

Levels of Protection associated with the different Levels of Segregation

(Article 39, paragraph 7 of EMIR)

Version 3.2

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EURONEXT CLEARING

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VERSION CONTROL

Version	Effective Date	Scope of updating
3.2	January 2024	Updated version for the modification of the porting, the naming of the accounts, the extension of the Euronext Clearing service to Euronext Cash legacy markets and decommission of Agrex and Idex;
3.1	April 2022	Rebranding
3.0	April 2021	Rebranding
2.0	November, 29 th 2017	Updated version for the introduction of "Segregated accounts under MiFIR for Indirect Clients" (i.e., GOSA and NOSA accounts); "House/Client account of AOA"; Fine tunings.
1.0	July, 29 th 2014	First issue of the document.

1. Introduction

The document outlines the levels of protection associated with the different levels of segregation that Euronext Clearing provides, according to Article 39, paragraph 7 of Regulation (EU) No. 648/2012.

Details of the different levels of segregation shall include a description of the main legal implications of the related levels of segregation offered including information on insolvency law applicable in the relevant jurisdictions.

2. Obligations towards Euronext Clearing

The categories of admission to the System are:

- Clearing Members
 - General Clearing Member, and
 - Individual Clearing Member.

Euronext Clearing assumes the role of Central Counterparty against the General Clearing Members and the Individual Clearing Members only (here after: the Clearing Members).

The Clearing Members are required to fulfil their obligations to Euronext Clearing (including the payment of margins) originated either from transactions concluded by the Clearing Member on its own behalf or on behalf of its Clients or Indirect Clients, or – in case of the General Clearing Member – from operations concluded by its Trading Clients on its own behalf or on behalf of their Clients (Indirect Clients).

The transactions entered by the Clearing Member on behalf of its Clients and those concluded by its Trading Clients – in case of the General Clearing Member – can be recorded in accounts segregated for each Client (“ISA Accounts”) or in accounts which are segregated for group of Clients (NOSA and GOSA Accounts”).

In accordance with article 30 of Regulation No. 600/2014 (MiFIR) and European Commission Delegated Regulation No. 2017/2154 supplementing MiFIR with regards to regulatory technical standards on indirect clearing arrangements (the “Indirect Clearing RTS”) the transactions concluded on exchange-traded derivatives by the Clearing Member on behalf of its Indirect Clients and – in case of the General Clearing Member – those concluded by its Trading Clients on behalf of their Clients (Indirect Clients) shall be recorded in the following omnibus segregated account structures:

- “NOSA Indirect”, that is a net omnibus segregated account structure that allows Clearing Members to register the positions of their Indirect Clients in a segregated position account thus making it possible to distinguish the positions of Indirect Clients from those of Clients.
- “GOSA Indirect”, that is a gross omnibus segregated account structure that allows Clearing Members to register the positions of each Indirect Client in a specific segregated position account thus making it possible to distinguish the positions of each Indirect Client from those of Clients and all the other Indirect Clients.

For the purpose of opening the NOSA Indirect and GOSA Indirect accounts, in accordance with the Indirect Clearing RTS, the Clearing Member shall ensure that the Clients are a credit institution, an authorised investment firm or an equivalent credit institution or investment firm of a third country.

3. Structure of Accounts

3.1 Segregated accounts under EMIR

Euronext Clearing opens:

- an Account Structure in the name of each Clearing Member (House Account Structure);
- at the request of the Clearing Member, the following Clients Account Structures:
 - o Individual Segregated Account Structure (ISA), which includes one Client Position Account, one Client Margin Account and one Client Collateral Account pertaining exclusively to a single individual Client. Margins are calculated separately from those of all the other accounts of the Clearing Member and their settlement takes place with a single payment.
 - o Gross Omnibus Segregated Account Structure (GOSA), which may include several Client Positions Accounts, several Client Margins Accounts, and one Clients Omnibus Collateral Account. Margins are calculated separately in each Margin Account but their settlement takes place with a single payment whose amount is calculated as the algebraic sum of the Margins calculated in each Margin Account.
 - o Net Omnibus Segregated Account (NOSA) Structure, which may include several Client Position Accounts, one Clients Omnibus Margin Account and one Clients Omnibus Collateral Account. Margins due are calculated in a single Margin Account on the total Clients' Positions and their settlement takes place with a single payment.

