

CCP *Austria*



CCP.A Services for CZ Market

18th September 2014

14⁰⁰ -17⁰⁰, Hotel Marriott
V Celnici 8, 110 00 Praha

Agenda



- Advantages of CCP.A
- Introduction of EMIR-CCP.A
- CCP.A Model
- Fee Schedule
- Impact on CSD Prague's Processes
- Careful Considerations of CZ Participants
- Project Overview
- Q&As

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Advantages of CCP.A



- Facilitate development and increase liquidity of the CEESEG markets by attracting new direct members
- Increased attractiveness by new models: Agents & Registered Clients
- Introduce CCP services to
 - Simplify market access and lower related one-time investments substantially
 - Achieve optimized and cost-effective end-to-end trading and post-trading solution
 - Optimize risk & collateral management across the markets
- Align markets with international standards and harmonize the regulatory framework
- Lower capital requirements pursuant to CRR and CRD IV

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Introduction of EMIR-CCP.A



- CCP.A – CCP Austria Abwicklungsstelle für Börsengeschäfte GmbH
- Wiener Börse has appointed CCP.A to act as Clearing House
- CCP.A acts as a central contractual partner for all participating clearing members, i.e.: it enters into all CCP-eligible transactions of Wiener Börse as a counterparty – means as a buyer or a seller
- Launch of operations on 31st January 2005
- Shareholders: 50% WBAG + 50% OeKB
- Decision was taken to develop CCP.A into a central provider of clearing services in CEE (in the first step for CEESEG markets) for international, regional and local clients
- CCP.A was authorized according to EMIR on 14th August 2014
- CCP.A offers a standard settlement cycle T+2

CCP.A Facts & Figures (1/3)



- Members 58, incl. 11 GCM, excl. 21 NCM, 8 Clearing Agents
- Securities >9.900 (shares, bonds, warrants, certificates, funds)
- Settlement currency EUR
- Settlement ratio >99%, no defaults
- Clearing volume EUR 32 billion (pre-netting)
- Average trades 40.000
- Netting factor approx. 33
- Clearing Collateral approx. EUR 221 million (after haircut) covering 125% of single exposures
- Clearing Fund EUR 24,7 million; covers approx. 10% of the average daily total exposure

CCP.A Facts & Figures (2/3)

| Clearing & Settlement | 2010 | 2011 | 2012 | 2013 | 2014 01-08 |
|-----------------------------|-----------|------------|-----------|-----------|------------------|
| No. exchange transactions | 9.686.624 | 10.020.523 | 7.084.854 | 7.849.421 | 6.008.813 |
| No. settlement instructions | 305.343 | 282.337 | 242.729 | 258.571 | 181.537 |
| Netting factor | 32 | 35 | 29 | 30 | 33 |
| Late deliveries | 6.595 | 6.172 | 3.776 | 4.503 | 3.039 |
| Settlement ratio | 99% | 99% | 99% | 99% | 99% |
| Cash Settlements | 19 | 6 | 0 | 11 | 1 |

CCP.A Facts & Figures (3/3)

| Risk category | Risk premium | Number of members |
|---------------|--------------|-------------------|
| 1 - 5 | 10% | 39 |
| 6 - 7 | 20% | 15 |
| 8 | 30% | 4 |

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CCP.A Model



- Implementation and Operation of Clearing Services by CCP.A (“Incumbent CCP Model”) for all exchange trades executed at PSE’s regulated market (Official and Regulated Market) and its non-regulated market (Start Market) - Settlement by CDCP and CNB stay as today
- CCP.A provides respective CCP Post Trade Services and Risk Management Services to its clearing members and clearing customers active on PSE’s (and WBAG’s) market according to EMIR
 - Account Segregation & Asset Preservation
 - Default and Fail Management
 - Margin Calculation & Collateral Management
 - Generation of Payment- and Securities Instructions
 - Multi-lateral Netting

CCP.A Model Services

9 STANDARDISED CLEARING SERVICES

CCP.A
(EMIR compliant)

