

# Client Asset Protection

Eurex Clearing

05/10/2022





**Eurex Clearing, a multi-asset central counterparty (CCP), offers clearing members and clients robust segregation and porting options to address their needs across all markets.**

## **Eurex Clearing offers a wide range of segregation models; from individual to omnibus.**

Since the launch of our client segregation models, Eurex Clearing has worked with the market to ensure each segregation model is designed to provide flexibility in terms of available position and collateral account set up in order to meet the specific needs of all market participants. Safety and efficiency have been key design principles.

## **Your Segregation Options**

Eurex Clearing offers choice. As well as different clearing memberships, there are a variety of clearing models to meet our clients' needs. Each has its own segregation, protection and risk profile.

When deciding on the level of segregation required at the CCP, there are a number of considerations, such as:

- Is fellow customer risk acceptable?
- What type of collateral protection is required (value / asset)?
- Portability

This booklet aims to provide you with an overview of the client asset protection models and to identify which model will best satisfy your business, capital and risk requirements.

# Client Types and Clearing Member (CM) Categories

## Client Types

Clients of a Clearing Member can be either undisclosed or disclosed (i.e. known) to Eurex Clearing. Depending on the client type, varying levels of position segregation and asset protection can be achieved.

Undisclosed	Disclosed Direct Client (DC)			
<b>Direct/Indirect Client</b>	<b>Basic DC</b>	<b>DC with System Access</b>	<b>DC Market Participant</b>	<b>Fund Manager (FM)</b>
<ul style="list-style-type: none"> <li>Relationship remains solely between CM and client.</li> <li>No onboarding requirements with Eurex Clearing.</li> <li>Available for direct clients as well as the indirect clients.</li> </ul>	<ul style="list-style-type: none"> <li>No or limited contractual relationship with Eurex Clearing</li> <li>Known via name, legal form, address of its statutory seat, contact details (for DMP) and LEI</li> <li>Available for omnibus segregation (GOSA) and individual segregation (ISA)</li> </ul>			
	<ul style="list-style-type: none"> <li>No trading license</li> <li>Optional reporting available</li> </ul>	<ul style="list-style-type: none"> <li>No trading license</li> <li>Access to post-trade management</li> </ul>	<ul style="list-style-type: none"> <li>Executes own transactions on the exchange</li> <li>Access to post-trade management</li> </ul>	<ul style="list-style-type: none"> <li>Designed to support ease of FM set across onboarding and reporting</li> <li>Each fund has own position account and legal segregation</li> </ul>

## Clearing Member (CM) Categories

### General Clearing Member (GCM)

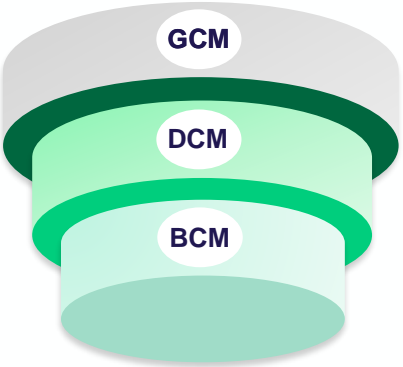
GCMs may clear their own business and those of all clients  
Can also act as Clearing Agent for BCMs

### Direct Clearing Member (DCM)

DCMs can clear their own and affiliated\* business

### Basic Clearing Member (BCM)

Also known as an ISA Direct member. It combines elements of direct clearing membership and traditional service relationship in client clearing. Principal relationship with CCP, but requires the support of a Clearing Agent

