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# ECC Indirect Clearing Accounts MiFID II / MiFIR

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## 1. Glossary

A-Account	Agency-Account (accounts for client business)
CCP	Central Counterparty
CM	Clearing Member
ESMA	European Securities and Markets Authority
EUREX Classic	Clearing System of ECC
GOS	General Omnibus Segregation (EMIR)
GOSA-IC	Gross Omnibus Segregated Account for Indirect Clearing
ISA	Individually Segregated Account (EMIR)
INC	Abbreviation for a dedicated Indirect Clearing Collateral Pool Type
IC Provider	Indirect Clearing Provider. Means the Client of a Clearing Member providing Indirect Clearing services to an Indirect Client.
MiFID	Market in Financial Instruments Directive
NOSA-IC	Net Omnibus Segregated Account for Indirect Clearing
OSA	Net Omnibus Segregated Account EMIR)
PP	Collection of all House-Accounts (proprietary account)
<b>Segregation</b>	<b>The term “segregation” in context of this document refers to the term as used in MiFID II and MiFIR and not to the term as used in EMIR Article 39</b>
SOS	Simple Omnibus Segregation (EMIR)
STP	Straight-Through Processing

## 2. Definitions and Background

With Article 30 of the Markets in Financial Instruments Regulation (MiFIR) in the context of the Markets in Financial Instruments Directive II (MiFID II) the rules for Indirect Clearing arrangements have been extended from OTC derivatives to exchange-traded derivatives (ETDs). Article 3 (1) of MiFIR RTS on Indirect Clearing Arrangements (ESMA/2017/2154) states, that “at the request of a Clearing Member, the CCP shall open and maintain any of the accounts referred to in Article 4(4).”

The following table displays the legal requirement for a CCP on Indirect Clearing Accounts according to the RTS on Indirect Clearing Arrangements.

	a) Net Omnibus Segregated Account for Indirect Clearing (NOSA-IC)	b) Gross Omnibus Segregated Account for Indirect Clearing (GOSA-IC)
Article 3 (1)	A CCP shall open and maintain any of the accounts referred to in Article 4 (4) in accordance with the request of the Clearing Member.	
Article 3 (2)		A CCP that holds the assets and positions of several indirect clients in an account as referred to in Article 4 (4) (b) 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.
Article 4 (4)	<p>A Clearing Member that provides indirect clearing services shall at least open and maintain in the CCP the following accounts in accordance with the request made by the client</p> <p>A segregated account for the exclusive purpose of holding the assets and positions of indirect clients held by the Clearing Member in an account as referred to in Art. 4 (2) (a).</p>	<p>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 an account as referred to in Art. 4 (2) (b).</p>

ECC will open any of these accounts whenever requested by a CM. Each segregation<sup>1</sup> option ensures both differentiations of collateral as well as of positions of Indirect Clients.

Pursuant to Article 1 b) of the RTS on Indirect Clearing Arrangements, Indirect Client means a “client of a client”. Furthermore, ‘client’ of a Clearing Member means an “undertaking with a contractual relationship with a Clearing Member of a CCP which enables that undertaking to clear its transactions with that CCP” in accordance with Article 1 a) of MiFIR RTS on Indirect Clearing Arrangements in conjunction with Article 2 (15) of Regulation (EU) No 648/2012.

This means that two types of clients are differentiated at ECC:

- **1) clients that do not hold the status of a Non-Clearing Member (NCM) at ECC**
  - Client is not known to ECC
  - Positions of these clients are held by the Clearing Member in one or more Account(s)
  - referred to as “agency client”
  - Before the entry into force of MiFID II, the positions of Indirect Clients of such agency clients were commingled together with other agency client positions in the same Account of the Clearing Member. These positions were treated as positions of the agency client.
- **2) the client holds the status of a Non-Clearing Member (NCM) at ECC**
  - Client is known to ECC
  - Positions of its Indirect Clients are kept in the A-Accounts of that NCM.
  - Referred to as “NCM”
  - Before the entry into force of MiFID II, the positions of Indirect Clients of an NCM were commingled in A-Accounts of the NCM. These positions were treated as positions of the NCM<sup>2</sup>.

<sup>1</sup> The term “segregation” in context of this document refers to the term as used in MiFID II and MiFIR and not to the term as used in EMIR Article 39.

<sup>2</sup> This term refers to the treatment in trade/position reporting; legally, the segregation rules according to the selected level of segregation under EMIR apply.

- Clients of Clearing Members that service Indirect Clients are referred to as Indirect Clearing Provider (IC Provider) in this document and in the Clearing Conditions of ECC to avoid confusion with the term “Client” used in the Clearing Conditions which solely refers to a category of clients which has not concluded an NCM-Agreement with ECC,

“Indirect Clearing Arrangement” means a set of contractual relationships between the central counterparty (CCP), the Clearing Member, the client of a Clearing Member and Indirect Client that allows the client of a Clearing Member to provide clearing services to an Indirect Client” according to Article 1 c) of the MiFIR RTS on Indirect Clearing Arrangements.

Furthermore, more granular levels of Indirect Clients are described in the RTS on Indirect Clearing Arrangements. For the sake of completeness, these Second and Third Indirect Clients are defined in the following as well although their positions would be treated equally to those of Indirect Clients in NOSA-IC by ECC. Pursuant to Article 1 d) of the MiFIR RTS on Indirect Clearing Arrangements, a Second Indirect Client is a “client of an indirect client”, whereas according to Article 1 e) a Third Indirect Client is described as “a client of a second indirect client”.