PostTrade Services

Trade Capture
Position Management
Segregated Accounts
Netting

Collateral Management

Collateral Accounts
optional in Vienna or
Prague
(Cash/Securities)

Risk Management Services

Default Fund and
Margin Method
like in Vienna

Multi Membership Services

Discount-Rules for
Cross Membership
PSE + WBAG

Fail Management

Client Relationship Management

Rules and Member
Support

Reporting Services

Clearing Frontend
SWIFT Interface

Master Data Management

Manually by CCP.A
Masterdata via PSE
Database

Communication Services

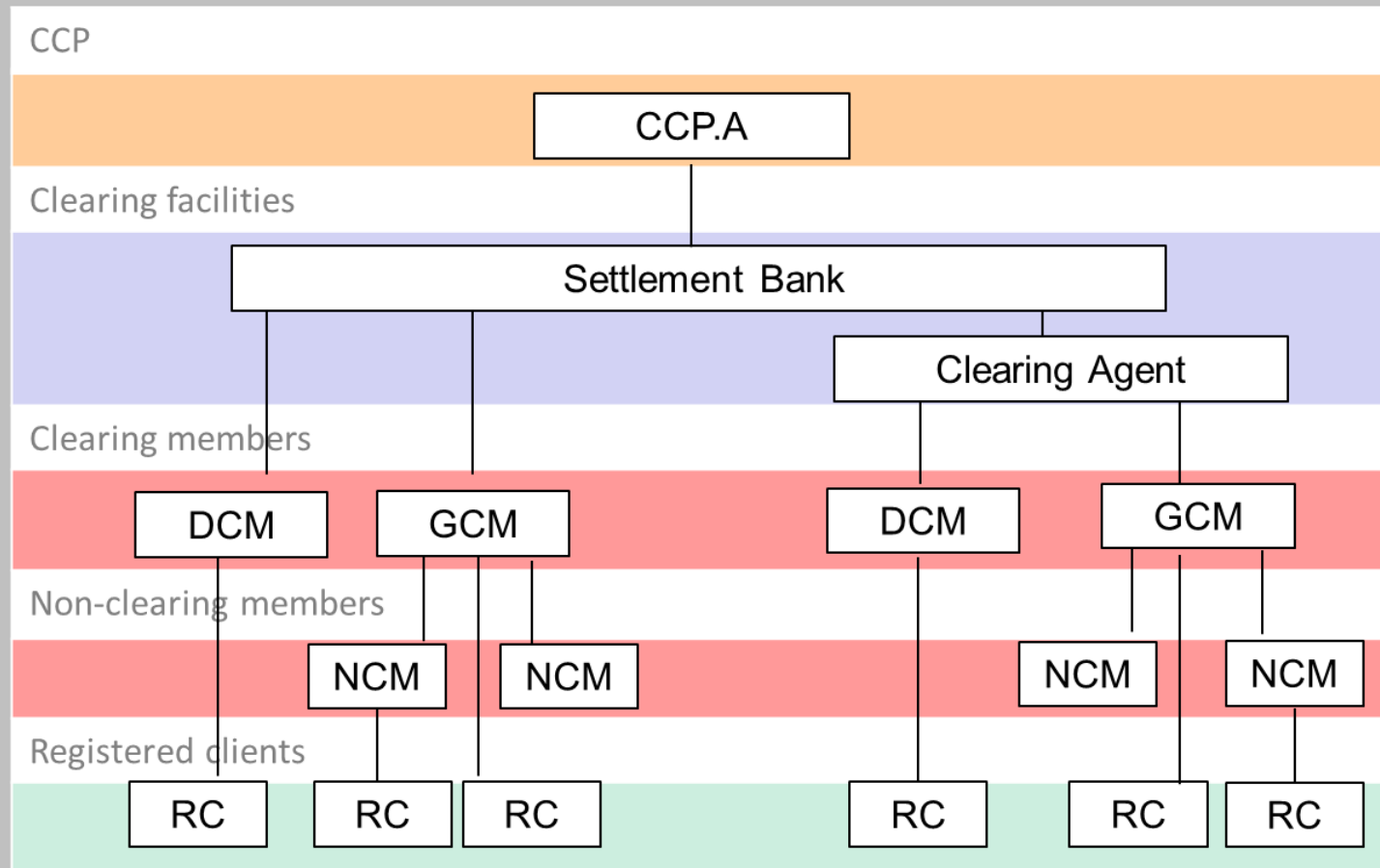
Interfaces of the
System and
physical Connectivity

