

# ***Indirect Clearing Services***

Impact of MIFIR on Clearing  
Procedures

*Version 1.0, 23/11/2017*



**ATHEXGROUP**  
*Athens Exchange Group*

# Agenda

- New RTS purpose
- Definitions
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# New RTS purpose

Commission Delegated Regulation (EU) 2017/2154\* supplementing Regulation EU No 600/2014 aims to:

- simplify and clarify the requirements that relate to the management of the default of a client providing indirect clearing services
- adapt account structures in order to rationalize the offering of indirect clearing services
- allow indirect clearing services to be provided in chains going beyond the client of a direct client provided that appropriate and equivalent protection is ensured throughout the chain
- set out homogeneous requirements for indirect clearing arrangements relating to ETD derivatives.

<http://eur-lex.europa.eu/legal-content/EN/TXT/PDF/?uri=CELEX:32017R2154&from=EN>

# Definitions

a) 'client' means a client as defined in Article 2(15) of Regulation (EU) No. 648/2012

'client': a business with a contractual relationship with a CCP clearing member which enables that undertaking to clear its transactions with the relevant CCP

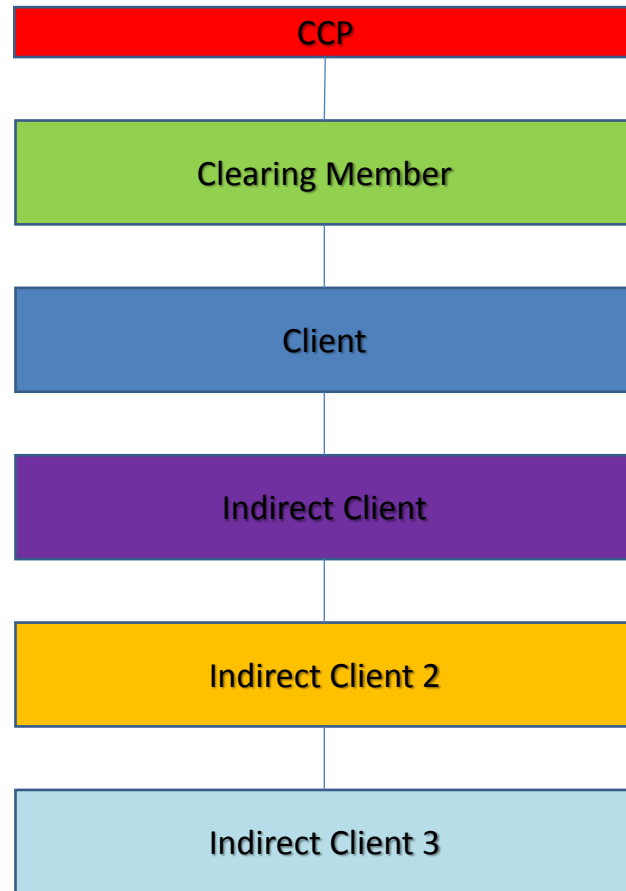
b) 'indirect client' means a client of a client as defined in point (a)

c) 'indirect clearing arrangements' means the set of contractual relationships between providers and recipients of indirect clearing services provided by a client, an indirect client or a second indirect client

d) 'second indirect client' means a client of an indirect client as defined in point (b)

e) 'third indirect client' means a client of a second indirect client as defined in point (d)

# Chain of participants



# Obligations of CCPs

1. A CCP shall open and maintain any of the accounts below in accordance with the request of the clearing member:
  - a) **a segregated account** for the exclusive purpose of holding the assets and positions of indirect clients held by the clearing member (**net**)
  - b) **a segregated account** for the exclusive purpose of holding the assets and positions of indirect clients of each client held by the clearing member, in which the clearing member shall ensure that the positions of an indirect client do not offset the positions of another indirect client and that the assets of an indirect client cannot be used to cover the positions of another indirect client (**gross**)
2. A CCP that holds the assets and positions of several indirect clients in a **gross** account, **shall keep separate records of the positions of each indirect client, calculate the margins in respect of each indirect client and collect the sum of those margins on a gross basis**, based on information provided by the Clearing Members.
3. A CCP **shall identify, monitor and manage any material risks** arising from the provision of indirect clearing services that could affect the resilience of the CCP to adverse market developments.