### 3. Account Structure for Indirect Clearing

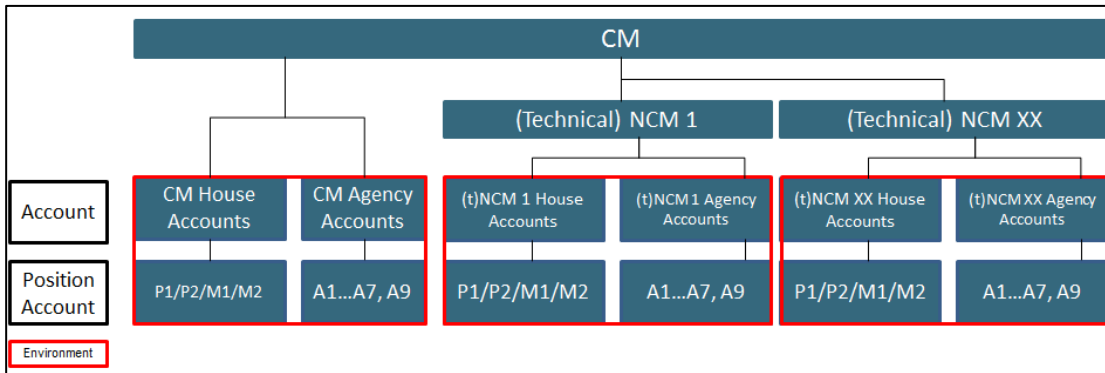
#### Basic Account Structure

Accounts for Indirect Clearing will be set up by ECC in EUREX Classic and will be based on the fundamental system structure of the clearing software: Clearing Members and NCMs hold so-called House (P and M Accounts) and Agency–Accounts (A-Accounts). House-Accounts are used to record the proprietary business. A-Accounts are used to record the agency business, thus the positions of their respective agency clients and optionally their Indirect Clients. Due to system restrictions eight A-Accounts are available (A1 to A9 excluding A8). The standard set of eight A-Accounts and one House-Account per CM and per NCM is further referred to as “**CM environment**” and “**NCM environment**”. One environment per ID (CM-ID or NCM-ID) is available. Some Clearing Members and NCMs may not have a complete environment yet. In those cases, only House-Accounts and A1 are available. Such setup is inappropriate for offering an Indirect Clearing Account Structure. A to the complete set of A-Accounts can easily be accomplished with an informal order to ECC (member.readiness@ecc.de).

For Indirect Clearing arrangements, the A-Accounts are of importance as the positions of Indirect Clients will be recorded in A-Accounts. Indirect Clients positions that are to be segregated will be held in a dedicated A-Account separated from the positions of the CM, of NCMs and of agency clients, respectively. This dedicated A-Account can be either located within the CM-environment or the (technical) NCM-environment.

If eight A-Accounts are insufficient, ECC will make use of so-called **technical NCMs**. Technical NCMs (tNCMs) are used to implement further A-Accounts for Indirect Clients. A technical NCM-ID is allocated to the Clearing Member or NCM. A usage of House Accounts within tNCM is not foreseen.

The described technical infrastructure of EUREX Classic is illustrated below. The red boxes encompass the position accounts of the respective environment.



Based on this structure, ECC will open Indirect Clearing Accounts as required in the RTS on Indirect Clearing Arrangements and whenever requested<sup>3</sup> by the Clearing Member. The available accounts are described below.

**Setup for Indirect Clearing Account Structure**

The different manifestations of IC Providers necessitate different approaches for ensuring the requirements for a NOSA-IC and a GOSA-IC are met.

	NOSA-IC		GOSA-IC	
<b>Description</b>	In its standardised application, all Indirect Clients of a Clearing Member that have opted for NOSA-IC are commingled in one common A-Account. In a tailor-made application, the quantity of NOSA-IC is not restricted by ECC.		All positions of an Indirect Client that has opted for GOSA-IC are segregated in an individual position account.	
	<b>IC Provider = Agency client</b>	<b>IC Provider = NCM</b>	<b>IC Provider = Agency client</b>	<b>IC Provider = NCM</b>
	All Indirect Clients irrespectively of their particular Agency Client will be commingled in a dedicated NOSA-IC.	For each NCM, a dedicated NOSA-IC needs to be created. All Indirect Clients of an NCM opting for NOSA-IC will be commingled in that account.	For each Indirect Client a separate A-Account will be setup. Thereto a) if applicable, the CM could use its own A-Accounts to accommodate one Indirect Client per A-Account b) a technical NCM in the <b>name of the CM</b> can be used to offer additional dedicated A-Accounts for each individual Indirect Client of an agency client.	For each Indirect Client a separate A-Account will be setup. Thereto, existing A-Accounts of the NCM (and if required additional technical NCM-IDs in the <b>name of the NCM</b> ) are used to offer dedicated A-Accounts for each individual Indirect Client of an NCM.
<b>System</b>	EUREX Classic		EUREX Classic	
<b>IC Provider Positions</b>	<b>IC Provider = Agency client:</b> The positions of the agency client are recorded in an A-Account (commingled with other agency clients) <b>IC Provider = NCM:</b> The positions of an NCM are recorded in the proprietary (PP)-Accounts in the NCM environment.			
<b>Indirect Clients Positions</b>	Positions of all Indirect Clients recorded in NOSA-IC are commingled and cannot be separated from each other.		Positions of each individual Indirect Client are kept separately from other Indirect Clients, IC Provider or the positions of the CM	

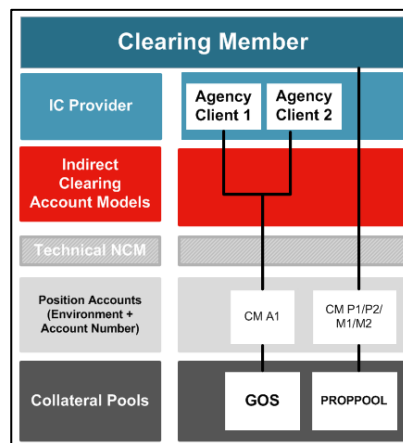
<sup>3</sup> The request for segregation according to the MiFIR RTS on Indirect Clearing Arrangements will be conveyed by the CM to ECC; the CM receives it from its IC Provider who in turn receives it from the Indirect Client.

