

## EMIR Disclosure Cash Equity Clearing

June 2019 Date

1 (4) Page

### 1 Introduction

As a provider of clearing service, Nordea as in the role as General Clearing Member (GCM) offers, as a part of Nordea's custody Services, clearing for CCP-eligible securities of participants who do not perform this activity themselves. The GCM service is only offered in connection with other custody services.

Nordea as a GCM of an EU Central Counterparty (CCP) describes in this document, in accordance with Article 39 of the European Market Infrastructure Regulation (EMIR) the cost structure associated with type of account and level of segregation supported by Nordea:

- Omnibus client segregated accounts (OSA) and
- Individual client segregated accounts (ISA)

According to Article 39 is a clearing member offering clearing required to:

- Publicly disclose the associated costs and the different levels of segregation, individual or omnibus client segregated accounts, available for clearing.
- Provide clients with information of the different levels of protection offered and describe the main legal implications of the respective level of protection.

The material is provided as additional information and from a business perspective guidance to further assist the Clients in their choice, between an Omnibus client Segregated Account (OSA) and an Individual client Segregated Account (ISA), which best favours their profile and needs.

Nordea is a clearing member of various CCPs that are authorised under EMIR. Each CCP has its own EMIR disclosure which should be reviewed in order to understand the protection level relevant for the account structure provided by the individual CCP. As of the date of this document Nordea is offering client cash equity clearing at EuroCCP N.V. and SIX-X-clear Ltd.

### 2 Individual Segregated Accounts and Omnibus Segregated Indirect Clearing account

Nordea will as a General Clearing Member (GCM) at the CCP, capture all Non-Clearing Members (NCM) trades, provide trade reporting as well as cover the overall

collateral requirements towards the CCP. The administration of collateral towards the CCP will be handled by Nordea and will consist of Nordea proprietary holdings only.

The collateral pledged by the NCM client in favor of Nordea will be based on their exposure.

Nordea offers in the role as a General clearing member, NCM clients through an indirect clearing arrangement to choose between an omnibus (OSA) or an individual segregated account.

#### **Omnibus Client Segregated Account (OSA)**

Omnibus Client Segregated Accounts are set up in Nordea's name but is held and maintained on behalf of clients on a collective basis.

#### **Individual Client Segregated Account (ISA)**

Individual Client Segregated Accounts are set up in the Nordea's name and are held and maintained of a single client separated from other clients.

An individual segregated account and the supporting of such an account generally requires increased administration and additional costs related to funding and margin handling as well as segregation of collateral coverage in a segregated collateral account(s).

### **3 Level of protection**

The risks that are discussed in relation to protection levels are those that arise for the client in the event that the GCM defaults and is unable to perform. In the event of such default the different levels of protection will become relevant.

According to EMIR the basic clearing model is the principal to principal clearing model, i.e. the client and the GCM will have a trade or contract with each other and the GCM will in turn have a corresponding trade or contract with the CCP. This basic model (as opposed to e.g. the agent model) will apply to the individual client segregated account as well as the omnibus client segregation account.

#### **3.1 Omnibus Client Segregation**

The omnibus client position account is fully segregated from the house account, but the positions of the clients recorded in such account are commingled. This is the minimum level of segregation required under EMIR.

This option is likely to be more economical both in terms of total margin called, settlement costs and number of collateral accounts required. The account will have a single margin call and will therefore benefit from margin netting across all clients within the

account. It will also be possible to settle on a net basis across all clients if desired and facilitated by the Clearing Participant.

In the event of a Clearing Participant default (and a subsequent enforcement of the collateral), CCP will close out the omnibus client positions at an aggregated level and not per underlying client. CCP will not be able to attribute the enforced part of joint collateral holdings to any particular position, as collateral will cover the net result of the close out netting process. Any unused collateral remaining after the completion of the default management procedures shall be returned to the trustee(s) acting on behalf of those clients when known to CCP or, if they are not, to the (insolvency practitioner of the) Clearing Participant for the account of its clients.

### **3.2 Individual Client Segregation**

In the individual segregated client position account the client position is fully segregated from both the house account of the Clearing Participant as well as from any other client accounts. The main consequence of this option is that the segregated client position account will be margined and settled separately from other accounts. It will therefore not benefit from any cross client netting opportunities at margin or settlement level. A segregated individual position account will also require posting of sufficient collateral in (a) segregated collateral account(s).

In the event of Clearing Participant default (and a subsequent enforcement of the collateral) any unused collateral remaining after completion of the default management procedures will remain in this account.

## **4 General insolvency risks**

### **4.1 Nordea**

In case of the unlikely event of Nordea's bankruptcy, the bankruptcy proceedings are done according to Finnish legislation on liquidation or bankruptcy of a Credit Institution.

Nordea is subject to the Single Resolution Mechanism Regulation (Regulation (EU) 806/2014, "SRMR"). In the unlikely event of Nordea failing or likely to fail, the Single Resolution Board (SRB) is the relevant resolution authority for Nordea and in charge of the assessment if the conditions for resolution measures are met, including the assessment of public interest. If the conditions for resolution are not met, the unlikely failure of Nordea will be addressed a national level by the Finnish authorities in charge of normal insolvency.

#### 4.2 Insolvency of CCPs and others

Except as set out in this section “Insolvency of CCPs and others”, this disclosure deals only with Nordea’s insolvency. You may also not receive all of your assets back or retain the benefit of your positions if other parties in the clearing structure default – e.g. the CCP itself, a custodian or a settlement agent.

In relation to CCP insolvency, broadly speaking our (and therefore your) rights will depend on the law of the country in which the CCP is incorporated and the specific protections that the CCP has put in place. You should review the relevant CCP disclosures carefully in this respect and take legal advice to fully understand the risks in this scenario.

Please click on the links below to access the CCP websites which will have sections containing the Article 39 disclosures required by EMIR in respect of CCPs upon EMIR authorisation.

##### **EuroCCP**

Website:

<https://euroccp.com/>

CCP Rulebook:

<https://euroccp.com/home/participants-centre/documentation/#regulations>

##### **SIX-X-clear**

Website:

<https://www.six-group.com/securities-services/en/home/clearing/about.html>

CCP Rulebook:

<https://www.six-group.com/securities-services/en/home/clearing/products/cash-equity.html>