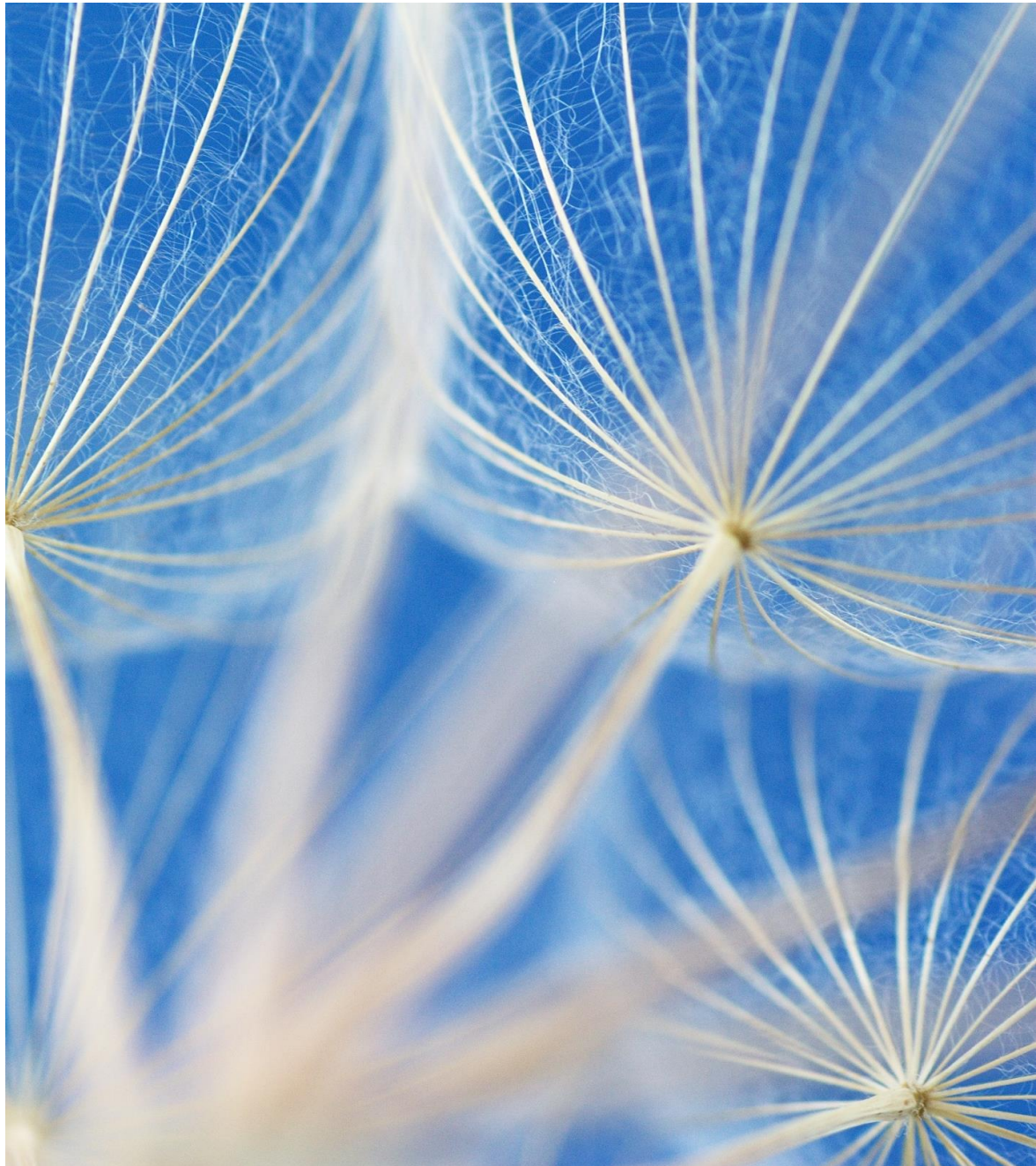


Update on liquidity measures – June 2020

Detailed information on the implementation of the new liquidity measures



1 Implementation of new liquidity measures

EuroCCP will be introducing new liquidity tools and measures to address potential liquidity risks per July 1st 2020. These new tools and measures have the aim to enhance its liquidity risk management framework and to further improve EuroCCP's resilience. This document provides detailed information on the impact the liquidity measures, more specifically the Settlement Prefunding Requirement and Settlement Exposure Add-on, may have on clearing participants.