Positions originating from transactions concluded by the Clients on their own behalf, can be distinguished from the Positions originating from transactions concluded by Clients on behalf of their clients.

The Clearing Member may request Euronext Clearing the opening of one or several Individual Segregated Account Structures and Omnibus Segregated Account Structures for the registration of positions of its Clients.

Each Account Structure, House or Clients, shall be composed of the following accounts:

- a) Position Account
- b) Margin Account
- c) Collateral Account

In respect to BITA Sections, NOSA Structures of Euronext Equity Section may exclusively be opened with a single Position Account.

3.2 Segregated accounts under MiFIR for Indirect Clients

Only in respect of the Derivatives Sections and in accordance with the Indirect Clearing RTS, the Clearing Member acting as broker for Indirect Clearing, may request Euronext Clearing the opening of the following Account Structures for Indirect Clients:

- a) a Net Omnibus Segregated Account Structure (NOSA Indirect), which allows to register Indirect Clients' positions separately from Clients' positions.
- b) a Gross Omnibus Segregated Account Structure (GOSA Indirect), which allows to register the positions of each Indirect Client in a specific Position Account, thus keeping them separate from the positions of the Clients and all other Indirect Clients.

For the opening of the Account Structures for Indirect Clients, the Clearing Member shall ensure that the Clients are a credit institution, an authorized investment firm or an equivalent credit institution or investment firm of a third country. The Clearing Member shall provide Euronext Clearing with a declaration to this effect.

With regard to the Gross Omnibus Segregated Account Structures for Indirect Clients, the Clearing Member shall provide Euronext Clearing with all the information necessary to identify the Positions held for the account of each Indirect Client by each Client at least on a daily basis.

3.3 registration of positions

- a) Upon the CCP's interposition, Euronext Clearing shall register the Positions in the name of a Clearing Member into the following Position Accounts: a House Position Account, in case of Positions resulting from a transaction executed by the Clearing Member on its own behalf and own account;
- b) a Client Position Account, in case of Positions resulting from a transaction executed on behalf of a Client.

The Clearing Member may require Euronext Clearing to open in his own name several additional Position Accounts, in compliance with the rules of the System.

A Clearing Member may request registration of Positions related to its own or client trading activity as Liquidity Provider, in dedicated Position Accounts, under the conditions set forth within the Instructions.

Positions are recorded in the various Clearing Member's Position Accounts pursuant to the provisions contained in the Instructions and depending on the Section concerned.

4. Levels of Protection

4.1 House account¹

4.1.1 SEGREGATION OF POSITIONS AND ASSETS

The registration of positions and assets in the “House” account Structure of the Clearing Member enables, at any time and without delay, to distinguish these positions and assets:

- from positions and assets recorded into the Client accounts (omnibus and segregated) on behalf of Clients of the same Clearing Member;
- from positions and assets recorded into the accounts of the other Clearing Members;
- from positions and assets of Euronext Clearing.

4.1.2 NETTING OF POSITIONS

The positions registered in a position account of the “House” account Structure can be netted, at any time and without delay, with positions held in the same position account.

In case of default of the Clearing Member, positions registered in different Position Accounts of the same House account structure can be netted together as explained in paragraph 4.1.4.

4.1.3 USE OF COLLATERAL FOR COVERING MARGINS

The assets registered in the collateral account of the “House” account structure are used as guarantee of positions registered in the position accounts of the same “House” accounts.

For legacy reason, in case of a Clearing Member active in the BITA Sections and in the Euronext Equity Section, Euronext Clearing opens automatically two collateral accounts, one for BITA Sections and one for the Euronext Equity Section.