Membership Requirements



- Conclusion of a clearing agreement with CCP.A
- Creditworthiness assessment
- Own funds in required amount
 - ◆ EUR 2.5 million for DCM
 - ◆ EUR 5.0 million for GCM
- Contribution to CCP.A's Default Fund
 - ◆ fixed contribution: EUR 50.000 for DCM and EUR 250.000 for GCM
 - ◆ dynamic contribution in proportion to exposure
 - ◆ Required technical facilities
- Trained staff
- Required cash accounts and securities accounts
- Direct debit order
- Pledge declaration for collateral in favour of CCP.A

CCP.A Model Organisation of Clearing



CCP.A Model

Individual Client Segregation



- **Non-clearing Members (NCM)**
 - Exchange members, who participate in the trading system but do not participate in the clearing system
 - Clearing agreement with a general clearing member
- **Registered Clients**
 - Neither exchange members nor clearing members
 - Clients of DCM, GCM or NCM
 - Must be registered at CCP.A
- **Individual Client Segregation**
 - Clearing Clients (NCMs and Registered Clients) can opt for Individual Client Segregation
 - Clearing Clients' positions and assets are held on segregated accounts
- **Back-up clearing relation**
 - Clearing clients (NCM/RC) have to inform CCP.A about their back-up clearing agreements
 - In case of clearing member's default CCP.A will transfer the positions of the segregated clearing clients to their back-up CM

