



## **Information document on indirect clearing services and types of account segregation offered to clients for ETD derivatives trading**

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## 1) Introduction and purpose of this document

This document contains the information required, pursuant to Regulation (EU) No 600/2014 (MiFIR) and Regulation (EU) 2017/2154 concerning the indirect clearing service for exchange-traded derivatives (ETDs), as well as the relevant implementing legislation, about possible account segregation solutions, the level of protection and the main legal implications.

ETDs are derivatives concluded on a European (EU) regulated market or on a third country market considered equivalent to an EU regulated market in accordance with Article 28 of MiFIR, and as such are derivatives that do not fall within the definition of over-the-counter (OTC) derivatives in Article 2(7) of Regulation (EU) No 648/2012 (EMIR) <sup>1</sup>.

Pursuant to applicable regulations, the Bank, which provides indirect clearing services to Clients for which derivatives clearing through a broker on a central counterparty ("**CCP**") is required:

- to offer the customer the choice between:
  - a. an omnibus account with the assets and positions held by the Bank on behalf of all its Clients ("**Basic Omnibus Account**");
  - b. an omnibus account with the assets and positions held by the Bank on behalf of its Clients, in which the positions of one Client are not netted against the positions of another Client and the assets of one Client cannot be used to hedge the positions of another Client ("**Gross Omnibus Account**");
- communicate information on the different levels of segregation to the Client;
- publicly disclose the general terms and conditions under which the services are provided. These general terms and conditions are set out in this document (available at [www.mediobancapb.com](http://www.mediobancapb.com)), as well as explained in the netting agreement that the Bank enters into with its clients, and
- describe the risks associated with each account type described under (a) and (b).

In relation to the treatment of margin and collateral at the CCP level, reference should be made to the disclosures that the CCP is required to make.

Before choosing a specific segregation model, the client should read this document in order to have an overview of the different possible segregation models offered, the main differences between these models and the relevant legal context.

This document serves as an informative guide to support the choice of account model and, therefore, segregation, but in no way constitutes legal advice or any other form of advice, nor should it be construed as such. It is, however, the Client's responsibility to examine and make any appropriate assessment of the relevant rules, legal documentation and any other information provided in respect of the account proposals of the various clearing brokers and CCPs through which the Bank clears derivatives for its Clients. The Client may appoint its own trusted advisors to assist it in the above selection.

In no event shall the Bank be liable for any loss or damage that may result from the use of this document. The Bank shall also not be liable for any differences in the interpretation of legal provisions and related guidelines.

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<sup>1</sup> Please note that under EU regulations, derivatives concluded on Multilateral Trading Facilities (MTF) and Organised Trading Facilities (OTF) are considered OTC derivatives.



In the absence of a choice, transactions in Financial Derivative Instruments made on behalf of the client will be recorded by the Bank in the Basic Omnibus Account.

2) Information on the indirect clearing service for ETDs offered by the Bank

Under the indirect clearing model for ETDs, the Bank, as a *direct client*, relies on BNP Paribas Securities Services ("**BNP**") as a *direct participant in the CCPs*.

The indirect *clearing* service through BNP is provided in respect of the following CCPs:

CCP	Market <sup>2</sup>
Clearing House Cassa di Compensazione e Garanzia	IDEM
Eurex Clearing AG	EUREX
LCH.Clearnet SA	EURONEXT
Options Clearing Corporation (OCC)	CBOE Futures Exchange, LLC - CBOE
CME Clearing	Chicago Board of Trade (Board of Trade of the City of Chicago, Inc. - CBOT
CME Clearing	Chicago Mercantile Exchange, Inc. - CME
Japan Securities Clearing Corporation (JSCC)	Osaka Exchange, Inc.
SGX-DC	Singapore International Monetary Exchange (SIMEX), precursor to Singapore Stock Exchange (SGX) - SIMEX

Under the indirect clearing model, entering into a derivatives transaction on behalf of the Client typically involves (i) an instruction from the Client to the Bank to enter into the transaction, (ii) entering into the transaction between BNP and the Bank, acting in its own name but on behalf of the Client, and (iii) entering into a corresponding and mirror transaction between BNP and the CCP.