<b>Assets</b>	One dedicated collateral pool exclusively per NOSA-IC	One dedicated collateral pool exclusively for all GOSA Indirect Clients per IC Provider. The Clearing Member could choose to create more collateral pools for GOSA-IC Indirect Clients as the standard prescribes, e.g. one pool per Indirect Client.
<b>Margin</b>	Margins are calculated net for NOSA-IC	Margins are calculated gross over Indirect Clients of a GOSA-IC (Added over each A-Account)

Please note that the Clearing Member is responsible for the correct assignment of its A-Accounts and technical NCMs A-Accounts for Indirect Clearing. The Clearing Member has operational and legal responsibility for the correct usage of all A-Accounts under its disposal. The following illustrations show the different scenarios and setup alternatives<sup>4</sup> of a Clearing Members account structure under Indirect Clearing according to MiFIR RTS on Indirect Clearing Arrangements:

**Case 1: Clearing Member Standard Setting**

- The Clearing Member holds proprietary business and agency business:



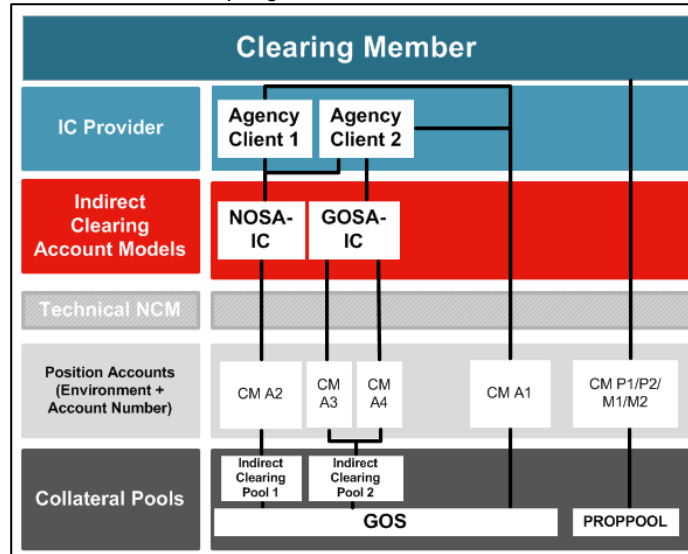
- The proprietary business of the Clearing Member is recorded in the Clearing Members proprietary account (“CM P1/P2/M1/M2”)
- This account is always linked to the Clearing Members House Collateral Pool (“PROPPPOOL”) and is kept separated from other potential collateral pools
- The businesses of agency clients are commingled in an A-Account of the CM environment (“CM A1”). This account does not necessarily need to be A1, but any of the available A-Accounts excluding A8. It is not required to commingle all agency clients’ positions in one account. Agency clients’ positions can be kept in separate A-Accounts.
- These A-accounts can be linked directly to e.g. the Standard Pool (“GOS”)

**Case 2: Clearing Member with simple Indirect Clearing Setting**

- The Clearing Member has proprietary business and agency business
- Two agency clients have Indirect Clients opting for NOSA-IC segregation

<sup>4</sup> Please note, that the depicted setups are **only exemplaric** – particularly they do not prescribe the application of specific setups of collateral pools or number of position accounts.

- Agency client 2 has two Indirect Clients opting for GOSA-IC.