# Main obligations of Clearing Members that provide Indirect Clearing Services

- Publicly disclose the terms under which it provides the indirect clearing services.
- Maintain an omnibus account with the assets and positions held by its client for the account of its indirect clients
  - either net
  - or gross
- Maintain in the CCP the following segregated accounts (in accordance with the request made by the client):
  - of holding the assets and positions of indirect clients held by the Clearing Member in a net account
  - of holding the assets and positions of indirect clients of any client held by the Clearing Member in a gross account
- Provide to the CCP the required information for each indirect client position to enable the gross margin calculation
- Establish procedures to manage the default of a client that provides indirect clearing services
  - For net accounts, it should be defined how the liquidation will take place and how the indirect clients will be informed
  - Additionally for gross accounts, it should be described the procedure for porting the assets and positions of the indirect client, and how the result of the liquidation will be paid directly to the indirect clients

# Entry into force

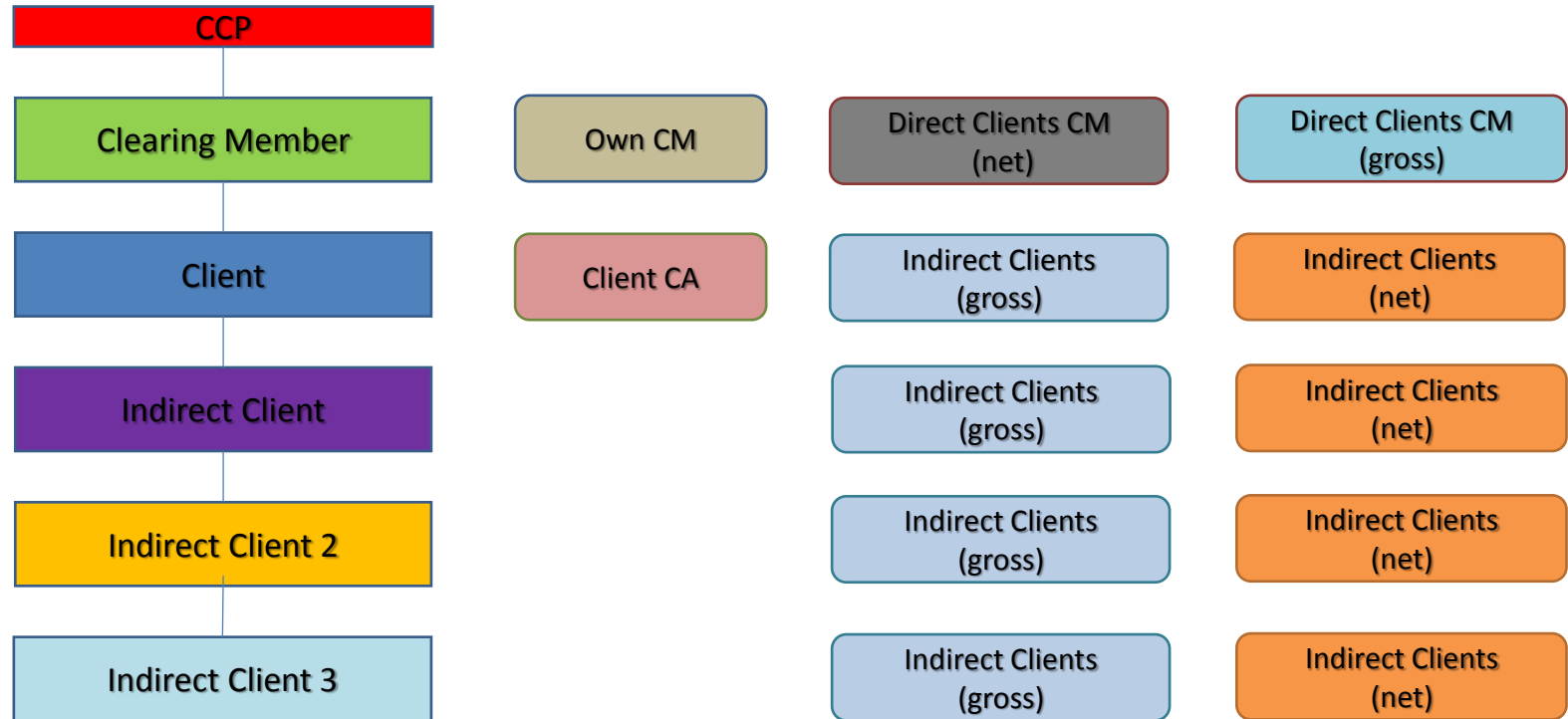




# How does the ATHEXClear Clearing Model is affected

- Clients Clearing Accounts will be now divided into:
  - **direct** and **indirect**
  - **gross** and **net**
- For net accounts the margin is calculated as currently, considering the total net position of all the Position Accounts belonging to the specific Clearing Account
- For gross accounts, the margin (end-of-day and intra-day) will be calculated as the sum of the negative margins calculated for each position account separately (positive margins are not taken into account)
- The Clients Indirect Clearing Account will be linked with a Clients Collateral Securities Account maintained in the CSD by the Clearing Member
- If the beneficiary of the Clients Indirect Clearing Account is different from the Clearing Member, a bank account of the beneficiary should be declared to ATHEXClear so as in case of Clearing Member's Default, ATHEXClear will return the result of the liquidation of the position of the Clearing Account.
- Regarding the IT interface files, only the fee file will be modified to add two new fee types. In addition, the account's designation (direct / indirect and gross / net) will be added to some reports.