Below is the summary diagram of the indirect compensation model:

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<sup>2</sup> ESMA "List of third-country markets considered as equivalent to a regulated market in the Union for the purposes of the definition of OTC derivatives" - [link](#).



Client



The bank enters the transaction with BNP in its own name but on behalf of the Client, to whom the effects of this transaction are passed.

Bank



The Bank shall enter a direct counterparty derivatives transaction with BNP, corresponding to the relevant transaction with the CCP.

BNP



BNP enters a direct counterparty derivatives transaction with the CCP ("**CCP Operation**").

CCP

Due to the indirect clearing model adopted by the Bank, the information contained in this document represents what has been provided by BNP to the Bank. Therefore, the Bank accepts no responsibility for the accuracy and completeness of this information document.

### 3) **Types of account segregation**

Before making a choice regarding the type of segregation and therefore of account to be adopted, the Client must examine the characteristics, risks and relative costs associated with the various types of account.

The following two segregation models are offered to our Clients for each CCP:

- a) a basic omnibus segregation model, to which the Basic Omnibus Account corresponds;  
and
- b) an omnibus segregation model with distinction of the positions of individual customers, to which the Gross Omnibus Account corresponds.

The choice between Basic Omnibus Account and Gross Omnibus Account corresponds to different levels of commission charges, as illustrated in the statement of economic conditions associated with the contractual conditions governing the indirect clearing service.

#### Basic Omnibus Account



Segregation model in which the registration of positions and collateral allows, at any time, to ensure the segregation between the Client's positions and the related collateral and:

- a) BNP's own positions and guarantees;
- b) the Bank's own positions and guarantees;
- c) the positions and guarantees of other direct clients of BNP;
- d) the positions and guarantees of other clients of the Bank who have opted for the Gross Omnibus Account.

However, the Client's own positions and collateral will be aggregated on a net basis with those of other clients of the Bank who have opted for the Basic Omnibus Account, which implies that the positions are netted against each other at the BNP level; in addition, BNP may use the collateral provided by a client who has opted for the Basic Omnibus Account to cover the positions of another client who has opted for the same type of account.

### Gross Omnibus Account

Segregation model in which the registration of positions and collateral allows, at any time, to ensure the segregation between the Client's positions and the related collateral and:

- a) BNP's own positions and guarantees;
- b) the Bank's own positions and guarantees;
- c) the positions and guarantees of other direct clients of BNP;
- d) the positions and guarantees of other clients of the Bank who have opted for the Basic Omnibus Account

However, the Client's own positions and collaterals will be aggregated on a gross basis with those of other clients of the Bank who have opted for the Gross Omnibus Account, which implies that the positions will not be netted against each other at the BNP level, and that the corresponding collaterals will have to be provided on a gross basis (in other words, the margin requirement will be calculated and paid separately with reference to the positions attributable to each client who has opted for the Gross Omnibus Account).

That said, it should be borne in mind that BNP will look at the total *value of the collateral* provided, without identifying the individual assets pledged as collateral. In other words, BNP will calculate and request from the Bank a quantity of collateral for each indirect client who has opted for the Gross Omnibus Account, in line with the portfolio of transactions of that indirect client, without making any offsetting between portfolios; there is therefore no allocation to each indirect client of the individual assets received as collateral by the Bank. It should be noted, therefore, that in **the event of insufficient collateral and simultaneous insolvency of the Bank and another indirect Client who has opted for the Gross Omnibus Account, the Client may find itself exposed to the risk of not being able to recover the full amount due to it.**

#### 4) **Main risks arising from indirect compensation**

A brief description of the main risks associated with indirect clearing activities is provided below.