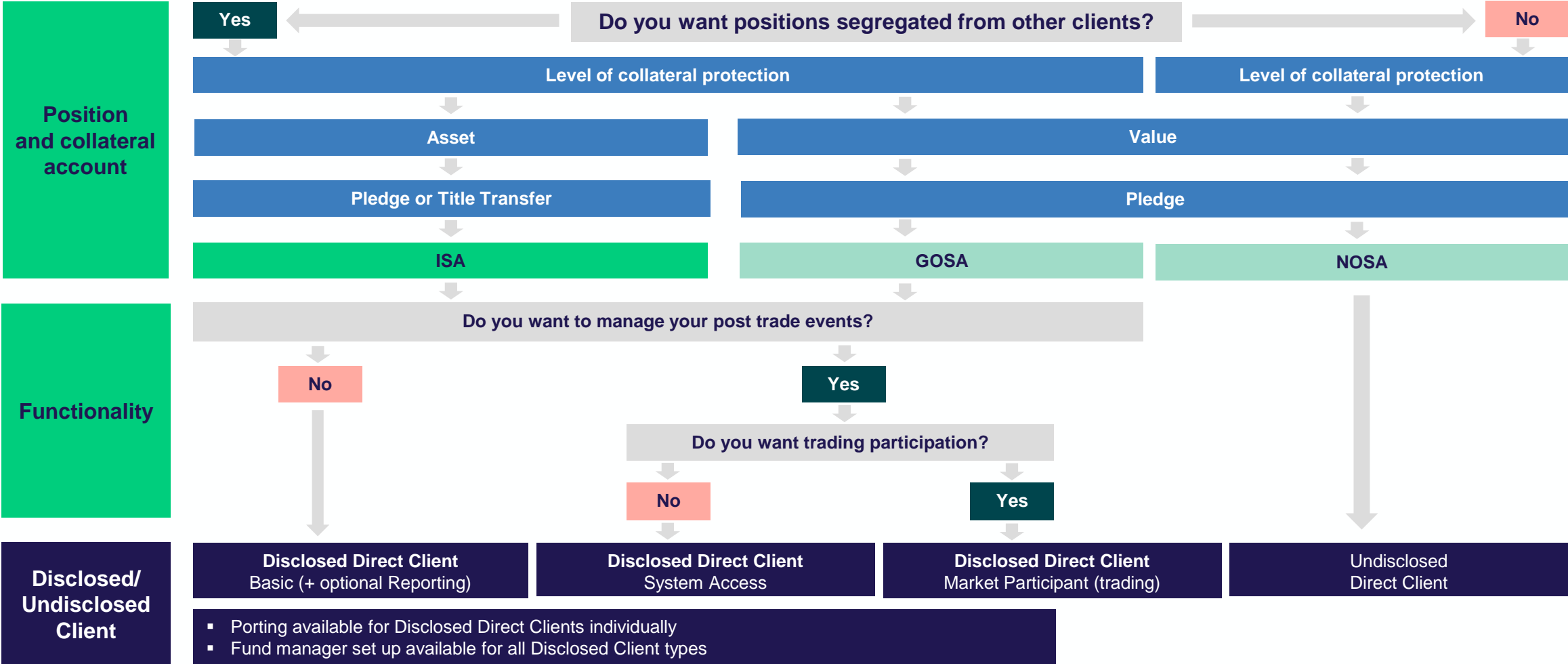


\*Not available for OTC IRS clearing

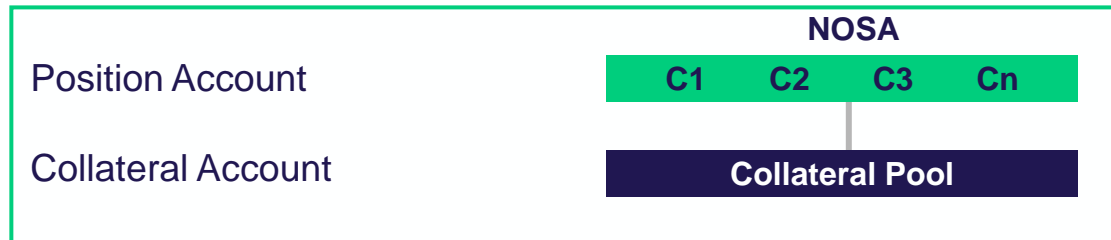
# Client Considerations: Which level of segregation is right for you?

	NOSA	GOSA	ISA	ISA Direct
Client Considerations	Net Omnibus Segregated Account	Gross Omnibus Segregated Account	Individual Segregated Account	Individual Segregated /Direct Membership
Fellow customer risk	Yes	Limited	No	No
Trades held in position account	With other clients	Individual a/c	Individual a/c	Individual a/c
Margin efficiency	Net	Gross	Gross	Gross
Collateral pool	Omnibus	Omnibus	Individual	Individual
Securities held as	Pledge	Pledge	Pledge or title transfer	Pledge
Cash held as	Title transfer	Title transfer	Title transfer	Title transfer
Collateral allocation	Value	Value	Asset	Asset
Porting	Available with fellow customers (New CM required)	Available as individual (New CM required)	Available as individual (New CM required)	Applicable (New CA required or becoming a DCM)
Collateral return if porting fails	Via insolvency administrator	Direct from CCP	Direct from CCP	Not applicable
Direct collateral transfer	-	-	for title transferred security collateral	Available for cash and security collateral
Direct reporting	-	Available	Available	Available
CASS protection	Available	Available	Available under pledge for security collateral	-
Clearing model / membership	Elementary Clearing Model		Individual Segregated Account	ISA Direct Clearing Member