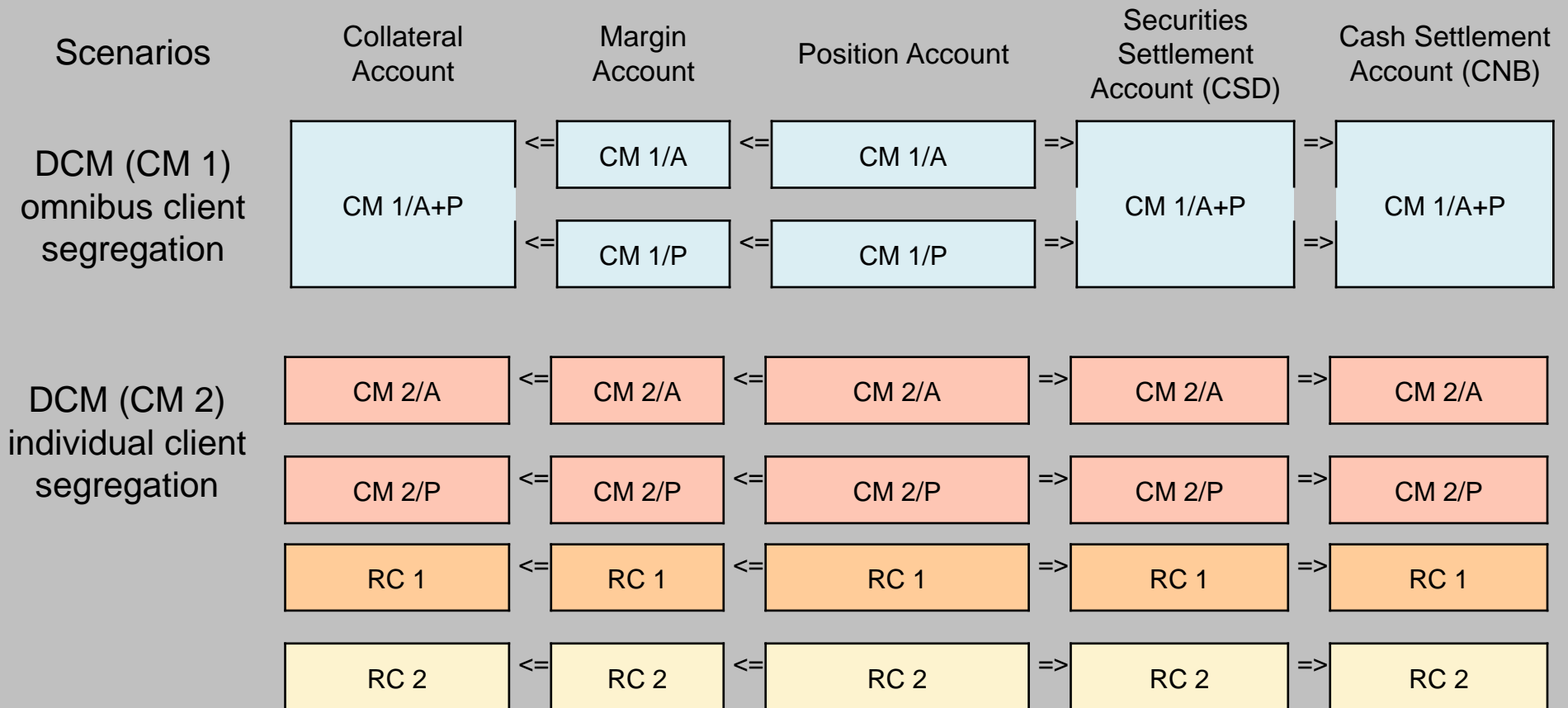
CCP.A Model Account Structure



- **CCP.A's clearing system allows high flexibility in managing member's clearing positions in different granularity for settlement, risk management and collateral management**
- **Account types:**
 - **Position accounts** for registration of positions
 - **Margin accounts** for risk management
 - **Settlement accounts** for generation of securities and cash settlement instructions
 - **Collateral accounts** for collateral management
- **The account structure enables e.g. GCMs to manage risks on single NCM level while settling their positions on an "omnibus" settlement account and using their "omnibus" collateral account**