##### **Transit Risk**



This is the risk to which the Client is exposed vis-à-vis the Bank in the process of providing or receiving margin in relation to its transactions, i.e. the risk that the Bank becomes insolvent before having transferred to BNP the margin received from the Client, or before having transferred to the Client the margin received from BNP.

**Fellow Client Risk**

This is the risk that the assets provided to BNP or the CCP in connection with the Bank's operations related to the Client may be used to cover losses in the Bank's operations related to another Client.

**Liquidation Risk**

If the transactions relating to the Client, the relative assets and the relative guarantees are to be transferred (so-called *porting*), there is the risk that the assets that are not liquid are liquidated in cash. In this case there is a risk that the value attributed to such assets by the CCP may be different from what the Client believes to be the full value of such assets.

**Haircut Risk**

This is the risk that the value of the assets relating to the Client's operations may be reduced or may not increase as desired because of a *haircut* applied by BNP, which does not properly reflect the value of the assets.

**Valuation mutualisation Risk**

It is the risk that the value of the assets related to the Client's operations may be reduced or may not increase as desired since the assets related to the operations of other clients have lost value.

**BNP Insolvency Risk**

This is the risk that the Client will be exposed to the insolvency or other default of BNP.

5) **Basic Omnibus Account vs. Gross Omnibus Account Comparison**

	<b>Basic Omnibus Account</b>	<b>Gross Omnibus Account</b>
<b>Can the CCP, i.e. BNP, offset the Client's positions and guarantees against those belonging to the Bank?</b>	NO	NO
<b>Can the CCP, i.e. BNP, offset the positions and guarantees of the Client against those of another Client?</b>	YES	NO
<b>Margin calculation</b>	On a net basis	On a gross basis
<b>Possibility of porting</b>	Low probability	More likely due to margining on a gross basis
<b>Transit Risk</b>	YES	YES
<b>Fellow Client Risk</b>	YES	YES in the event of simultaneous insolvency of the Bank and another indirect client
<b>Settlement Risk</b>	YES	YES



<b>Haircut Risk</b>	YES	YES
<b>Valuation mutualisation Risk</b>	YES	YES in the event of simultaneous insolvency of the Bank and another indirect client
<b>BNP Insolvency Risk</b>	YES	YES

6) **General considerations regarding the possibility of insolvency**

A. INSOLVENCY OF THE BANK

In the event of the Bank's insolvency, in principle, an attempt will be made to allow the so-called *porting to take place*, i.e. the transfer of all positions registered in the Basic Omnibus Account and/or the Gross Omnibus Account from the Bank to another broker, or direct client of a broker, subject to the existence of all necessary conditions for *porting*, including the circumstance that sufficient collateral is present in the Basic Omnibus Account and/or the Gross Omnibus Account, and that a replacement broker or direct client has been appointed in time.

If the porting cannot take place, the open positions will likely be subject to resolution and netting (so-called close-out netting).

It is possible that, in this context, the Client may have a preferential claim on the collateral transferred by the Bank to BNP, and by BNP to the CCP, with respect to the Client's positions; however, the actual extent of this preferential claim, and the interference with any claims of other creditors to be satisfied in priority will depend on the applicable bankruptcy law.

The Bank's insolvency is governed by the provisions of the Testo Unico Bancario (Legislative Decree no. 385/1993) and by bankruptcy procedures aimed at reorganizing its activities (so-called extraordinary administration) or liquidating its assets (so-called compulsory liquidation). It is possible that, following the Bank's submission to such measures, the termination powers contractually foreseen for the Client may be disapplied or suspended; in the context of liquidation or termination proceedings against the Bank, it is possible that the Bank's contractual positions, including those pertaining to the Client, may be transferred to third parties. In this case, it is likely that the Client will not be legally able to oppose such transfer. It is also possible that as a result of such resolution measures the rights of the Client may be disapplied or suspended or that certain of the Bank's liabilities to the Client may be subject to bail in.