# Which Client Type is Best for You?



## Net Omnibus Segregated Account



**C** Undisclosed Client

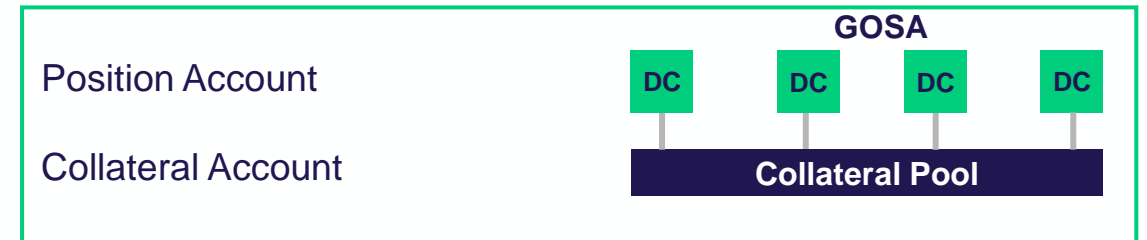
### Net Omnibus Segregated Account (NOSA)

- The simplest account for client clearing
- Undisclosed clients are combined in a position account with other client positions
- Margin is calculated on a net basis per position account

### Safety and Considerations

- Fellow customer risk across positions and collateral shortfalls
- Margin netting benefits can be derived
- Collateral is allocated on a value basis
- Porting available with fellow customers
- Close out: Collateral will be returned for the benefit of clients via the insolvency administrator

## Gross Omnibus Segregated Account



**DC** Disclosed Client

### Gross Omnibus Segregated Account (GOSA)

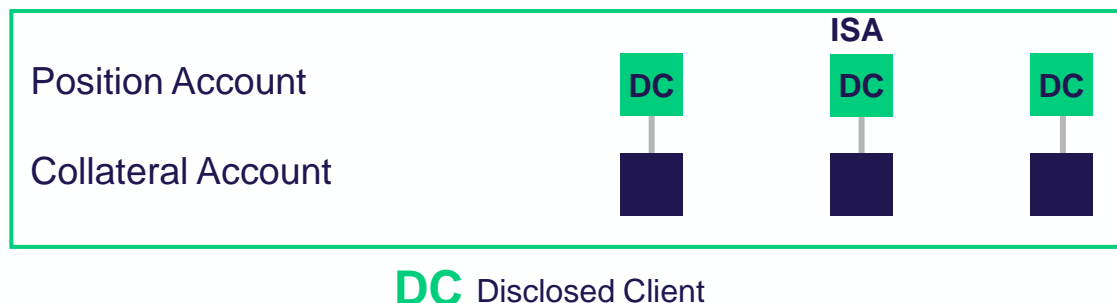
- Clients can request to hold positions in a separate position account and become known to the CCP
- Does not protect specific assets or assign excess to any specific GOSA client
- Margin is calculated on a net basis per position account (i.e. gross for that client)

### Safety and Considerations

- Fellow customer risk is limited to collateral shortfalls
- Positions are segregated from other clients
- Collateral is allocated on a value basis
- Porting available for individual clients
- Close out: Collateral will be returned directly to the client (excluding excess)



## Individual Segregated Account



### Individual Segregated Account (ISA)

- An ISA delivers the highest level of protection for a client. Positions and assets provided to Eurex Clearing are protected against the default the Clearing Member and/ or any other client of the Clearing Member
- Option to deliver margin collateral in form of securities by granting a pledge to Eurex Clearing or via full title transfer
- In the event of a default, clients can choose to port immediately to a Replacement Clearing Member or can elect to close out and directly receive their remaining originally delivered collateral back