This document is structured as follows. The next section provides an overview of the relevant changes in Regulations. Section 3 and 4 provide further information on the Settlement Prefunding Requirement and Settlement Exposure Add-on respectively. The last section provides an overview of the operational prerequisites.

2 Changes in Regulations

Following the introduction of the new liquidity measures the Regulations (and Clearing Rulebook) have been updated and a new Regulation (Liquidity Measures) comes into force. Below follows a list of the main changes to the Regulations:

- **Regulation Trade Refusal** – inclusion of an additional trade acceptance criteria related to the Settlement Prefunding Requirement.
- **Regulation Liquidity Measures** – detailed information on the applicability of the Settlement Prefunding Requirement and Settlement Exposure Add-on.
- **Regulation Acceptable Collateral** – updated to reflect the acceptable collateral under the Settlement Prefunding Requirement and Settlement Exposure add-on.
- **Regulation Collateral** – addition of a new collateral agent (Citibank N.A. London.) and the SSI's for the provision of collateral under the Settlement Prefunding Requirement and Settlement Exposure add-on.

All proposed changes under EuroCCP's liquidity framework are subject to regulatory review and approval. The final Regulations will be provided to all clearing participants via a newsflash as soon as regulatory approval has been received.

In the next sections reference is made to the above listed Regulations for further details.

3 Settlement Prefunding Requirement

The Settlement Prefunding Requirement is a measure to control liquidity exposure and is based on a "polluter pays" model whereby the liability for the increased liquidity needs will be carried by the two parties that bring the most liquidity risk. This will apply to OTC trades which are ETRs (Exchange Trade Reports) as traded on the markets operated by Cboe Europe Ltd or Cboe Europe BV. The Settlement Prefunding Requirement will be called at a predetermined percentage of the total liquid resources available to EuroCCP. The predetermined percentage is set at less than 100% of the calculated liquid resources. It serves as a buffer to ensure EuroCCP has sufficient liquidity to cover for the period between requesting the settlement prefunding requirement and the time at which the funds are provided. Not meeting the Settlement Prefunding Requirement within the required timelines will lead to the rejection of any new buy ETR trades.

3.1 Settlement Prefunding Requirement warning messages

- At the moment clearing participants' liquidity risk is at e.g. 80% of the Liquidity Risk Threshold, the clearing participant can receive a warning message. This warning message is optional.
- At the moment clearing participants' liquidity risk is at e.g. 90% of the Liquidity Risk Threshold, the clearing participant can receive another warning message. This warning message is also optional.
- An example warning message can be found [here](#).

3.2 Settlement Prefunding Requirement notification

- At the moment a clearing participants' liquidity risk is above the Liquidity Risk Threshold, the clearing participant will be notified of its Settlement Prefunding Requirement.
- The Settlement Prefunding Requirement notification can be submitted to a clearing participant between 9am CET and 8pm CET.
- The Settlement Prefunding Requirement notification is sent via email. An example can be found [here](#).
- In case the collateral under the Settlement Prefunding Requirement is not provided within 1 hour after notification, their buy ETR trades will be rejected. The rejected trades will be confirmed by EuroCCP to the trading platform in real time. EuroCCP will not inform clearing participants of rejected trades.
- The set-up of a direct debit arrangement / Power of Attorney to instruct on behalf of the collateral giver in CBL / EB is preferred, but not mandatory. Your RM will shortly contact to discuss the possibilities of a direct debit arrangement.