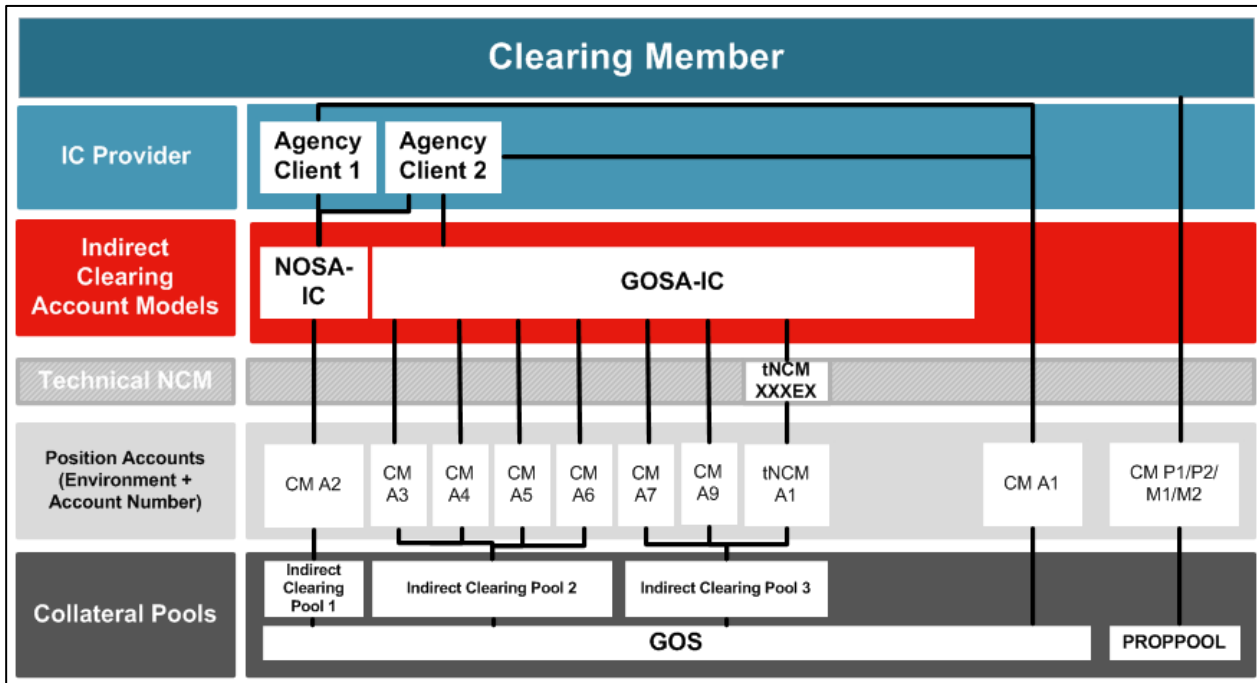


- The positions of all Indirect Clients of a Clearing Member that are to be NOSA-IC segregated will be commingled in an A-Account of the CM-environment (“CM A2”). This account does not necessarily need to be A2 but any other of the eight available A-Accounts excluding A8 and the account chosen for unsegregated business.
- The NOSA-IC account is linked directly to a dedicated collateral pool (“Indirect Clearing Pool 1”) for holding the assets of all of the CM Indirect Clients who opted for NOSA-IC.
- For GOSA-IC, positions of each individual Indirect Client will be booked in an own A-Account (here: “CM A3” and “CM A4”). Thus, ECC ensures that
  - Separate records of the positions of each Indirect Client are processed
  - Margins are calculated in respect of each Indirect Client
  - The sum of those margins is collected on a gross basis from the respective CM and is kept in a collateral account for GOSA Indirect Clients per IC Provider (“Indirect Clearing Pool 2”)
- Collateral Pools for Indirect Clearing are linked to their superior collateral pool (see Section 4) – in this case to the Standard Pool GOS (General Omnibus)

**Case 3 (a): Clearing Member with enhanced Indirect Clearing setting, using technical NCM**

- Agency client 2 increases its number of GOSA-IC clients to 7 GOSA Indirect Clients. The Clearing Member has to use a technical NCM to accommodate this request.