### Safety and Considerations

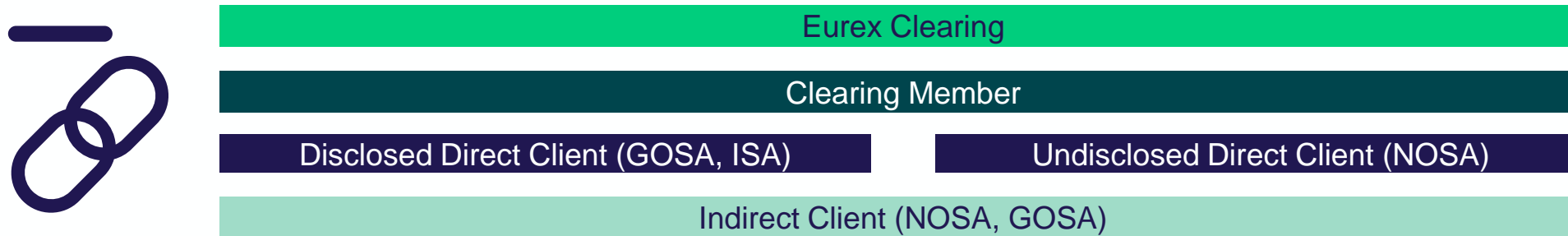
- Highest level of client segregation
- No fellow customer risk
- Actual delivered assets are protected
- Porting available for individual clients
- Close out: Remaining collateral will be returned directly to the client **including any excess**

# Indirect Clearing

Indirect clearing arrangements under EMIR and MiFID provide an additional layer of protection to indirect clients.

Positions of indirect clients are separated from direct clients. Indirect clients are always unknown to the CCP. Two position account options are available for indirect clients:

- **NOSA** – Net Omnibus Segregated Account  
Multiple clients in one position account
- **GOSA** - Gross Omnibus Segregated Account  
One client per position account



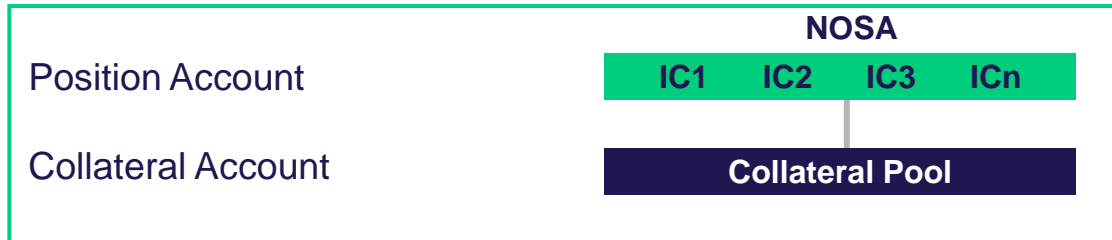
Indirect clearing does not protect specific assets nor will it assign excess to any individual client. Clearing Members are able to select different level of segregation and set-up multiple collateral pools providing enhanced protection in the event of a direct client default.

Porting is available in the event of a CM default, but an indirect client will only be facilitated alongside the porting of its direct client.

Eurex Clearing is flexible enough to support several solutions, including elaborate position and collateral segregation as well as supporting the segregation for every clearing model (e.g. indirect client of an ISA).



### Indirect Clearing - NOSA



**IC** Indirect Client

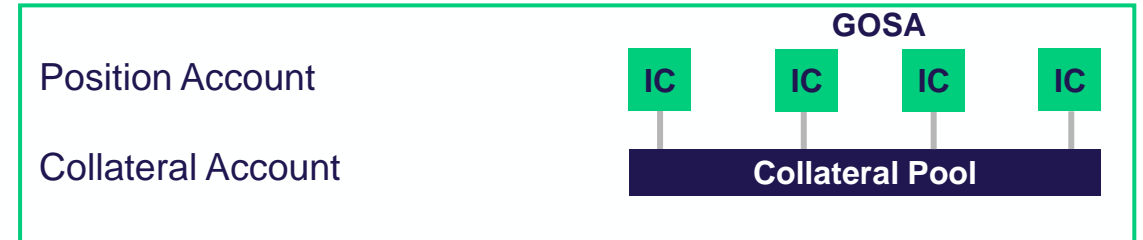
#### Net Omnibus Segregated Account (NOSA)

- The simplest account for indirect clearing
- Undisclosed indirect clients are combined in a position account with other indirect client positions
- Margin is calculated on a net basis per position account

#### Safety and Considerations

- Fellow customer risk across positions and collateral shortfalls
- Margin netting benefits can be derived
- Collateral is allocated on a value basis
- Porting available with fellow indirect clients and their associated direct clients

### Indirect Clearing - GOSA



**IC** Indirect Client

#### Gross Omnibus Segregated Account (GOSA)

- One undisclosed indirect client per position account
- Margin is calculated on a net basis per position account (i.e. gross in regards to other clients)