4 Settlement Exposure Add-on

The Settlement Exposure Add-on is to cover any remaining liquidity shortfall. The Settlement Exposure Add-on will be allocated across selected, so called Qualifying Clearing Participants, based on their liquidity exposure. As with the Settlement Prefunding Requirement, it is based on a polluter pays model whereby the liability of the increased liquidity needs will be carried by the parties that bring the most liquidity risk. The Settlement Exposure Add-on will also be called at a predetermined percentage of the total liquid resources available to EuroCCP. The predetermined percentage is set at a level to create a buffer to ensure that EuroCCP has sufficient liquidity to cover for the period between requesting Settlement Exposure Add-on and the time at which the funds are provided.

4.1 Determination of Qualifying Clearing Participants

- The Settlement Exposure Add-on will be allocated to clearing participants on the basis of their historical liquidity risk. For more information regarding the selection criteria we refer to section 2 of the Regulation Liquidity Measures.
- The determination of Qualifying Clearing Participants is done on every first Clearing Day of each month or a date as determined by EuroCCP.
- Clearing participants will be notified when being designated as Qualifying Clearing Participant or when they are no longer being designated as Qualifying Clearing Participant.
- The designation of Qualifying Clearing Participants is sent via email to relevant clearing participants. An example can be found [here](#).

4.2 Settlement Exposure Add-on Cap

- The Settlement Exposure Add-on will be subject to the Settlement Exposure Add-on Cap which is the maximum possible total Settlement Exposure Add-on across all Qualifying Clearing Participants. The Settlement Exposure Add-on Cap will be set to the largest Settlement Exposure Add-on plus remaining liquidity shortfall on a Clearing Day observed over the previous 12 months. At introduction the cap will be at EUR 1 billion.
- Qualifying Clearing Participants will be informed of any changes to the cap via email. An example can be found [here](#).

4.3 Settlement Exposure Add-on warning messages

- At the moment the residual liquidity risk is at e.g. 80% of the Liquidity Risk Threshold, clearing participants can receive a warning message. This warning

message is optional.

- At the moment the residual liquidity risk is at e.g. 90% of the Liquidity Risk Threshold, clearing participants can receive another warning message. This warning message is also optional.
- An example warning message can be found [here](#).

4.4 Settlement Exposure Add-on - call

- At the moment the residual liquidity risk of EuroCCP is above the Liquidity Risk Threshold, the clearing participants will be called a Settlement Exposure Add-on.
- The Settlement Exposure Add-on call can be submitted to a clearing participant between 9am CET and 8pm CET.
- The Settlement Exposure Add-on call is sent via email. An example can be found [here](#).
- The set-up of a direct debit arrangement / Power of Attorney to instruct on behalf of the collateral giver in CBL / EB is mandatory. EuroCCP's RM will contact you to ensure a direct debit arrangement is set-up.

5 Operational changes – Prerequisites

- The clearing participant likely to be subject to SPR and/or SEA requirements should ensure late collateral arrangements are in place. EuroCCP RM will inform you if this is the case.
- Current late collateral arrangements options are:
 - pledged account at Clearstream Banking Luxembourg (CBL),
 - pledged account at Euroclear Bank (EB), or
 - provision of USD on a title transfer basis (ETA: mid July 2020).
- EuroCCP will open for relevant clearing participants 2 new internal accounts for collateral deposits under the Settlement Prefunding Requirement and Settlement Exposure Add-on requirements. You will shortly be informed by our RM team of the account numbers.
- These internal collateral accounts will be reported in the CIF file as any other collateral account.
- SSIs to deposit collateral under the Settlement Prefunding Requirement and Settlement Exposure Add-on can be found in EuroCCP Collateral Settlement Instructions.
- The Regulation Acceptable Collateral provides an overview of the collateral acceptable under the Settlement Prefunding Requirement and Settlement Exposure Add-on.

For queries, please contact our Relationship Management department.

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