

# Regulation Trade Refusal

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## 1. Introduction

This Regulation is enacted pursuant to and in accordance with articles 3.4.2 ~~and~~, 3.10.3(c) and 5.3.3 of the Clearing Rule Book and the definition of Electronic Message as included in the Clearing Rule Book.

Capitalised terms used in this Regulation, and not otherwise defined herein, shall have the meaning ascribed thereto in the Clearing Rule Book.

This Regulation applies as of ~~18 July~~ 2019.

Changes to this Regulation will be implemented in accordance with the EuroCCP Procedure Changes to Clearing Rules as published on EuroCCP's website.

## 2. Conditions for trade refusal

2.1 The format of the execution report of a Trade will always be as agreed on between EuroCCP and the Exchange. All trades executed on an Exchange will be confirmed by the Exchange to EuroCCP via the agreed message format. The format of the execution report of a Trade not concluded on an Exchange will always be as agreed on between EuroCCP and the Clearing Participants.

2.2 The Trade will be refused by EuroCCP if:

- (1) the execution reports are not in the agreed format;
- (2) not all message fields have been filled with values or data as agreed in the format of the execution report;
- (3) the Trading Participant ("ClientID") is unknown or not approved/no longer admitted by EuroCCP;
- (4) the Clearing Participant ("ClearingFirm") is unknown or not accepted/no longer recognised or suspended by EuroCCP;
- (5) there is no Statement of Authority in effect or the open offer is withdrawn in respect of the Clearing Participant or Security;
- (6) only one side of the executed Trade is sent (only the buy or only the sell);
- (7) both sides (buy and sell) of the executed Trade do not match (on "Currency", "SecurityID", "LastShares", "LastPx", reversed "Side");
- (8) the "SecurityID" is not a Security;
- (9) the ISIN code is not set out in the Regulation Securities;
- (10) for a Trade not concluded on an Exchange: the ISIN code is not set out in the Regulation Securities under one of the Primary markets EURONEXT AMSTERDAM, FRANKFURT STOCK EXCHANGE, LONDON STOCK EXCHANGE, EURONEXT PARIS, SWX ZURICH, OMX STOCKHOLM, OMX HELSINKI, OMX COPENHAGEN, OSLO BORS, EURONEXT BRUSSELS, ATX VIENNA, S&P/MIB ITALY, IBEX SPAIN, PSI PORTUGAL, IRISH STOCK EXCHANGE, INTERNATIONAL DEPOSITORY RECEIPTS, CZECH REPUBLIC STOCK EXCHANGE, HUNGARIAN STOCK EXCHANGE;

- (11) the Currency is not as set out in the Regulation Securities;
- (12) the security exchange is unknown or not agreed upon with the Exchange and EuroCCP;
- (13) the combination ISIN and Currency is unknown based on the Regulation Securities;
- (14) the combination ISIN and security exchange is unknown or not agreed upon with the Exchange and EuroCCP;
- (15) for a Trade not concluded on an Exchange a regulated market, multilateral trading facility or other trading venue within the meaning of the MiFID, other than a Trade as referred to in under 4.2 (16) below: if the value of the trade exceeds Euro 10 million. The value of a Trade will be determined by multiplying the number of the Securities of the Trade by the Closing Price of such Security of the previous Trade Date. If the security price is expressed in a currency not being euro, EuroCCP will use the counter value in euro calculated at the rate used by EuroCCP for the batch processing of the previous Trade Date;
- (16) for a Trade not concluded on an Exchange a regulated market, multilateral trading facility or other trading venue within the meaning of the MiFID, between two Clearing Participants which are both designated in accordance with section 4.5 below or between a Clearing Participant which is designated in accordance with section 4.5 below and a clearing member or clearing participant (however described) of a Co-operating Clearing House: if the value of the Trade exceeds Euro 30 million. The value of a Trade will be determined by multiplying the number of the Securities of the Trade by the Closing Price of such Security of the previous Trade Date. If the security price is expressed in a currency not being euro, EuroCCP will use the counter value in euro calculated at the rate used by EuroCCP for the batch processing of the previous Trade Date;
- (17) ~~For~~ for a Trade not concluded on an Exchange a regulated market, multilateral trading facility or other trading venue within the meaning of the MiFID: the agreed price per Security of the Trade differs 25% or more from the closing price of that Security of the previous Trade Date;
- (18) for a Trade not concluded on a regulated market, multilateral trading facility or other trading venue within the meaning of the MiFID: if that Trade would result in EuroCCP needing liquid resources that would be in excess of a predetermined percentage of the total liquid resources available to it and the relevant Clearing Participant has not met the Settlement Prefunding Requirement (as defined in the Regulation Liquidity Measures).

2.3 If a Trade has been made between a Clearing Participant and a clearing participant, clearing member or a trading member (however described) of a Co-operating Clearing House, then EuroCCP may also refuse the Trade:

- (1) because of a malfunction, breakdown or similar failure in the electronic communication link between the Exchange and EuroCCP (including any linkage via a third party system) or in EuroCCP's computer systems;
- (2) if the Co-operating Clearing House declines to register, rejects, cancels, avoids or terminates the Trade, its leg of the Trade or any related contract between the Co-operating Clearing House and its clearing participant, clearing member or trading member (however described);
- (3) if the Co-operating Clearing House has suspended or does not provide clearing services in relation to the trade;

- (4) if the relevant Link Agreement or agreement(s) with the Exchange or any other agreement that EuroCCP or the Co-operating Clearing House has entered into in relation to the provision of clearing services has been terminated or is otherwise not in force; or
- (5) if EuroCCP is permitted to refuse the Trade pursuant to the relevant Link Agreement.