#### Safety and Considerations

- Positions are segregated from other clients
- Fellow customer risk with regards to collateral shortfalls apply
- Collateral is allocated on a value basis
- Porting available with the associated direct client

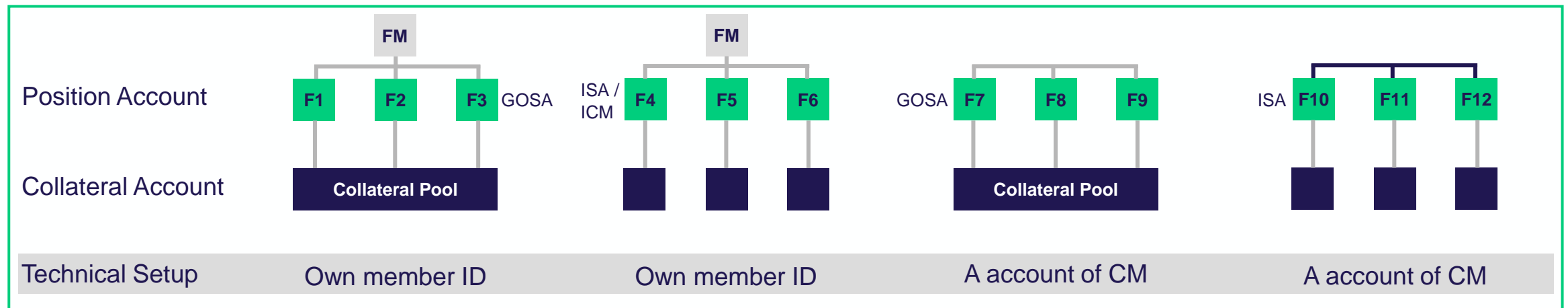
# Fund Manager (Authorised Manager) Set Up

Delivers fast, efficient onboarding and consolidated reporting for managers of multiple funds or legal entities

- The Authorised Manager set up is available for all segregation models of Eurex Clearing.
- Eurex Clearing has developed an approach for Fund Managers which provides flexibility for an efficient position and collateral account set up. Each fund is segregated and disclosed to the CCP.
- Positions accounts are set-up to separate each related transaction.
- Flexible collateral pool arrangements are available for individual funds or for a family of funds depending on the chosen segregation model
- Aggregated reporting available at fund manager level
- A subset of reports are available for A-account set up

## Benefits

- Efficient onboarding for multiple funds
- Aggregated reporting for the fund manager



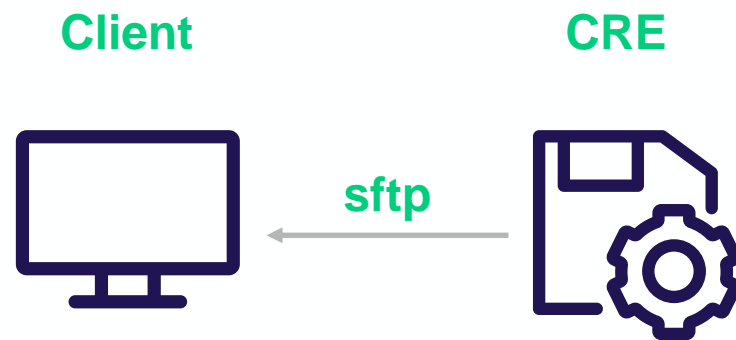
**FM** Undisclosed Client

# Reports Direct from Eurex Clearing

For Disclosed Direct Clients with reporting access, a selected suite of reports are available directly from Eurex Clearing. This enables transparency at CCP level as well as the ability to consume these reports via STP to internal systems.

Files are delivered to Eurex Clearing's common report engine (CRE) where clients can safely download reports for further processing and reconciliation.

Available reports vary depending on the set up, please contact Eurex Clearing for further information.



# Why Choose Eurex Clearing?

- Cost efficiencies vary across CCPs. Multi asset class CCPs such as Eurex Clearing offer greater capital efficiencies via cross product margining, netting of default fund contributions and collateral efficiencies
- Eurex Clearing has unparalleled access to liquidity with central bank access for investment and liquidity purposes
- Eurex Clearing has the largest spectrum of eligible collateral including government, supranational and corporate bonds, equities and ETFs\*
- Eurex Clearing does not charge for any segregation model

\* Your selected clearing member may offer a subset of the collateral schedule

# Thank you!

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