCP Regulations.

Regulation Margin

44. The following definitions have been added/amended: Securities Variation Margin, Options Variation Margin, Futures Variation Margin, Premium Margin, Securities Initial Margin, Derivatives Initial Margin, Minimum Margin Requirement and Total Margin.
45. The “Process of Margin” has been redrafted for clarification purposes.
46. Art. 2.5 “EuroCCP shall be entitled to directly debit the relevant account of a Clearing Participant in an amount equal to the Margin Call where such Margin Call has not been met by a Clearing Participant one (1) hour following its issuance” has been added for operational efficiency.

Regulation Settlement

47. Regulation Settlement has been divided in two chapters: one on settlement of Securities and one on settlement of Derivatives. Chapter 1 on settlement of Securities only contains drafting improvements. Chapter 2 on Derivatives is new – article 2.1 and 2.2 - and sets out the following.
48. EuroCCP shall calculate the Daily Settlement Price and the Exchange Delivery Settlement Price for Derivatives in accordance with the Contract Terms.
49. 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 discretion.
50. With respect to Cash Settled Obligations, EuroCCP shall be entitled to directly debit the relevant account of a Clearing Participant in an amount equal to the amount payable one (1) Clearing Day following such calculation of the amount payable. The Clearing Participant shall procure that debit instructions received from EuroCCP are honored by the relevant bank. This has been added for operational efficiency.

Regulation Clearing Days and Regulation Clearing Hours

51. Regulation Clearing Days provides that in the event of a bank holiday in the country related to a specific currency, the value date will change into the next Clearing Day.
52. The Clearing Hours will be extended: the EuroCCP system will open at 07:30 CET.

Regulation Transfer and Open/Close

53. This Regulation is new and sets out the conditions attached to the transfer of a Derivative Trade Leg and rectification of erroneous Derivative open/close designations.
54. Chapter 3 “Transfer of Trade Legs within Account Structure Clearing Participant” is of an administrative nature. There is no change of ownership. A Clearing Participant may request EuroCCP to transfer a Trade Leg to another Position Account within its Account Structure by an approved EuroCCP communication method.
55. Chapter 4 and 5 “Transfer of Trade Legs between Clearing Participants (..)” does change ownership. The requirements include the legal conditions for transfer of a contract (*contractsovername*) and operational requirements. When the request for the transfer comes in no later than T+5 Clearing Days it is called a “give-up/take-up” and the trade will be booked against the original amount of the trade. When the request for the transfer comes in from T+6 Clearing Days, the trade will be booked at zero price for Options Contracts and at closing price

of the previous business day for Futures Contracts. A request to transfer a Trade Leg can be made through an approved EuroCCP communication method.

56. Chapter 6 sets out the conditions for rectification of erroneous open/close indicators. This is of an administrative nature. Where position netting is not specified as an attribute of a sub-account of an Account, Clearing Participants can request EuroCCP to open or close positions by means of an open/close indicator that is part of the trade details. Requests can be made through an approved EuroCCP communication method.

Regulation Clearing Fund

57. Changes relate to the introduction of the two Product Classes. Other changes are drafting improvements.

Regulation Trade Refusal

58. Changes relate to the introduction of the two Product Classes.
59. “Exchange” has been changed to “regulated market, multilateral trading facility or other trading venue” to better distinguish between on-exchange and off-exchange Trades.
60. Article 2.2(18) is already part of the current, published, Regulation Trade Refusal.
61. Other changes are drafting improvements.

Regulation Portability

62. This regulation now contains information on portability only and is therefore renamed as Regulation Portability. Information on “return of unused residual client collateral” can be found in the risk disclosure ex art. 39(7) EMIR. The changes to the section on portability reflect the changed account offering (indirect client accounts) and drafting improvements.

Regulation Derivatives

63. Regulation Derivatives is new and refers to the Derivatives that are eligible for clearing by EuroCCP.