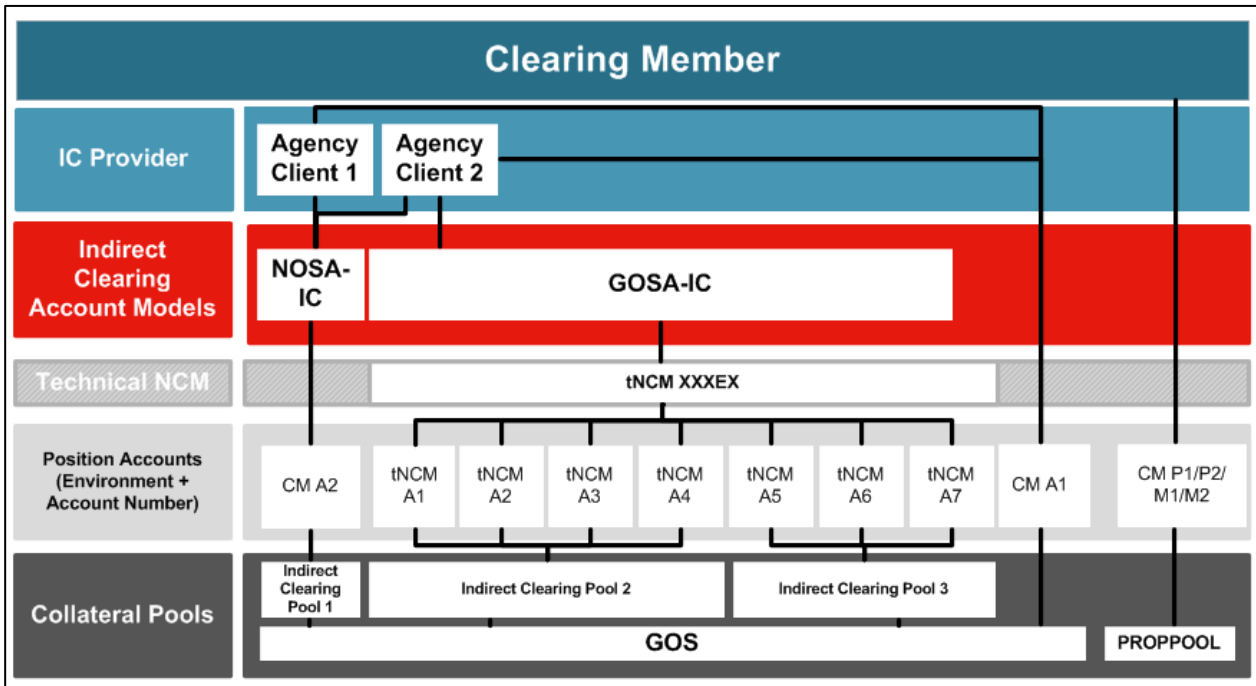




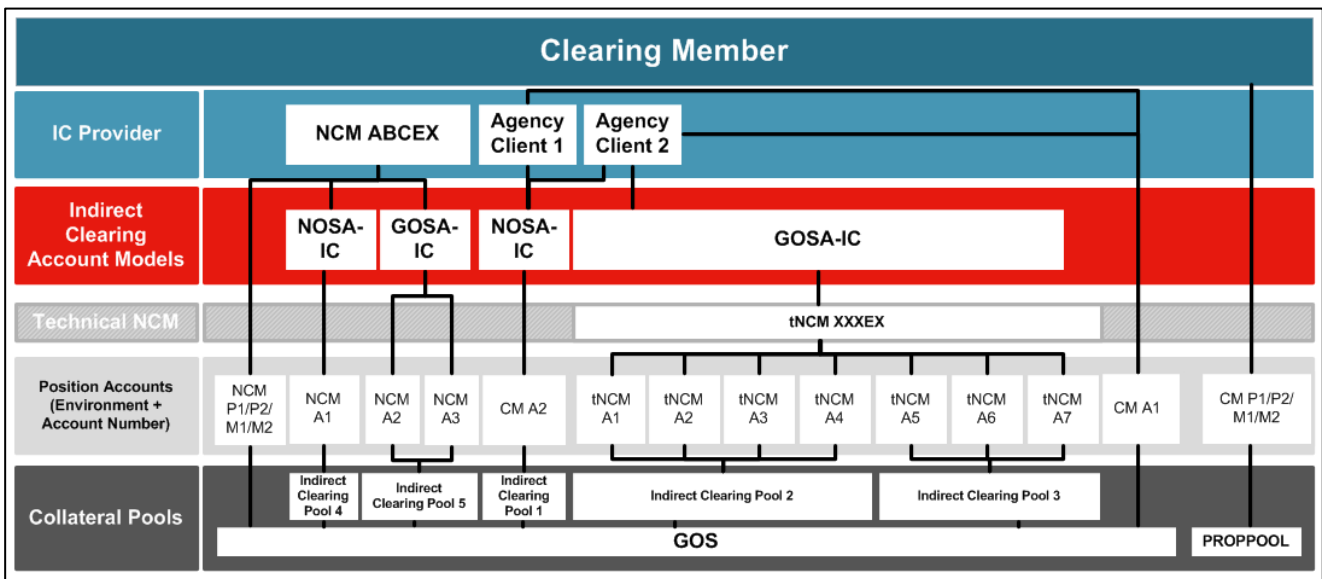
- The A-Accounts of an additional technical NCM (“tNCM XXXEX”) can be populated with positions of Indirect Clients, here with the positions of one GOSA-IC Indirect Client in “tNCM A1”
  - The Clearing Member has full decisional power in how to link A-Accounts for Indirect Clearing to the respective collateral pools. In this example, two collateral pools for the GOSA-IC accounts of Agency client 2 are applied (“Indirect Clearing Pool 2” and “Indirect Clearing Pool 3”).
  - The only restriction to this is that GOSA-ICs of other Agency clients of that Clearing Member cannot be linked to “Indirect Clearing Pool 2” and “Indirect Clearing Pool 3”
  - Only Indirect Clients of a common IC Provider can share a collateral pool with each other.

**Case 3 (b): Clearing Member with enhanced Indirect Clearing setting, using technical NCM**

- The Clearing Member can freely decide how to allocate Collateral Pools for Indirect Clients. Please note by reviewing this case that the Clearing Member does not have to populate its own A-Accounts with GOSA-IC. The Clearing Member could also use the technical NCM to its full extent of eight Agency-Accounts.



**Case 4: The Clearing Member has an NCM with NOSA Indirect Clients and 2 GOSA Indirect Clients. As shown below the A-Accounts of an NCM can be used for Indirect Clearing as well.**



- For NCM ABCEX, an own NOSA-IC has to be established. ("NCM A1")
- For NCM ABCEX's NOSA-IC, the assets of those indirect clients commingled in this accounts have to be kept in a separate collateral pool ("Indirect Clearing Pool 4").
- The proprietary business of the NCM will be kept in the House-Account of the NCM ("NCM P1/P2/M1/M2") and will be linked directly to e.g. the Standard-Pool or another collateral pool depending on the type of NCM segregation

The particular position account and collateral pool setup is dependent on the respective choice of each Clearing Member.

This infrastructure will ensure that the positions of Indirect Clients that have opted for GOSA-IC or NOSA-IC are segregated from positions of the Clearing Member’s agency clients and the positions of the Clearing Member. A separation of positions for each Indirect Client will not require the provision of tags per position by the Clearing Member as the Indirect Clients’ positions are separated inherently in the GOSA-IC setup. Nevertheless, the Clearing Member will be responsible for transferring positions in the respective accounts. Account and position transfers are possible intraday.

ECC will neither require nor know/process/store the identity of the CM’s agency client (if it is no NCM) nor the identity of the CM’s Indirect Clients.

## 4. Indirect Clients Collateral and Margining

The collateral deposited to cover the margin requirements of Indirect Clients at the CCP has to be kept separately from the assets of the Clearing Member, from the assets of the IC Provider holding the Indirect Clients, from the assets of other IC Providers and – in case GOSA-IC is utilised – from the assets of other Indirect Clients according to the RTS on Indirect Clearing Arrangements.

### Collateral Pools

Assets of Indirect Clients will be held separately from assets of IC Providers as requested by the Clearing Member. Nevertheless, they will be treated legally as part of the collateral of the IC Provider. Collateral pools for Indirect Clearing are marked with the abbreviation “INC”. They are further referred to as “INC Pools”.

In a default of the Clearing Member, the assets hold in INC Collateral Pools for NOSA-IC Position Accounts will be used by ECC in the same way as the assets of the respective IC Provider. This means, that in default situations of the Clearing Member INC Pools are considered as sub pools of the respective IC Provider. Assets of such pools can be used to cover shortfalls in the IC Provider pool.

The assets hold in INC Collateral Pools for GOSA-IC Position Accounts will solely be used to cover positions of the same IC Providers Indirect Clients who opted for GOSA-IC in a default of the Clearing Member.

