

EuroCCP Clearing Rule Book consultation

Proposal to change certain provisions – comments requested by 19 November 2018

Introduction

EuroCCP is pleased to announce changes to its Clearing Rule Book. In this document the proposed changes are further discussed and explained as to their intended purpose and effect.

The proposed changes can be seen in the document:

EuroCCP Clearing Rule Book (consultation version 19 October 2018) and is available on the website of EuroCCP.

Proposed changes

In this document we discuss and give background to the proposed changes.

Drafting changes, typos or lay-out corrections and changed cross-references are not discussed herein unless stated otherwise.

Article 3.9.2 Settlement Finality

The purpose of the settlement finality rules is to give certainty as to when transactions cannot be affected by an insolvency and are there to disarm a liquidator of its possibilities to affect transactions concluded, therewith protecting the functioning of the financial markets. In short the rule is that as from the moment a transaction is in EuroCCP's system the transaction cannot be affected by a liquidator.

According to the current article 3.9.2 of the Clearing Rule Book transactions enter EuroCCP's system upon a *Completed Posting*. A Completed Posting is the moment that the electronic signal with trade data has been received by EuroCCP's system. This is however not the moment EuroCCP becomes the counterparty to the transaction. Only if the relevant conditions under article 3.10.3 have been met, including that the transaction is not rejected pursuant to the Regulation Trade Refusal, EuroCCP will become the legal counterparty to the transaction. Although in practice these moments are almost simultaneous, the moments of receiving the transaction data and EuroCCP becoming the actual counterparty are sequential.

As of the moment EuroCCP is the legal counterparty settlement finality protection should be provided.

The Clearing Rule Book is amended to more accurately align the moment of entry of a transaction into EuroCCP's systems and the moment EuroCCP becomes the legal counterparty to the transaction.

Article 3.10 General obligations of EuroCCP*Extension of time period to submit transactions to EuroCCP*

EuroCCP's current Clearing Rulebook includes the condition that *the Completed Posting occurs on the day of conclusion of such Trade*. However, multiple trading venues have expressed the need that, at least in contingency situations, EuroCCP will accept and process trades executed on their venues on trade date + 1.

The Clearing Rule Book is amended by inserting a new article 3.10.4 so that transactions can also be submitted for clearing on the business day following trade date. Reason for this change is enhancing clarity on EuroCCP's capabilities to service clients in contingency situations as well as to facilitate the clearing process.

Transactions entered into on a trading venue are normally submitted to EuroCCP within moments of the transaction being concluded. It could be that transactions are entering EuroCCP's systems with a delay. For instance if there are disruptions in the trade feed connectivity. To mitigate the effects of such disruptions we typically pre-agree on temporary workaround measures. Usually there is an agreement to send trade data files by a secure e-mail connection, which data files are then uploaded into our systems manually. To allow time for such mitigating actions to be taken, the Clearing Rule Book is amended to allow EuroCCP to accept trades on the business day following trade day provided there is no bankruptcy of the relevant clearing participant.