The assets registered in the collateral account for the BITA Sections are used as guarantee of positions registered in the position accounts of the BITA Sections of the House account structure.

The assets registered in the collateral account for the Euronext Equity Section are used as guarantee of positions registered in the position accounts of the Euronext Equity Section of the “House” account structure.

However, in case of default of the Clearing Member, the accounts for the BITA Sections and the Euronext Equity Section are commingled and assets of the two collateral accounts are used as

¹ See paragraph 3.1.

explained in the following paragraph 4.1.5 (activation of the default procedure: usage of the assets deposited in the house account):

4.1.4 ACTIVATION OF THE DEFAULT PROCEDURE: PORTABILITY AND CLOSE OUT OF POSITIONS

The portability of assets and positions registered in the "House" account structure is not provided.

Positions registered in the position accounts of the "House" account structure are closed out according to the default procedure. In this phase, positions registered in the position accounts of the "House" account structure can be netted together.

4.1.5 ACTIVATION OF THE DEFAULT PROCEDURE: USE OF COLLATERAL DEPOSITED IN THE "HOUSE" ACCOUNT

In case of default of the Clearing Member, the assets deposited in the collateral account of the "House" account structure are used:

- for the closure of the positions registered in the same account structure. If the Clearing Member is active in the BITA Sections and in the Euronext Equity Section, assets registered in the collateral account for the BITA Sections and Euronext Equity Section are commingled and used for the closure of the positions registered in the position accounts of the "House" account structure.
- and, if some assets remain after the closure of the positions registered in the House account structure, for the closure of the positions registered in the client Account Structure and the derivatives positions registered in Account Structures for Indirect Clients (GOSA indirect and NOSA indirect).

At the end of the default procedure, any asset registered in the "House" account, in excess of the amount necessary to cover any losses sustained and the related cost and expenses, is returned by Euronext Clearing to the Clearing Member itself or its liquidator with the indication of the assets of the "House" account they refer to.

4.2 "Omnibus Client" account (NOSA / GOSA)²

4.2.1 SEGREGATION OF POSITIONS AND ASSETS

The registration of positions and assets in a segregated omnibus client account structures of the Clearing Member enables, at any time and without delay, to distinguish these positions and assets:

- from positions and asset recorded into the "House" account structure of the Clearing Member.

² See paragraph 3.1.

- from the positions and assets registered into other segregated accounts of the Clearing Member;
- from positions and assets recorded into the accounts of other Clearing Members;
- from positions and assets of Euronext Clearing.

4.2.2 NETTING OF POSITIONS

The positions held in each position account of the segregated omnibus client account structure can be netted, at any time and without delay up to the initiation of the default procedure, with positions held in the same position account only.

4.2.3 POSITION ACCOUNTS WITHIN THE SEGREGATED ACCOUNT

The registration in the context of a segregated omnibus client account structure of the positions of a Client, Trading Client or group of Clients or Trading Clients in a position account enables, without delay and up to the initiation of the default procedure, to distinguish these positions from those of other Clients and/or Trading Clients of group of Clients or Trading Clients registered in other position accounts of the same segregated omnibus client account structure. Netting of these positions occurs up to the initiation of the default procedure separately for the positions registered in each position account.

4.2.4 USE OF GUARANTEES FOR COVERING MARGINS

The assets registered in the collateral account of a segregated omnibus client account structure are used as guarantee of the margins computed on positions registered in the position accounts of the same omnibus client account structure.

As far as the computation of the margins:

- in the context of the Gross Omnibus Client account structure (GOSA), Clients' Position Accounts can be linked to several Margin Accounts and margins are computed for each Margin Account separately;
- In the context of the Net Omnibus Client account structure (NOSA), Clients' Position Accounts are linked to a single Margin Account and Margins due are calculated in a single Margin Account, on the total Clients' Positions.