CCP.A Model

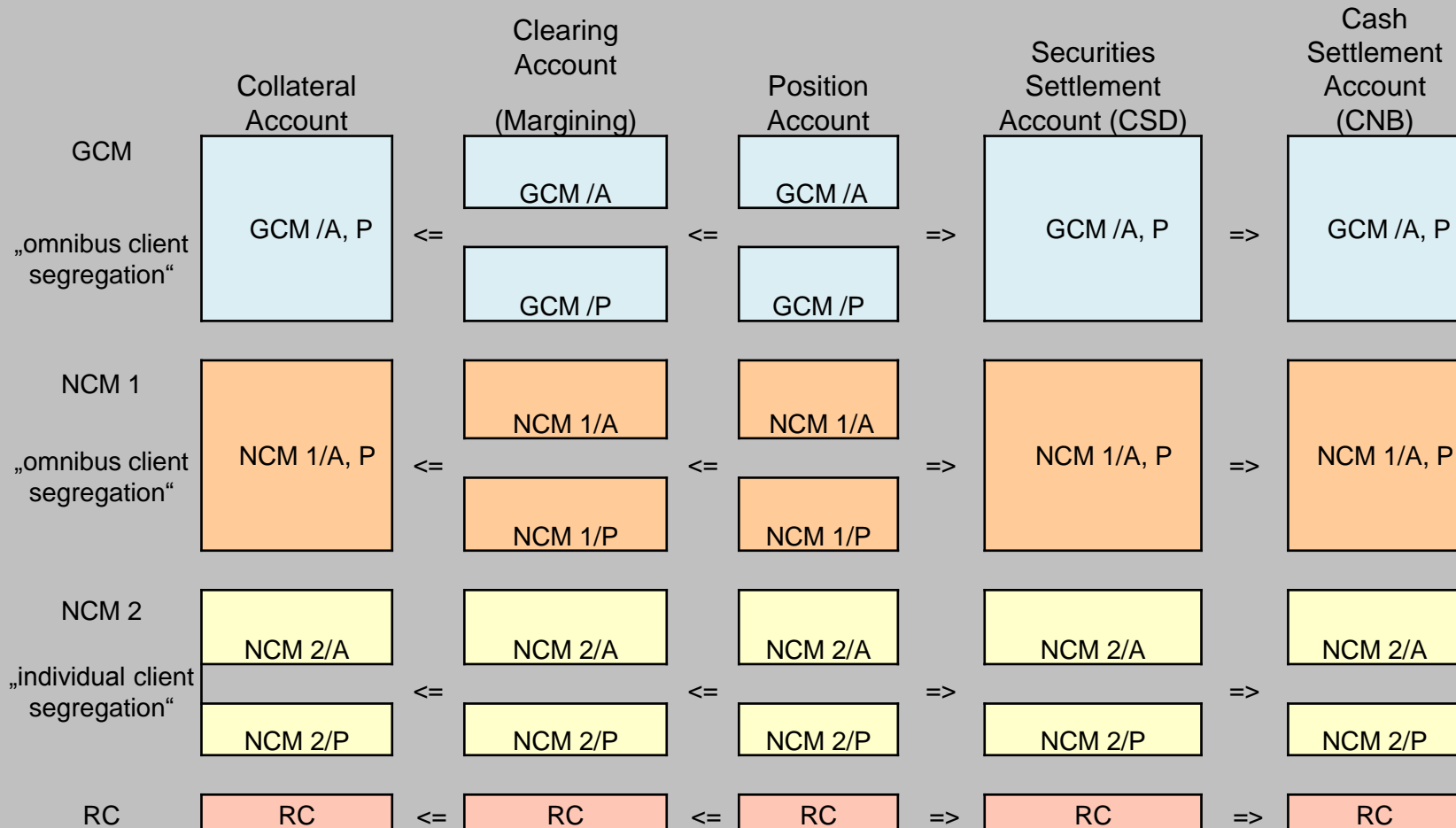
Account Segregation (1/2)



CM=Clearing Member / A=Agent / P=Principal)

CCP.A Model

Account Segregation (2/2)



Risk Management Lines of Defence

- **Credit assessment**
 - Equity capital requirements
 - Risk premium depending on creditworthiness of clearing member (10-30%)
- **Margin requirements**
 - Individual margin requirements to cover losses that result from at least 99 % of the exposures movements of clearing member and of the non-participating clearing members assigned to it
 - 25% Over- Coverage (anti-procyclicality margin buffer)
- **Collateral policy**
 - cash deposits (min 10% of current margin requirement)
 - CCP-eligible securities (bonds fulfilling pre-defined criteria)
 - collateral pledged in favour of CCP.A
 - haircuts
 - concentration limits

Risk Management Lines of Defence

- **CCP.A's dedicated financial resources (skin-in-the-game):**
 - EUR 1.875.000 own capital
- **Default fund**
 - Clearing fund to cover the residual risk – joint and several liability
 - Contributions to clearing fund: cash transfer to CCP.A's account
- **Default management process**

Collateral Policy

Criteria for eligible bonds

- **CCP.A's current *Collateral Policy*:**
 - ECB Single-list bonds with haircut <10%
 - Admitted to trading at a recognized exchange within the EURO currency area
 - Quoted in EURO
 - Assignable to liquidity class 1-3
 - Expiration time at least of one year
 - No own issues and no issues of companies with which the clearing member is affiliated
 - CCP.A may reject particular instruments at own discretion
- **CCP.A will consider including Czech government bonds in the *Collateral Policy* after performing a risk analysis (liquidity, trading venue, quality of price data etc.)**

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Fee Schedule (1/2)

- No changes in fee model of PSE - current all-in fee model will be applied (PSE shall pay clearing fee to CCP.A)
- CCP.A charges it's members with an annual Membership Fee
 - GCM EUR 25.000,-
 - DCM EUR 10.000,-
 - NCM EUR 3.000,-
 - RC EUR 2.000,-
 - CA EUR 15.000,-

