



**EuroCCP's disclosure under article 38 EMIR  
on the risks associated with using the services of EuroCCP**

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## Introduction

This disclosure provides the EuroCCP view of the risks associated with using the services of EuroCCP, and is made in accordance with article 38(2) of EMIR.<sup>1</sup> This disclosure concentrates on the risks to the Clearing Participant, since for clients the exposure to the risks described will largely depend on the arrangements in place between the client and its Clearing Participant.

Terms in capital used in this disclosure but not otherwise defined herein, shall have the meaning ascribed thereto in the EuroCCP Clearing Rulebook.

## Risks to which user of the clearing services of EuroCCP are exposed

EuroCCP is authorised to provide clearing services and has a risk management framework in accordance with EMIR. Notwithstanding this risk management framework Clearing Participants are exposed to risks when using the services of EuroCCP. The main risk for users of the services of EuroCCP is financial risk which can arise due to the risks that EuroCCP itself faces in its capacity as a central counterparty (CCP). Some of the risks EuroCCP is exposed to are credit, liquidity and market risk. These and other risks could affect the ability of EuroCCP to operate, despite the robust risk management measures employed by EuroCCP. The risk management measures at EuroCCP include compliance with the EMIR requirement to maintain pre-funded resources sufficient to withstand the default of the two participants with the largest exposures even in extreme but plausible market conditions.

EuroCCP has identified the following circumstances where risks realised for EuroCCP could generate financial risk for users of the services of EuroCCP:

1. EuroCCP is unable to meet its securities settlement obligations;
2. EuroCCP is unable to meet its obligations (other than securities settlement) as they fall due;
3. Third parties, such as service providers fail to meet their obligations to EuroCCP.

Moreover users of the services of EuroCCP are exposed to financial risk in the event of:

1. A Clearing Participant default, since non-defaulting Clearing Participants may:
  - a. Lose their contribution to the clearing fund; and/or
  - b. Be required to make additional contributions to the clearing fund (see Rulebook section 8);
  - c. Lose their contribution to the interoperability fund, if they are an interoperating Clearing Participant and the cooperating CCP enforces its security interest over the assets of the interoperability fund (see Rulebook section 7).
2. An investment loss. A portion of the cash collateral provided is converted into highly liquid government securities through the repo market or maintained at commercial banks through arrangements secured by highly liquid government securities, all in accordance with Regulation EuroCCP Investment Policy. Upon a repo provider becoming unavailable EuroCCP may have to liquidate the securities provided by such repo provider with a loss. EuroCCP holds capital to cover

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<sup>1</sup> Regulation (EU) No 648/2012 of 4 July 2012 on OTC derivatives, central counterparties and trade repositories  
<http://eur-lex.europa.eu/LexUriServ/LexUriServ.do?uri=OJ:L:2012:201:0001:0059:EN:PDF>

such losses. Clearing Participants who have provided cash collateral may be required to cover a shortfall that is in excess of the EuroCCP capital allocated for this purpose.

3. In the unlikely event of the insolvency of EuroCCP, and with respect to cash and non-cash collateral provided to EuroCCP, Clearing Participants become general creditor of the EuroCCP bankruptcy estate.

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### **IMPORTANT NOTICE**

*This document does not constitute legal or any other form of advice and must not be relied on as such. This document provides a high level analysis of complex matters. It does not provide all the information you may need to make your decision on which account type or level of segregation is suitable for you. It is your responsibility to review and conduct your own due diligence and assessment on the relevant rules, legal documentation and any other information provided to you on each of EuroCCP's client account offerings and, where applicable, those of the various Clearing Participants. You may wish to appoint your own professional advisors to assist you in this assessment.*

*EuroCCP shall under no circumstances be liable, whether in contract, tort, breach of statutory duty or otherwise, for any loss or damages (whether direct, indirect or consequential loss or loss of profit or revenue, damage to reputation or loss of any contract or other business opportunity or goodwill) that may be suffered as a result of this document or the information contained herein, except for liability which cannot be excluded by law.*