4.2.5 ACTIVATION OF THE DEFAULT PROCEDURE: PORTABILITY AND CLOSE OUT OF POSITIONS

The positions registered in the position accounts and the assets registered in the collateral account of the omnibus client segregated account structure are ported to the Designated Clearing Member if:

- at the moment of the initiation of the default procedure the documentation required for the portability has already been transmitted to Euronext Clearing;

- if within four hours from the occurrence of the event of default of a Clearing Member or the extended deadline defined and communicated by Euronext Clearing, the documentation required for the portability is transmitted to Euronext Clearing.

If portability has not taken place, the positions are closed out according to the default procedure.

In this phase, the positions of clients registered in the position accounts can be netted together.

On the contrary, the netting between positions registered in the omnibus client account structure with positions registered in other segregated account structures (House, ISA, NOSA, GOSA. NOSA indirect, GOSA indirect, of the defaulting Clearing Member is not allowed.

4.2.6 ACTIVATION OF THE DEFAULT PROCEDURE: USAGE OF THE ASSETS DEPOSITED IN THE OMNIBUS CLIENT ACCOUNT

If the portability has not taken place, the assets deposited in the segregated Omnibus Client account structure³ are used for the closure of the positions registered in any position accounts of the omnibus account structure, notwithstanding the fact that the Margins due are calculated separately for each position accounts (GOSA) or Margins due are calculated on the total Clients' Positions (NOSA).

At the end of the default procedure (close out), any asset registered in "Omnibus Client" account in excess of the amount necessary to cover any losses sustained and the costs and expenses for the closure of the positions registered in the position accounts of such account structure are returned by Euronext Clearing to the Clearing Member itself or its liquidator with the indication of the assets of the "Omnibus Client" account they refer to.

4.3 Individual Segregated client Account (ISA)⁴

5.3.1 SEGREGATION OF POSITIONS AND ASSETS

The registration of positions and assets of a Client in an Individual Segregated Account Structure (ISA) enables, at any time and without delay, to distinguish these positions and assets:

- from positions and assets of the Clearing Member;
- from positions and assets of other Clients of the same Clearing Member;
- from positions and assets recorded into the accounts of the other Clearing Members;
- from positions and assets of Euronext Clearing.

³ If for legacy reason, two collateral accounts are automatically opened within the same GOSA/NOSA, these accounts are part (sections) of the same collateral account and in case of default, collateral in these accounts is commingled.

⁹ See paragraph 3.1.

In case of an Individual segregated Client active in the BITA Sections and in the Euronext Equity Section, Euronext Clearing opens two ISA Account Structures in the name of the Clearing Member. The two account structures are managed separately, but in case of default they are commingled together into a single account structure.

5.3.2 NETTING OF POSITIONS

The positions held in each position account of the Individual Segregated Account Structure (ISA) can be netted, at any time and without delay and up to the initiation of the default procedure, with positions held in the same position account of the same ISA account structure only. In case of default of the Clearing Member please refer to paragraph 5.3.5 below.

5.3.3 POSITION ACCOUNTS WITHIN THE SEGREGATED ACCOUNT

The registration in the context of an Individual Segregated Account Structure (ISA) of positions of the Client in multiple positions accounts enables, at any time and up to the initiation of the default procedure, to distinguish the positions registered in one position account from those registered in the other position accounts. Netting of these positions occurs up to the initiation of the default procedure separately for the positions registered in each position account.

5.3.4 USAGE OF ASSETS RECORDED INTO THE "SEGREGATED CLIENT" ACCOUNT FOR COVERING MARGINS

The assets registered in an Individual Segregated Account Structure (ISA)⁵ are used only as guarantee of margins computed for the positions registered in such account.

5.3.5 ACTIVATION OF THE DEFAULT PROCEDURE: PORTABILITY AND CLOSE OUT OF POSITIONS

The assets and positions registered in an Individual Segregated Account Structure (ISA)⁶ are ported to the Designated Clearing Member if:

- at the time an event of default occurred the documentation required for the portability has already been transmitted to Euronext Clearing;
- or if within four hours from the occurrence of the event of default of a Clearing Member or the extended deadline defined and communicated by Euronext Clearing, the documentation required for the portability is transmitted to Euronext.