... that are due to at the beginning of each calendar year, resp. when admitting for membership, changes in participation or cases of resignation are reflected on a pro rata basis and discounts for Multi-Market-Memberships are offered
- CCP.A Training Fee EUR 600,- per person; discount available
- CCP.A Exam Fee EUR 200,- per person; no discount

Fee Schedule (2/2)



- Account Management Fee for CCP.A
 - Standard Omnibus Account (1A + 1P account),
for GCM 2 additional accounts each NCM free of charge;
included in the Member Ship Fee
 - Additional Standard Account EUR 100,- per month
 - Segregated Account EUR 250,- per month + EUR 1.000,- one time for set up
- CCP.A charges an Adjustment Fee Cash Market

| | |
|--------------------------------|---------------|
| for covering purchase (Buy-In) | EUR 500,- and |
| for Cash Settlement | EUR 500,- |
- Collateral Management Fee (0,5 bp of Basis Collateral and EUR 15,- per booking
(minimum EUR 100,- and maximum EUR 1.000,- per month)
- ... additional marginally fees for Support and Test Services are charged by CCP.A

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Impact on CSD Prague's Processes

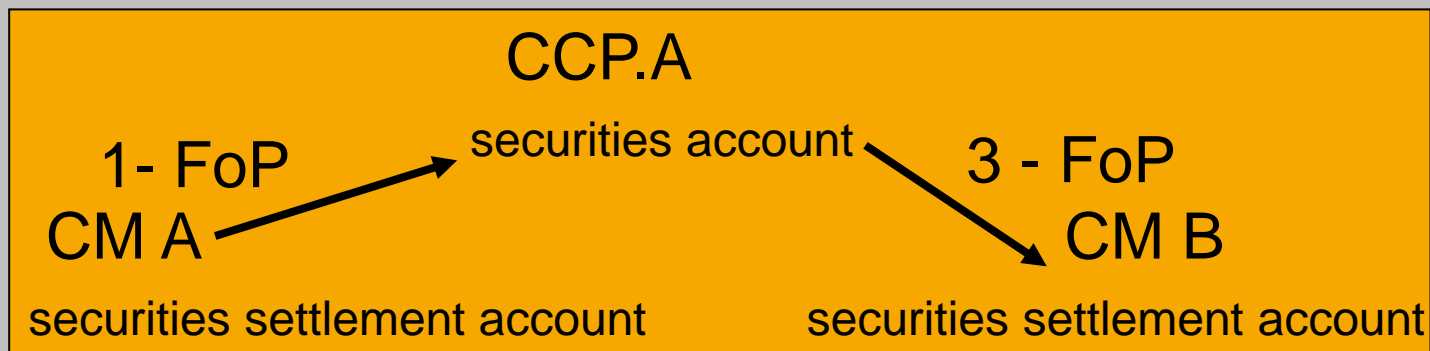
Implications for current PSE/CSD Prague Members



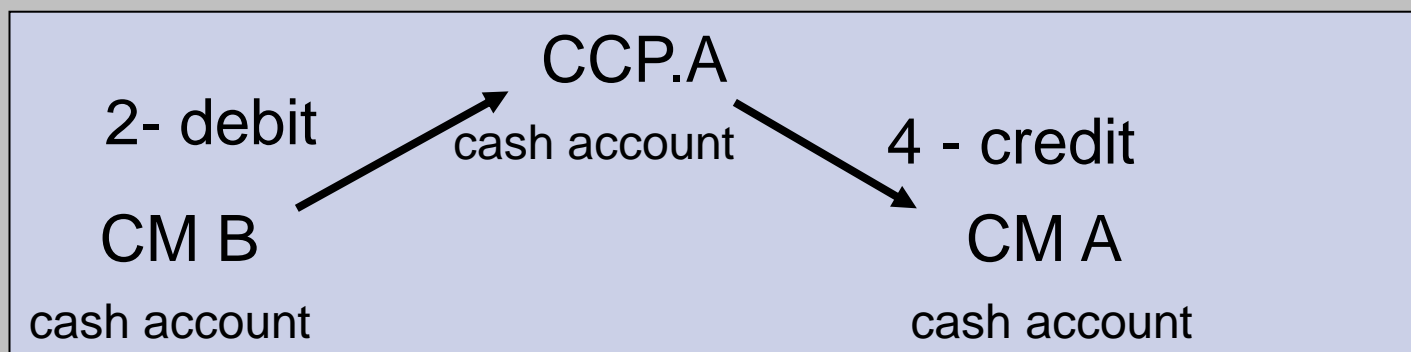
- CCP.A Membership
 - to become a member of CCP.A
 - to choose a role – NCM, DCM or GCM
- New interface to CCP.A
 - SWIFT or ISO messaging
 - GUI - comprehensive online client
- Changes in processes
 - netting, settlement cycles, account structure
 - risk and collateral management