2.4 If EuroCCP refuses a Trade, EuroCCP will inform the Exchange or the respective Clearing Participants if it concerns a Trade not concluded on an Exchange. The Exchange may send a Correction and the Clearing Participant may send a new Trade.

If EuroCCP refuses a Trade pursuant to clause 4.2.(15) or 4.2 (16), EuroCCP will inform the Clearing Participants involved. If EuroCCP rejects a Trade pursuant to clause 4.2.(17), the Clearing Participants involved may contact EuroCCP to request permission to re-send the Trade for novation, provided that the agreed price per Security of the Trade differs no more than 25% from the then current price of that Security. EuroCCP shall not unreasonably withhold such permission. If that Trade is re-sent after receiving the permission of EuroCCP, EuroCCP will not refuse that Trade.

EuroCCP will send the Clearing Participant intra-day and end of the day reports on the executed Trades. These intra-day and end of the day reports are definitive and can be relied upon by the Clearing Participant, unless the matching trade leg is made with a Co-operating Clearing House. In that case, the reports are conditional on the terms of the relevant Link Agreement.

2.5 A Clearing Participant can request EuroCCP to be designated as a Clearing Participant designated to enter into Trade Legs for a Trade not concluded on an Exchange a regulated market, multilateral trading facility or other trading venue within the meaning of the MiFID, where the value of the Trade exceeds Euro 10 million but does not exceed Euro 30 million. EuroCCP may only grant such designation under the following conditions:

- (1) the Clearing Participant has made a request in the format of Annex 1 to this Regulation Trade Refusal,
- (2) the Clearing Participant maintains a base amount, as specified in the Regulation Clearing Fund of euro 3 million for its Contribution to the Clearing Fund,
- (3) the Clearing Participant which is a Direct Clearing Participant maintains at all times a minimum Capital of euro 30 million and the Clearing Participant which is a General Clearing Participant maintains at all times a minimum Capital of euro 50 million,
- (4) the Clearing Participant has authorised EuroCCP to collect Collateral on the basis of direct debit arrangements.

EuroCCP will acknowledge the designation by returning one copy of the request made by the Clearing Participant pursuant to section 4.5 (1) above signed for approval. The designation can be revoked by EuroCCP at any time by EuroCCP by giving notice with the motivation for the revocation to the Clearing Participant.

***Explanatory note in respect of Section 42.4:***

The wording of Section of 42.4 refers to refusal of a Trade and the possibility to send a Correction, which is a modification by an Exchange or a Co-operating Clearing House, including the cancellation of a Trade, as per Section 4011.3 of the Clearing Rule Book.

This wording reflects the legal provisions for contract formation between the Clearing Participants and EuroCCP as foreseen in in Section 3.10 of the Clearing Rule Book. These legal provisions do not include the notion of “pending” Trades, i.e. a Trade is either accepted or refused.

Please note that from a processing perspective, any and all Trades which do not meet the acceptance criteria as set out in this Regulation Trade Refusal, are queued in the EuroCCP systems. The EuroCCP Operations department will contact the Exchange, Co-operating Clearing House or trade data provider, as the case may be, with a view to jointly remedy the cause for refusal, thus allowing EuroCCP to process the Trade as yet, without the need arising for the Exchange or the Co-operating Clearing House to send a cancellation for such Trade, provided of course that the Trade meets the criteria of this Regulation following such interaction and remedial action.

## Annex 1

Clearing Participant's Request for Recognition pursuant to section 42.5 of the  
Regulation Trade Refusal

European Central Counterparty N.V.(EuroCCP)  
Attn. [Risk Department](#)  
Strawinskylaan 1847  
1077 XX, Amsterdam  
The Netherlands

[Place / Date]

We herewith request to be designated as a Clearing Participant designated to enter into Trade Legs for a Trade not concluded on [an Exchange a regulated market, multilateral trading facility or other trading venue within the meaning of the MiFID](#) where the value of the Trade exceeds euro 10 million but does not exceed euro 30 million pursuant to section 42.5 of the EuroCCP Regulation Trade Refusal.

In this connection we confirm that [name of the Clearing Participant]

1. maintains a base amount, as specified in the Regulation Clearing Fund of euro 3 million for its Contribution to the Clearing Fund, and will maintain such a base amount for as long as the designation is in force;
2. is a Direct Clearing Participant and maintains at all times a minimum Capital of euro 30 million\*, / is a General Clearing Participant maintains at all times a minimum Capital of euro 50 million, for as long as the designation is in force\*;
3. has authorised EuroCCP to collect Collateral on the basis of direct debit arrangements, and that such authorisation will remain in place for as long as the designation is in force;
4. is aware that the designation can be revoked by EuroCCP at any time by EuroCCP by giving notice with the motivation for the revocation to the Clearing Participant.

Please acknowledge the designation by returning the enclosed signed copy of this request, signed for approval by EuroCCP, to:

[name of the Clearing Participant]

[Contact Name]

[Address]

[Telephone number]

[E-mail address][

[Fax]

\* Please delete as appropriate

Signed for and on behalf of <u>(Name of Clearing Participant)</u>  _____ Name: Title: Place: Date:	Signed for and on behalf of <u>(Name of Clearing Participant)</u>  _____ Name: Title: Place: Date:
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~~\* Please delete as appropriate~~

**For Agreement**

**EuroCCP**

Signed for and on behalf of European Central Counterparty N.V.  _____ Name: Title: Place: Date:	Signed for and on behalf of European Central Counterparty N.V.  _____ Name: Title: Place: Date:
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