If the portability has not taken place, the positions are closed out according to the default procedure.

In this phase, any positions registered in positions accounts of the Individual Segregated Account Structure (ISA) are netted together. However, it remains still the inability to compensate for the

⁵ If for legacy reason, two collateral accounts are automatically opened within the same ISA, these accounts are part (sections) of the same collateral account and in case of default collateral in these accounts is commingled.

⁶ See previous footnote.

positions recorded in the position accounts of the Individual Segregated Account Structure (ISA) with the positions recorded in other segregated accounts of the Defaulting Clearing Member (House, NOSA, GOSA, NOSA Indirect, GOSA Indirect).

5.3.6 ACTIVATION OF THE DEFAULT PROCEDURE: USAGE OF THE ASSETS DEPOSITED IN THE "SEGREGATED CLIENT" ACCOUNT

If the portability has not taken place, the assets deposited in the collateral of the Individual Segregated Account Structure (ISA)⁷ are used only for the closure of the positions registered in such account.

If, in the context of the ISA account, the assets are registered into two separate collateral accounts, "House" account and "Client" account, they are pulled together and can be used for closing the positions resulting from the netting of the two related positions accounts.

At the end of the default procedure (close out), any possible asset registered in each ISA account in excess of the amount necessary to cover any losses and the costs and expenses sustained for the closure of the corresponding ISA account are returned by Euronext Clearing to the Client.

4.4 "Net Omnibus Segregated client" Account (NOSA) for Indirect Clients

4.4.1 SEGREGATION OF POSITIONS AND ASSETS

The registration of positions and assets of an Indirect Client in a Net Omnibus Segregated Account Structure (NOSA Indirect) enables, at any time and without delay, to distinguish these positions and assets:

- from positions and assets of the Clearing Member;
- from positions and assets of Clients of the Clearing Member;
- from positions and assets registered in other Omnibus segregated accounts of the clearing member;
-
- from positions and assets of other Clearing Members;
- from positions and assets of Euronext Clearing.

4.4.2 NETTING OF POSITIONS

The positions held in each position account of the Net Omnibus Segregated Account Structure available to Indirect Client (NOSA indirect) can be netted, at any time and without delay and up to the initiation of the default procedure, with positions held in the same NOSA account only.

⁷ See previous note.

4.4.3 HOUSE ACCOUNT AND CLIENT ACCOUNT OF THE "SEGREGATED CLIENT" ACCOUNTS

The registration in the context of a NOSA indirect account structure of positions of the Indirect Clients in position accounts enables, at any time and up to the initiation of the default procedure, to distinguish the positions and assets registered in one account from those registered in the other position account. Netting occurs up to the initiation of the default procedure separately for each position account.

4.4.4 USE OF GUARANTEES RECORDED INTO THE "INDIRECT CLIENT" ACCOUNT FOR COVERING MARGINS

The assets registered in a collateral account of a Net Omnibus Segregated Account Structure available to Indirect Client (NOSA Indirect)⁸ are used only as guarantee of margins computed for the positions registered in the position account of such account structure.

As far as the computation of the margins, in the context of the Net Omnibus Client account structure (NOSA Indirect), Indirect Clients' Position Accounts are linked to a single Margin Account and Margins due are calculated in a single Margin Account, on the total Indirect Clients' Positions.

4.4.5 ACTIVATION OF THE DEFAULT PROCEDURE: PORTABILITY AND CLOSE OUT OF POSITIONS

Pursuant to Article 48(5) and (6) of the EMIR Regulation, regardless of whether the account structure is based on individual segregated accounts or omnibus accounts, the CCP shall, at least, contractually commit itself to trigger the procedures for the transfer of the assets and positions held by the Defaulting Clearing Member for the account of its Clients to another Clearing Member designated by all of those Clients.