B. INSOLVENCY OF OTHER ENTITIES

The above considerations refer only to the consequences of the Bank's insolvency. However, the Client may also suffer losses in the event of the default of other parties involved in the clearing structure, such as the CCP itself, BNP, a custodian, or a settlement agent.

In particular: insolvency of the CCP

Regarding the case of the insolvency of the CCP, BNP's rights, as well as the rights of the Bank and the Client, will depend on the law of the country in which the CCP was set up, and the specific protections adopted there. It is advisable to carefully examine the CCP's communications in this regard and to seek legal advice to fully understand the risks involved in such a scenario.

The following should also be noted:



- your rights against the CCP will depend on the relevant insolvency law of the country where the CCP is incorporated;
- the steps, timing, level of scrutiny and risks associated with such a transaction portability process in the event of a CCP bankruptcy proceeding will depend on the rules applicable in the country where the CCP is established and its bankruptcy law. There is, however, the possibility that there will be substantial delay and uncertainty as to when and to what extent repayment can be obtained from the CCP;
- it is unlikely that the Bank, or the Client, can make a direct claim against the CCP, since there is no contractual relationship between the Bank, or the Client, and the CCP itself;
- as provided for in the netting agreement with the Bank, transactions with clients will be settled at the same time as the corresponding transactions with the CCP, unless the rules of the CCP in question provide otherwise. This will result in a net amount to be paid by BNP to the Bank; however, BNP may transfer to the Bank limited amounts commensurate with the amount returned by the CCP to it. Specific European regulations (Regulation 2021/23 and Delegated Regulation 2023/1615 on the recovery and resolution of CCPs) guarantee, in any case, that:
  - the reimbursements, in financial instruments or cash, to be distributed to Clients are calculated in such a way as to ensure fairness and proportionality, and
  - the relevant information sent to the Client is complete, clear and transparent.

## In particular: insolvency of BNP

Should BNP become the subject of insolvency proceedings, the Client may suffer losses. There is also the likelihood that the recovery of assets will be delayed and, in any case, incur additional costs. As these risks concern both types of account described in this document, the Client should be aware that:

- As the application of any bankruptcy rules may override the terms of the contractual arrangements, it is appropriate to consider the legal framework as a whole;
- most of the applicable provisions derive from the agreements entered by BNP with the CCP and the legal regime to which the latter are subject; and
- BNP is qualified as a credit institution established under French law and, under European rules, therefore, most issues related to its insolvency will be resolved on the basis of French law. In addition, in relatively limited cases, foreign courts will have jurisdiction in bankruptcy matters with respect to foreign subsidiaries of French companies.





## 7) Information note on costs of indirect clearing service for ETD derivatives

In compliance with the disclosure requirements set out in Articles 2, comma 1, let. b) and 5, comma 1 of Regulation (EU) No. 2017/2154 (governing the indirect clearing service for ETD derivatives), the Bank must make public:

- the general terms and conditions for the provision of the service;
- the levels of protection and costs associated with the various levels of segregation it provides.

### Cost applied to segregation

The table shows the maximum amounts applicable by Mediobanca to its customers based on the level of segregation chosen for the indirect clearing service.

The cost shown includes the costs applied to Mediobanca by BNP for the various types of account.

<b>Account type</b>	<b>Cost per segregation</b>
Basic Omnibus Account	0.00 per account/CCP per month
Gross Omnibus Account	EUR 6000 <sup>3</sup> per account/CCP per month

Please note that the above information are provided as an indication of the maximum costs that can be associated with an average customer, any changes or reductions will be possible with reference to the specific type of customer.

The amounts referred to may be subject to revision at any time by Mediobanca or by the third parties (CCPs and BNPs) to which Mediobanca applies for the provision of the service, in accordance with the terms of the contract.

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<sup>3</sup> Of which EUR 2 000 represents the cost charged by BNP to Mediobanca.