# Examples of accounts per participant



# Management of the Default

- In case of a client's default, the Clearing Member manages the default
- In case of default of Clearing Member that maintains “Indirect Clients Clearing Account” in ATHEXClear
  - ATHEXClear will follow the existing procedures for Clients and Client Clearing Accounts, also for the Indirect Clients Clearing Account (by transferring the Clearing Account or liquidate its positions).
  - The only difference is who will be able to request the transfer of the Clearing Account and who will receive the result of the liquidation of the position.

# Features of Clearing Accounts

| Clearing Account Type | Designation        | Position Accounts                   | Margin Calculation   | Collateral Account                    |
|-----------------------|--------------------|-------------------------------------|--|---------------------------------------|
| OWN                   | -                  | OWN Clearing Member                 | Taking into account the net position   | OWN Securities Account                |
| Clients               | (direct) (net)     | Clients / Investors Clearing Member | Taking into account the net position   | Clients Collateral Securities Account |
| Clients               | (direct) (gross)   | Clients / Investors Clearing Member | Taking into account the gross position. It is calculated as the sum of the negative margins of the position accounts | Clients Collateral Securities Account |
| Clients *             | (indirect) (gross) | Indirect Clients / Investors        | Taking into account the gross position.  | Clients Collateral Securities Account |
| Clients *             | (indirect) (net)   | Indirect Clients / Investors        | Taking into account the net position   | Clients Collateral Securities Account |
| Client                | -                  | Specific Client                     | Taking into account the net position   | Client Securities Account             |

- The Indirect Clients account may be held by the Clearing Member or Client as defined in the EMIR.

# Management of Clearing Member's Default

| Account Type               | Request for transfer in case of default of the Clearing Member | Closing Position Procedure in case of Non – Transfer Clearing Account | Receive the position closing result in case of non-transfer |
|----------------------------|--|---|---|
| OWN                        | Not applicable   | ATHEXClear liquidates the net position                                | Clearing Member   |
| Clients (direct) (net)     | All clients / investors belonging to the Clearing Account      | ATHEXClear liquidates the net position                                | Clearing Member   |
| Clients (direct) (gross)   | All clients / investors belonging to the Clearing Account      | ATHEXClear liquidates the net position                                | Clearing Member   |
| Clients (indirect) (gross) | Client   | ATHEXClear liquidates the net position                                | Client  |
| Clients (indirect) (net)   | Client   | ATHEXClear liquidates the net position                                | Client  |
| Client                     | Client   | ATHEXClear liquidates the net position                                | Client  |

A new fee will be applied for Gross Clearing Accounts

- The purpose of the new fee is to cover the cost of providing the service.
- The charge will be applied only to accounts that have been defined as gross.
- It will be equal to € 2 per business day for each non – empty position account that belongs to the Clearing Account that has been defined as gross.
- It will be paid on a monthly basis.

# Regulatory Changes

- The Derivatives Market Clearing Rulebook will be amended
- The following decisions will be also amended:
  - Resolution 2- Procedure for acquiring the capacity of Clearing Member in the Securities System and in the Derivatives System, resignation from the capacity of Clearing Member and other related issues and in particular article 1.5
  - Resolution 5 - Risk management procedures in the Derivatives System and other relates issues
  - Resolution 10 - Fees for the Administration and Operation of the System for Clearing Transactions and in particular articles 6 and 7 of part B
  - Resolution 12 - Technical Procedures of Derivatives Clearing and Schedule
  - Modification of the forms “Clearing Account's Form Derivatives” and “Confirmation & Terms of Acceptance of the ATHEXClear's Right of Use related to Margins and Default Fund Contributions Securities” (Right of Use)
- In addition:
  - The Clearing Member should inform the ATHEXClear of the conditions that offers indirect clearing services.

# Project Plan – Participants

| <b>Actions</b>                         | <b>Schedule</b>                     |
|--|-------------------------------------|
| Scheduling Changes                     | until the end of October            |
| Technical Implementation               | until mid-November                  |
| Changes in Regulations and Resolutions | until mid-December                  |
| Documentation of Changes               | until mid-December                  |
| Internal Acceptance Testing            | until mid-December                  |
| Communication to the Clearing Members  | from early November to mid-December |
| Acceptance Testing with Members        | before end of December              |