

Changing EuroCCP Rulebook & Regulations

Procedure

1. Introduction

This document describes the Changing EuroCCP Rulebook & Regulations procedure of European Central Counterparty N.V. – further “EuroCCP”.

This memo explains the change management process for the Clearing Rules of EuroCCP and the role of the Risk Committee and the Advisory Board in that process.

The Clearing Rules of EuroCCP comprise the Clearing Rule Book (CRB) and the Regulations which add details to the Clearing Rules. The Clearing Rules form the general terms and conditions for the provision of our services. The CRB tends to be more stable over time and the Regulations are more flexible and change more frequently.

2. Procedure Description

2.1. Technical changes

Changes to the Clearing Rules can be of a technical nature. Examples of technical changes are changes as a result of numbering and referencing to article numbers, changes in names or duties of departments and changes to improve wording which do not alter the intended meaning.

EuroCCP will make such technical changes to the Clearing Rules without prior consultation. New versions will be published on the website.

2.2. Material changes

Clearing Rule Book

Material changes affect the conditions for the clearing service. The procedure for amending the CRB is in the CRB itself (article 3.7) and provides for a notice period of at least 30 calendar days. Furthermore, the procedure requires EuroCCP to justify proposed changes, to consult clearing members, and to give due consideration to the feedback received.

Regulations

Changes to Regulation will be made in accordance with this procedure and the governance steps described in the regulation being changed. EuroCCP currently has 18 Regulations and the Regulations have been categorised in three categories.

The first category consists of the Regulations which cover self-evident matters on which no direct influence can be exerted and matters on which EuroCCP should act unilaterally. EuroCCP will not consult on changes of these Regulations.

The following Regulations fall in this category:

- Regulation Clearing Days – this Regulations stipulates the holidays on which EuroCCP is closed. It is updated yearly;

- Regulation Dedicated Own EuroCCP Resources – this Regulation stipulates the calculation and publication of the skin in the game as part of the default waterfall pursuant to EMIR. This is a mechanical process based on audited financial statements;
- Regulation Settlement – this Regulation contains the standard settlement instructions of EuroCCP and provides information on the settlement lifecycle in the CSDs;
- Regulation Corporate Actions – this Regulation contains information on the handling of corporate action and follows market practices and existing tax regimes;
- Regulation Statement of Authority – this Regulation contains the forms used to authorize trading on the various platforms/market segments;
- Regulation Securities – this Regulation contains the stock universe of the clearing service.

The second category consists of Regulations for which the change management is already in place. These are the:

- Regulation Fees and Penalties – the Clearing Participant Agreement stipulates a notice period of 30 calendar days for changes;
- Regulation EuroCCP Investment Policy – this Regulation binds EuroCCP to the highly secured arrangements for investing cash and selecting custodians foreseen under EMIR;
- Regulation Collateral – this Regulation mostly contains factual information on the collateral locations which EuroCCP accepts. These matters are not suitable for consultation. It also contains the percentage of collateral which must be maintained with EuroCCP. Changes in this percentage must be notified to all Clearing Participants pursuant to article 6.2.3 of the CRB.

The third category consists of the Regulations for which a formalized change process appears suitable for amendment of all or part of the provisions of the Regulation. This category includes the following Regulations:

- Regulation Clearing Hours – this Regulation determines the cycle of the working day, including the reporting and processing times. It determines indirectly the required availability of staff with the Clearing Participants pursuant to article 5.5.8 of the CRB, which calls for availability until two hours after the end of the Clearing Hours;
- Regulation Segregation and Portability – this Regulation sets out the (legal) requirements for porting and pay-out of residual collateral balances pursuant to EMIR;
- Regulation Complaints – this Regulation deals with the way in which complaints are handled;
- Regulation Margin – this Regulation determines how and when EuroCCP can establish margin requirements for which collateral must be provided;
- Regulation Trade Refusal – this Regulation provides the (pre)conditions for novation and open offer contract formation, including the cap on OTC trades;

- Regulation Buy-in Procedure - this Regulation determines the buy-in process including caps on buy-in and sell-out tenders and cash compensations;
- Regulation Cash Collateral Account – this Regulation contains the terms and conditions for cash collateral accounts held in the books of EuroCCP;
- Regulation Clearing Fund – this Regulation sets the contribution requirements, the eligible instruments and interest rates applicable as well as the way Contributions are paid and repaid;
- Regulation Interoperability Fund – this Regulation organizes the allocation of the collateral EuroCCP is obliged to provide to Co-operating CCPs amongst the Clearing Participants and the way Deposits are paid and repaid.

2.3. Involvement of the Risk Committee and Advisory Board

The table below shows the allocation of consultation on changes affecting the Regulations of the third category to the Risk Committee and Advisory Board respectively:

<u>Name of regulation</u>	<u>Consultation</u>
- Regulation Clearing Hours	Advisory Board
- Regulation Segregation and Portability	Risk Committee
- Regulation Complaints	All participants
- Regulation Margin	Risk Committee
- Regulation Trade Refusal	Advisory Board
- Regulation Buy-in Procedure	Advisory Board
- Regulation Cash Collateral Account	Advisory Board
- Regulation Clearing Fund	Risk Committee
- Regulation Interoperability Fund	Risk Committee

Amendments of Regulations of the third category will be made after consultation of EuroCCP's Risk Committee, its Advisory Board or all Clearing Participants, as stated above.