The portability of positions and collateral is an obligation of means, since Article 48 of the EMIR Regulation does not require the CCP to transfer, in all cases, the positions and collateral of the Defaulting Clearing Member. Specifically, Article 48 provides that if the transfer to another Clearing Member has not taken place for any reason within a predefined transfer period, the CCP may liquidate the assets and positions held by the Defaulting Clearing Member for the account of its Clients. In accordance with MiFIR and the Indirect Clearing RTS, assets and positions of Indirect Clients benefit from protection of Articles 39 and 48 EMIR. Therefore, the EMIR rules of conduct on transfer and liquidation also apply to the positions and collateral of Indirect Clients recorded in the Omnibus Segregated Account Structure available to Indirect Clients (GOSA indirect and NOSA indirect) of the Defaulting Clearing Member with reference to derivatives.

⁸ For legacy reason, two accounts (or more) can be automatically opened in some situation. These accounts are part (sections) of the same collateral account and in case of default, collateral in these accounts is commingled and used to cover losses stemming from the close out of the positions registered in the position accounts of the account structure.

This being said, the positions and assets registered in a Net Omnibus Segregated Account Structure available to Indirect Clients (NOSA indirect) are ported to the Designated Clearing Member by the Indirect Clients if:

- at the moment of the occurrence of an event of default of a Clearing Member the documentation required for the portability has already been transmitted to Euronext Clearing;
- if within four hours from the occurrence of an event of default or the extended deadline defined and communicated by Euronext Clearing, the documentation required for the portability is transmitted to Euronext Clearing.

If the portability has not taken place, the positions are closed out according to the default procedure.

In this phase any positions registered in the position accounts of the Net Omnibus Segregated Account Structure available to Indirect Clients (NOSA Indirect) are netted together. However, it remains still the inability to compensate for the positions recorded in the position accounts of the NOSA Indirect with the positions recorded in the position accounts of other segregated account structures ("House", ISA, NOSA, GOSA, NOSA Indirect, GOSA indirect) of the Defaulting Clearing Member.

4.4.6 ACTIVATION OF THE DEFAULT PROCEDURE: USAGE OF THE ASSETS DEPOSITED IN THE "SEGREGATED CLIENT" ACCOUNT

If the portability has not taken place, the assets deposited in the collateral account of the Net Omnibus Segregated Account Structure available to Indirect Clients (NOSA Indirect) are used only for the closure of the positions registered in such account.

At the end of the default procedure (close out), any possible asset registered in each Net Omnibus Segregated Account Structure available to Indirect Clients (NOSA Indirect) in excess of the amount necessary to cover any losses and the costs and expenses sustained for the closure of the corresponding NOSA account are returned by Euronext Clearing to the Clearing Member itself or its liquidator with the indication of the assets of the "NOSA Indirect" account structure they refer to, as per Article B.6.2.3 (paragraph 3).

4.4.7 ACTIVATION OF THE CLIENT DEFAULT PROCEDURE: PORTABILITY AND CLOSE OUT OF POSITIONS

In case of default of a Client, the Clearing Member shall:

- Continue to fulfil obligation with Euronext Clearing;
- Activate its procedures for the management of the Client default that includes the transfer of the assets and contractual positions of the Indirect Clients, where a portability agreement have been signed.

4.5 “Gross Omnibus Segregated client” Account (GOSA) for Indirect Clients (GOSA Indirect)

5.5.1 SEGREGATION OF POSITIONS AND ASSETS

The registration of positions and assets of Indirect Clients in a Gross Omnibus Segregated Account Structure available to Indirect Clients (NOSA Indirect) enables, at any time and without delay, to distinguish these positions and assets:

- from positions and assets of the Clearing Member;
- from positions and assets of Clients of the Clearing Member;
- from positions and assets of other Clearing Members;
- from positions and assets of Indirect Clients of other Clients of the same Clearing Member;
- from positions and assets of Euronext Clearing.

In the Gross Omnibus Segregated Account Structure available to Indirect Clients (GOSA Indirect) the Indirect Clients’ positions shall be held separately per each Indirect Client, through position accounts. Registration of Indirect Clients positions in distinct position accounts enables, at any time and without delay, to distinguish positions of an Indirect Client from those of other Indirect Clients registered in the same Gross Omnibus Segregated Account Structure (GOSA Indirect).