The following table gives several examples aiming to explain how the type of INC pool is determined in dependency of the collateral pool from the Indirect Client(s) respective IC Provider:

Example	1	2	3	4	5
<b>Description</b>	An agency client of the Clearing Member has Indirect Clients who opted for NOSA-IC	An agency client of the Clearing Member has an Indirect Client who opted for GOSA-IC	A simple omnibus segregated NCM of the Clearing Member has an Indirect Client who opted for GOSA-IC	An individually segregated NCM of the Clearing Member has an Indirect Client who opted for GOSA-IC	An individually segregated NCM of the Clearing Member has an Indirect Client who opted for NOSA-IC. The NCM and the CM agreed for an additional NOSA-IC in the NCM-environment.
<b>Position Account IC Provider</b>	CM A1	CM A1	NCM PP	NCM PP	NCM PP
<b>Indirect Clearing Model</b>	NOSA-IC	GOSA-IC	GOSA-IC	GOSA-IC	NOSA-IC
<b>Position Account Indirect Clearing</b>	CM A2	CM A3	NCM A1	NCM A2	NCM A3

<b>IC Provider Collateral Pool Type</b>	GOS	GOS	SOS	ISA	ISA
<b>Indirect Client Collateral Pool Type</b>	INC 1 (behaves as GOS)	INC 2 (behaves as GOS)	INC 3 (behaves as SOS)	INC 4 (behaves as ISA)	INC 5 (behaves as ISA)

Please note the following specifics:

- ◆ INC Pools are of the same type as their IC Providers collateral pool.
- ◆ Most commonly, the NOSA-IC affiliated collateral pool will be part of the Standard Pool (GOS)
- ◆ Collateral Pools affiliated to GOSA-IC of agency clients will be part of either Standard Pool (GOS) or Simple Omnibus Pools (SOS), depending on the agency clients collateral pool
- ◆ Collateral Pools affiliated to Indirect Clearing Accounts of NCMs will be part of the NCM collateral pool, depending on the respective segregation type of the NCM
  - General Omnibus (GOS)
  - Simple Omnibus (SOS)
  - Omnibus Segregated (OSA)
  - Individually Segregated (ISA)

**Behaviour of INC Pools**

In production, INC Pools will take over the behaviour of their IC Provider’s collateral pools. For example, if the IC Provider is an ISA segregated NCM, the INC Pool of this/these Indirect Client/s will behave exactly as an ISA collateral pool. A speciality of ISA collateral pools consists in the manual distribution of collateral from the Standard-Pool to the respective ISA-Pool. This behaviour would also make an appearance for INC-Pools with ISA character.

**Naming of INC Pools in EUREX Classic**

The convention for naming INC Pools will be according to the following rules:

*CM ID [Pool Owner] + Exchange Member ID + INC + Number of INC Pool*

The “Number of INC Pools” counts the amount of INC Pools in the stock of a Clearing Member, e.g. a Clearing Member not having any Indirect Clearing Collateral Pools yet would get assigned “01” for the first INC Pool in its stock, and “02” for the second.

*Examples:*

<b>Pool Owner / CM ID</b>	<b>IC Provider</b>	<b>Exchange Member ID</b>	<b>Type of Pool</b>	<b>Number of INC Pool</b>	<b>Pool Naming in EUREX</b>
ABCEX	Agency client	ABCEX	INC	01	ABCEXABCEXINC01
ABCEX	NCM	ZZZEX	INC	02	ABCEXZZZEXINC02

**Margin Requirements and Netting Effects**

The positions of each A-Account are compared to the collateral amount of the respective allocated collateral pool. In this manner a margin requirement is calculated. For GOSA-IC Indirect Clients who are kept in a single A-Account, a separate margin requirement is calculated per Indirect Client (gross). For NOSA-IC Indirect Clients (commingled in a shared A-Account) a margin over all Indirect Clients in the A-Account (net) is calculated.

All margin requirements are summed up to a margin call. End of day, the Variation Margin is calculated and debited the next day from the Clearing Member's Target II account. Intraday Margin Calls will be netted with Variation Margin Calls.

Intraday Margins will be monitored and reported per collateral pool, the intraday margin calls will be netted over all pools. Only one netted payment will be effected.

### **Currencies and available types of collateral**

Available types of collaterals for Indirect Clearing are:

- Securities
- Cash Collateral

ECC accepts EUR and USD cash and a broad range of ECB (European Central Bank) eligible government bonds to fund margin requirements. The existing rules and regulations regarding ECC's collateral management will persist for Indirect Clearing as well.

The handling of payment flows will not change.

### **End-of-day processing**

No changes to existing ECC processes will occur:

- Positions of each member will be determined with the booking cut
- Calculation of margin parameter on the basis of daily price volatility
- Margin parameter are accounted with the current collateral
- Margin requirement is determined
- Margin requirement will be debited on the next day.

## **5. Miscellaneous**

### **5.1. Trading and Straight-Through-Processing (STP)**

Trades of IC Providers and Indirect Clients can be created in two ways:

- By on-behalf service of their Clearing Member
  - a) Clearing Member uses brokers
  - b) Clearing Member has an own trading desk
- By the IC Provider deploying broker services
  - a) For themselves
  - b) For their IC Providers (indirect clients)

Brokers will either use order-book trading at an exchange or STP (Straight-through-Processing) service (registering of transactions at Partner Exchanges by brokers).

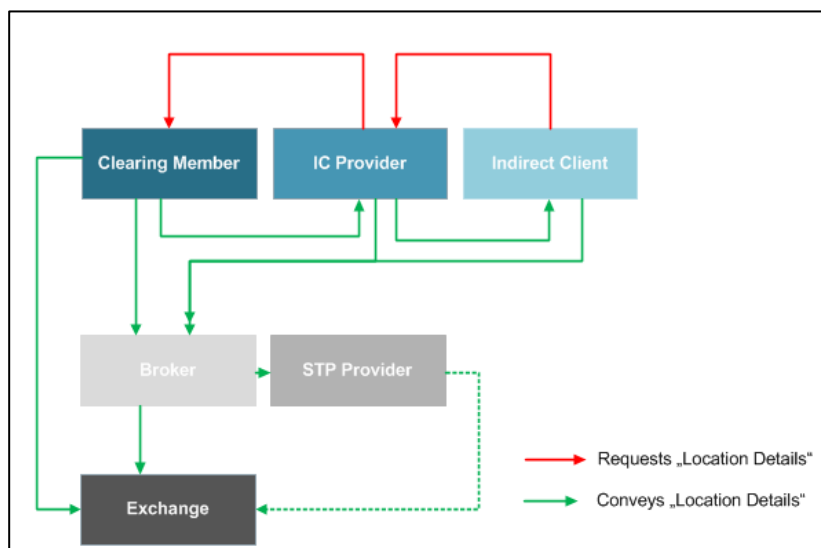
Two flow directions for trades concluded either at an exchange directly or via STP are conceivable:

1. The trade is directly routed to the appropriate position account of an Indirect Client (NOSA-IC or GOSA-IC in an A-Account)
2. The trade is routed to a position account of the Clearing Member (A1-Account or P1/P2/M1/M2-Account) first. Subsequently, the Clearing Member transfers the trade either via Give-up/Take-up or via position or trade transfer to the appropriate position account.