Impact on CSD Prague's Processes

Clearing and Settlement – CCP.A Cycle



Funds – CNB (CERTIS)



Impact on CSD Prague's Processes

Implications for current PSE/CSD Prague Members



- Netting and account structure
 - Net positions will be settled via settlements accounts
 - Online FoP transfers among clients' accounts and settlements accounts will be free of charge (in case of one CSD participant) – no necessity to open omnibus/customer account
- Different settlement cycles – exchange trades and OTC
 - 2 options how to solve this issue
 - cycles will be independent – no possibility to use securities from morning OTC cycle for CCP.A cycle
 - cycles will follow (OTC cycle should be finished before CCP.A and vice-versa) – consequences must be analyzed

Impact on CSD Prague's Processes

Funds Settlement



- CCP.A will have the account in CERTIS
- Payments will be limited by time (10-15 minutes)
- CSD Prague (CCP.A) will send instructions to CNB
- Two options regarding current financial limits
 - payments will be included to financial limits
 - payments will not be included

Options will be analyzed and discussed

Impact on CSD Prague's Processes

Risk and Collateral Management



- CCP.A will accept securities as a collateral
- CSD Prague will provide collateral management for participants
- 2 options will be analyzed and discussed
 - similar approach as prepared ACM with CNB – participant will send instructions to CSD Prague directly and securities will be pledged on their accounts on behalf of CCP.A and CCP.A will be informed by CSD Prague
 - special pledge accounts – securities will be transferred to different accounts

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Careful Considerations of CZ Participants



- Membership
 - How will I participate at CCP Clearing in the future
 - What will be the preferred role according to my business (market, size, type)
- Access & Set-up
 - How will I access CCP.A (Swift/ GUI)
 - At which level will I segregate my accounts (position /margin/ collateral/ settlement account)
 - How can I optimize my collateral
- Project
 - Which internal interfaces are affected (e.g. back office system)
 - Are there any other in-house projects which will be affected?
 - Allocate the necessary resources!
 - Who will be the main contact for CSD.P /CCP.A for this project

CCP.A and CSD.P are at your disposal to discuss the possibilities and to find the optimised solution on individual basis!

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Project Overview

Project Management



- **First Point for Your Contact:**
 - **CCP.A / Clemens Klein (CTO)**

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clemens.Klein@ccpa.at
 - **CSD Prague / Ondřej Dusílek (RM)**

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dusilek@pse.cz

Project Overview

Work Streams of Project



- Legal Stream to implement the required contractual basis
- Organisational Stream for SetUp and implementation of the whole model to the CZ market
- Business Stream related to members' concerns
- Technical Stream for implementation of interfaces to CMs, CSD Prague, CNB, as well as technical parameters in the system
- Regulatory Stream to be in line with EMIR

Project Overview

Next Steps



- Next months - CCP.A and CSD Prague analysis and preparations, consultations with participants
(setup of contact persons and information channels)
- Beginning 2015 - next presentation for participants
(detailed project description and schedule)
- Go live – no earlier than in 2016

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THANK YOU FOR YOUR ATTENTION!

QUESTIONS?

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