5.5.2 NETTING OF POSITIONS

Positions registered in the position accounts of a Gross Omnibus Segregated Account Structure available to Indirect Clients (GOSA Indirect) are netted, at any time and without delay, with positions held in the same position account only. In case of default of the Clearing Member, please refer to paragraph 5.5.4 below.

5.5.3 USE OF GUARANTEES RECORDED INTO THE “INDIRECT CLIENT” ACCOUNT FOR COVERING MARGINS

The assets registered in the collateral account of a Gross Omnibus Segregated Account Structure available to Indirect Clients (GOSA Indirect)⁹ are used only as guarantee of margins computed for the positions registered in the position accounts of such account.

As far as the computation of the margins, in the context of the Gross Omnibus Client account structure (GOSA Indirect), each Indirect Clients’ Position Accounts shall be linked to a Margin Account and margins computed for each Margin Account separately;

⁹ For legacy reason two accounts (or more) can be automatically opened in some situation. These accounts are part (sections) of the same collateral account and in case of default, collateral in these accounts is commingled and used to cover losses stemming from the close out of the positions registered in the position accounts of the account structure.

5.5.4 ACTIVATION OF THE DEFAULT PROCEDURE: PORTABILITY AND CLOSE OUT OF POSITIONS

Pursuant to Article 48(5) and (6) of the EMIR Regulation, regardless of whether the account structure is based on individual segregated accounts or omnibus accounts, the CCP shall, at least, contractually commit itself to trigger the procedures for the transfer of the assets and positions held by the Defaulting Clearing Member for the account of its Clients to another Clearing Member designated by all of those Clients.

The portability of positions and collateral is an obligation of means, since Article 48 of the EMIR Regulation does not require the CCP to transfer, in all cases, the positions and collateral of the Defaulting Clearing Member. Specifically, Article 48 provides that if the transfer to another Clearing Member has not taken place for any reason within a predefined transfer period, the CCP may liquidate the assets and positions held by the Defaulting Clearing Member for the account of its Clients.

In accordance with MiFIR and the Indirect Clearing RTS, assets and positions of Indirect Clients benefit from protection of Articles 39 and 48 EMIR. Therefore, the EMIR rules of conduct on transfer and liquidation also apply to the positions and collateral of Indirect Clients recorded with the GOSA and NOSA accounts of the Defaulting Clearing Member with reference to derivatives.

This being said, the positions and assets registered in a GOSA account are ported to the Designated Clearing Member if:

- at the moment of the occurrence of an event of default of a Clearing Member the documentation required for the portability has already been transmitted to Euronext Clearing or;
- if within four hours from the occurrence of an event of default or the extended deadline defined and communicated by Euronext Clearing, the documentation required for the portability is transmitted to Euronext Clearing.

If the portability has not taken place, the positions are closed out according to the default procedure.

In this phase positions registered in the position accounts of the Gross Omnibus Segregated Account Structure available to Indirect Clients (GOSA Indirect) are netted together. However, it remains still the inability to compensate for the positions recorded in the Gross Omnibus Segregated Account Structure available to Indirect Clients (GOSA Indirect) with the positions recorded in other segregated account structures ("House", ISA, NOSA, GOSA, NOSA Indirect and other GOSA Indirect) of the Defaulting Clearing Member.

5.5.5 ACTIVATION OF THE DEFAULT PROCEDURE: USE OF THE GUARANTEES DEPOSITED IN THE "SEGREGATED CLIENT" ACCOUNT

If the portability has not taken place, the assets deposited in the collateral account of the Gross Omnibus Segregated Account Structure available to Indirect Clients (GOSA Indirect)¹⁰ are used only for the closure of the positions registered in the position accounts of such account.

¹⁰ See previous note.