The second option implies a higher operational effort for the Clearing as the Clearing Member is responsible to match each trade to the appropriate position account manually.

To avoid this extra operational effort the Clearing Member can establish a direct routing of trades into the appropriate accounts. For this purpose it is required to convey the exact "location details" consisting of Member-ID plus Account-Number (e.g. for Clearing Member XYZEX with NOSA-IC in A2: "XYZEX A2") to each party involved in the trading process.

The challenge for STP rests in the vast amount of communication interfaces the "location detail" has to pass whenever the trade is directly routed to the exact position account of an Indirect Client:



A further requirement for a fluent execution of an STP service is the establishment of each technical NCM – if applied – in each broker backend / for each STP service provider by the Clearing Member together with the entry of all necessary STP forms for technical NCMs.

A dedicated informational paper about impacts of Indirect Clearing Setups on STP with relevance for brokers, STP service providers, Clearing Members and IC Providers / Indirect Clients will be published in due time.

## 5.2. Transferring a trade or position from one account to another

### Trade Transfers, Historical Trade Transfers and Give-ups/Take-ups

Trade Transfers are only possible within 3 days after execution of an order. It has to be obeyed that such adjustments are only possible during the trading period and the post-trading full period. They will be processed as a same day transaction to another position account. Trades can be transferred only within own position accounts of one environment, not between a Clearing Member or a Non-Clearing Member.

Furthermore, Clearing Members are able to give-up trades. This function enables them to transfer trades to other members, requiring the receiving Member (both Clearing Member and Non-Clearing Member) to accept (“take-up”) or reject the give-up.

### Position and Account Transfers

Account transfers are means to shift positions in a same day transaction from one position account to another within one environment and can easily be executed via corresponding functionalities in EUREX Classic (e.g. transferring a position from P1 account of a Clearing Member to A1 of itself). Account transfers are only possible within a members own position accounts. Position transfers are applied in order to transfer positions from one position account to another between two environments as a same day transaction (e.g transferring a position from P1 account of a Clearing Member to A1 of its technical NCM). As soon as all concerned parties approve the transfer, the actual adjustment is performed.

### Market Surveillance

The number of events where the location of trades or positions is changed by the Clearing Member will increase significantly while applying Indirect Clearing. In order to prevent the Market Surveillance Departments of the relevant markets of ECC to detect those movements without explanations, ECC will provide a list to all those Market Surveillance Departments. This list contains information on the Clearing Members deploying Indirect Clearing and on the accounts the Clearing Member uses for Indirect Clearing. This information will be based upon the “Indirect Clearing Account Request” for Indirect Clearing the Clearing Member submits to ECC as part of form CM02a.

### More information

A detailed description of the above mentioned functionalities can be reviewed in the EUREX manual “EUREX @X-tract Clearing User Guide”:

[http://www.eurexclearing.com/blob/144124/44dc8550b9f27b35c54bc2437d974ee6/data/E140\\_X0006100\\_PROD.pdf.pdf](http://www.eurexclearing.com/blob/144124/44dc8550b9f27b35c54bc2437d974ee6/data/E140_X0006100_PROD.pdf.pdf)

## 5.3. IC Providers Default

ECC will not be involved in the management of an IC Provider’s default. According to the RTS on Indirect Clearing, the Clearing Member has to manage IC Provider defaults by liquidating the positions of the defaulted IC Provider and by returning the asset leftovers to the defaulted IC Providers’ Indirect Clients.

As the Clearing Member is responsible for managing an IC Providers default, the Clearing Member has to ensure its ability to liquidate positions either by usage of an own trading desk or by broker trading.

## 5.4. Clearing Member Default

For the case of a Clearing Members default, no changes to the classical ECC Default Management process will occur. Indirect Clients recorded in A-Accounts of the Clearing Member will be treated exactly like to IC Providers recorded in A-Accounts. Positions will be liquidated by ECC; collateral will be deployed in order to cover for potential losses.

Non-Clearing Members (and their Indirect Clients recorded in an NCMs A-Accounts) will be treated in accordance with the existing regulations.

### 5.4.1. Porting

NCMs and their Indirect Clients and IC Providers (and their Indirect Clients) who have chosen ISA or OSA segregation under EMIR will be ported if the NCM or the Omnibus Representative has announced a back-up Clearing Member.

## 5.5. Reporting

No changes will occur.

## 5.6. Obligation of a Clearing Member to inform the CCP on a daily base

According to Article 4 (3) of the RTS on Indirect Clearing, a Clearing Member with GOSA-IC has the obligation to provide the CCP on a daily basis with all necessary information to allow the CCP to identify the positions held for the account of each Indirect Client in GOSA-IC. Such information consists of the allocation of each trade and position into the correct account. This allocation has to be executed on a daily base and is in the responsibility of the Clearing Member.

## 5.7. Simulation Environment

Each Clearing Member has the possibility to set up and test a fictive or real Indirect Clearing Account structure in EUREX Classic Simulation Environment. Testing an Indirect Clearing Account structure is not compulsory.

