

INDIRECT CLEARING

An indirect clearing arrangement is a set of contractual relationships between a central clearing counterparty (the “CCP”), a clearing member (the “Clearing Member”), the direct client of the clearing member (the “Direct Client”) and the client of that direct client (the “Indirect Client”).

This set of arrangements allows these Indirect Clients to access the clearing services of a Clearing Member via the Direct Client. The requirements with regards to these arrangements were first implemented under article 4(3) of the Regulation (EU) No 648/2012 of the European Parliament and of the Council of 4 July 2012 on OTC derivatives, central counterparties and trade repositories, as amended from time to time (“EMIR”) in order to allow these clients to meet the clearing obligation for over-the-counter derivatives (“OTC Derivatives”) where they did not have access to clearing previously. This has now been transposed into article 30 of the Regulation (EU) No 600/2014 of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments, as amended from time to time (“MiFIR”) in relation to exchange-traded derivatives (“ETD”).

To ensure a harmonised approach to the indirect clearing arrangements across both EMIR and MiFIR regulations, the following delegated regulations (the “Delegated Regulations”) were adopted by the European Commission to set out the minimum conditions and obligations to be respected by the different stakeholders of any indirect clearing chain:

- (i) the Commission Delegated Regulation (EU) No 2017/2154 of 22 September 2017 supplementing MiFIR with regard to regulatory technical standards on indirect clearing arrangements, as amended from time to time; and
- (ii) the Commission Delegated Regulation (EU) No 2017/2155 of 22 September 2017 amending Delegated Regulation (EU) No 149/2013 with regard to regulatory technical standards on indirect clearing arrangements, as amended from time to time.

These Delegated Regulations:

- (i) impose obligations on the Direct Clients that facilitate indirect clearing.
- (ii) place new constraints on the length of the chain of such indirect clearing arrangements;
- (iii) provide for specific types of account structures to be available for the holding of assets and positions of the Indirect Clients (e.g. Gross Omnibus Indirect Client Account (“GOSA”) and Basic Omnibus Indirect Client Account (“BOSA”)); and
- (iv) require default management procedures to be in place (e.g. insolvency proceeds distribution).

The following “Direct Client Disclosure Document – Indirect Clearing” contains a number of important information that we recommend you read carefully.