At the end of the default procedure (close out), any possible asset registered in each GOSA account in excess of the amount necessary to cover any losses and the costs and expenses sustained for the closure of the corresponding GOSA account are returned by Euronext Clearing to the Clearing Member itself or its liquidator (or the Client) with the indication of the assets of the "GOSA" account and each position account related to the "GOSA" account they refer to, as per Article B.6.2.3 (paragraph 3).

5.5.6 ACTIVATION OF THE CLIENT DEFAULT PROCEDURE: PORTABILITY AND CLOSE OUT OF POSITIONS

In case of default of a Client, the Clearing Member shall:

- Continue to fulfil obligation with Euronext Clearing;
- Activate its procedures for the management of the Client default that includes the transfer of the assets and contractual positions of the Indirect Clients, where a portability agreement have been signed.

In case of default of a Trading Client acting as broker for Indirect Clearing under the cases referred to in Article B.6.1.1, paragraph 1, letter b) and paragraph 4, the General Clearing Member is responsible for closing the Contractual Positions of the defaulting Trading Client, unless otherwise provided by the indirect clearing agreements in relation to the trigger of the porting procedures designed to transfer the Indirect Clients' Contractual Positions and collateral.

5. Insolvency Law

Euronext Clearing is empowered to take action for the management of a Clearing Member's default or insolvency in accordance with the Consolidated Law on Finance (Italian Law n. 58 of 24 February 1998 called T.U.F) and with the Article 48 of EMIR Regulation.

Such regulations require CCPs to set a procedure and to take action accordingly in the event of default or insolvency of one or more Clearing Members in order to ensure the stability and efficiency of the system managed.

According to what has been described in the paragraphs above, the procedure concerning the management of a default of a Clearing Member applied by Euronext Clearing pursuant to Article B.6.2.1 of Euronext Clearing Regulations provides that, in accordance with the EMIR rules on segregation and portability, Euronext Clearing shall transfer to another participant assets and positions of the accounts that fall in the conditions laid down in Article 48 of EMIR in the event the documentation has been transmitted under the terms and conditions described therein.

The Italian regulatory framework ensures that both porting and the right of the Client to receive back the guarantees would be enforceable against a defaulting Clearing Member (including in the event of insolvency proceedings being opened against such Clearing Member).

In particular, reference is made to Article 79-septies of the Consolidated Financial Act as recently modified, which provides, *inter alia*, that:

- i) The margins and the other collateral acquired by a central counterparty as guarantee for fulfilment of the obligations deriving from the clearance activity carried out in favour of its own participants cannot be subject to executive or precautionary actions on the part of the creditors of the single participants or of the subject which manages the central counterparty, also in the case of the opening of insolvency procedures. The guarantees acquired may be used only as contemplated by EMIR.
- ii) The opening of an insolvency procedure against a participant does not prejudice the adoption and effectiveness of the measures contemplated under Article 48 of EMIR by the central counterparty, in compliance with the same article, aimed at the management of the positions of the insolvent participant and in pursuit of the portability of the same or the return of the latter to the customers, as contemplated by the aforesaid regulation. Such measures cannot be declared ineffective in virtue of the application of other legal provisions.

In particular, Article 79-septies of the Consolidated Financial Act clearly protects the collateral acquired by Euronext Clearing in accordance with the requirements of EMIR, including the event of the insolvency of a participant. Since Article 48 (5-6) of EMIR provides the mechanism of portability and Article 48 (7) of EMIR provides that any outstanding balances must be returned to the Clients of the defaulting Participant, it follows that Article 79-septies of the Consolidated Financial Act recognizes, indeed demands, that Euronext Clearing

use collateral recorded in segregated accounts only for such purposes, even in a scenario of default.

The above is also valid in case of default of a non Italian Participant (EEA). This assumes that the jurisdiction of the Participant has transposed Article 8 of Directive No. 98/26/EC, according to which, in the event of an insolvency proceeding being opened against a participant in a system, the rights

and obligations arising from, or in connection with, the participation of that participant shall be determined by the law governing that system.

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