For this purpose ECC offers a pre-defined account structure which encompasses a big range of likely manifestations of Indirect Clearing. Certainly it is possible to shrink this structure up on individual needs. Please approach ECC directly (clearing@ecc.de) if you are interested in a specific test setup.

## 5.8. Second and Third Indirect Clients

The RTS on Indirect Clearing Arrangements (ESMA/2017/2154) describes in Article 6 and Article 7 the possibility for provision of Indirect Clearing Services by Indirect Clients to so-called Second Indirect Clients (Article 6), and the provision of Indirect Clearing Services by Second Indirect Clients to so-called Third Indirect Clients (Article 7).

Positions of Second or Third Indirect Clients will be treated as positions of Indirect Clients. No differentiation is made at the level of the CCP. The assets and positions of Second and Third Indirect Clients need to be held by the Clearing Member in NOSA-IC.

Therefore, ECC will not gain any knowledge about the existence of such Second or Third Indirect Clients nor will be involved in their treatment.

## 5.9. Fee for technical NCM

Each technical NCM will be charged with 5,000 EUR as onetime paid fee. That implies that the provision of additional eight A-Accounts induces the emergence of costs for the Clearing Member. Whenever an admission form is submitted to ECC by the Clearing Member containing the request for creating a technical NCM, this fee will be charged. The fee for a technical NCM is listed in ECCs current price list under Chapter 5.14.

# 6. How to request Indirect Clearing at ECC

## 6.1. Criteria for a Clearing Member to request Indirect Clearing at ECC

ECC expects the Clearing Member to ensure the fulfilling of the following criteria when submitting an Indirect Clearing Request. Most of these criteria are already existing and shall be mentioned in this document for the sake of completeness



- Readiness to change EUREX setup from “universal” to “segregated” (if not yet applied). This means the activation of Agency Accounts A2 to A9 (excluding A8) in the Clearing Member environment.
- Ability of the Clearing Member to liquidate positions autonomously and by itself (either by own trading desk or broker trading). ECC will not overtake the responsibility of the Clearing Member to liquidate positions.
- Ability of the Clearing Member to make trade and position adjustments via EUREX functionalities.
- The Clearing Member has to guarantee for integrity and reliability of its IC Provider and their respective Indirect Clients (e.g. via KYC procedures). The Clearing Member must verify if the IC Provider has the required license to offer Indirect Clearing Services according to the conditions described in RTS on Indirect Clearing Arrangements.

## 6.2. CM02a Appendix to the application for granting of a Clearing License (only for CMs already admitted) for Indirect Clearing

The Clearing Member has to sign the “Appendix for Indirect Clearing” as addition to the Clearing Member Agreement before submitting the Indirect Clearing Account Request Form to ECC. With signing this appendix the Clearing Member declares the acceptance and understanding of ECCs Indirect Clearing Account structure and the rules ECC ascertains for Indirect Clearing in terms of ECCs Clearing Conditions in their currently valid version. Two documents are enclosed to CM02a which describes the setup of the Indirect Clearing account structure in detail. Both attachments are necessary and need to be submitted together with CM02a.

### 6.2.1. Indirect Clearing Account Request

ECC will not verify the accuracy and validity of the Indirect Clearing setup submitted by the Clearing Member. ECC provides each Clearing Member with the ability to compose an accurate account structure for Indirect Clearing (according to the RTS on Indirect Clearing).

The Indirect Clearing Account Request Form is part of CM02a and will be available on ECCs website. It provides the Clearing Member with the possibility to outline its demand for Indirect Clearing Accounts in accordance with the available account structure at ECC.

After filling out this form, the Clearing Member submits it twofold via e-mail to ECCs Member Readiness department ([Member.Readiness@ecc.de](mailto:Member.Readiness@ecc.de)) together with CM02a. ECC requires the form in two versions: as a signed scan and as a machinable excel file. ECC will process the request and care for all required set ups. After successful activation of all accounts and collateral pools, and potentially of all technical NCMs, ECC will provide the Clearing Member via email with the approval of the Indirect Clearing account setup (and in case a technical NCM has been requested, with the user credentials of this technical NCM).

Directly after receiving this email, the Clearing Member is able to use the requested accounts and collateral pools.

Furthermore, the Clearing Member will be able to change and delete an Indirect Clearing Setup by using the Indirect Clearing Account Request Form.

### 6.2.2. Setup of Collateral Clearing Accounts for Indirect Clearing

This form is part of CM02a and is required in order to install the Indirect Clearing Collateral Pools as specified in the “Indirect Clearing Account Request”. The form has to be filled out and signed and submitted to [Member.Readiness@ecc.de](mailto:Member.Readiness@ecc.de). Please note that this form cannot be submitted nor processed without an associated “Indirect Clearing Account Request”.

### 6.3. Checklist for setup of Indirect Clearing

1. Get acquainted with ECCs Indirect Clearing Account structure and plan your individual account structure
2. Make sure you fulfil all of ECCs minimal release criteria for offering Indirect Clearing (see Section 6.1)
3. Sign and submit the appendix CM02a together with the enclosed documents for Indirect Clearing (to member.readiness@ecc.de)
  - a. Fill out the “Indirect Clearing Account Request”
  - b. Fill out the “Setup of Collateral Clearing Accounts for Indirect Clearing”
4. ECC will inform you about the readiness of your setup after installation is completed. Please consider that an installation requires **10 business** days at minimum.

### 6.4. Further Help

The “Indirect Clearing Account Request” encompasses an example and help boxes in order to support the Clearing Member while filling out the form. Nevertheless, the Clearing Member is invited to ask for support if any troubles or obscurities are arising. The Clearing Members respective **ECC Sales Representative** is briefed to provide assistance for all questions concerning the admission of an Indirect Clearing setup.