Information document on client clearing

Information document in accordance with Art. 39 EMIR

Information document in accordance with Art. 39 (7) of Regulation (EU) No 648/2012 on OTC derivatives, central counterparties and trade repositories (EMIR) on the main legal implications for client account segregation and in accordance with Art. 5 (1) of Commission Delegated Regulation (EU) 2017/2154 of 22 September 2017 supplementing Regulation (EU) No 600/2014 (MiFIR-RTS) and Commission Delegated Regulation (EU) 2017/2155 of 22 September 2017 amending Delegated Regulation (EU) No 149/2013 with regard to regulatory technical standards on indirect clearing arrangements on the various levels of segregation and risks of client accounts.

Introduction

This document refers to and stands in connection with the document "Due diligence assessment of clearing clients and price information" in accordance with Delegated Regulation (EU) 2017/589, Art. 25. This document can be found in the same folder. Link to website

Definitions

Each reference to "Bank", "we" and "us" in this document means BayernLB (as a "clearing member" or as a client in indirect clearing). Each reference to "CCP" or central counterparty, "clearing member" and "client" is to be understood as a reference to a central counterparty (CCP), a clearing member and a client as defined by the EU regulation EMIR[1], each reference to an "indirect client" to an indirect client as defined by MiFIR-RTS[2], and each reference to "you" to you in your capacity as a client and/or indirect client.

In this context, "clearing" means the settlement of derivative contracts via CCPs with the involvement of a clearing member, through which the client or indirect client obtains access to the CCP.

[1] European Market Infrastructure Regulation, Regulation (EU) No 648/2012 of 4 July 2012 on OTC derivatives, central counterparties and trade repositories.

[2] Commission Delegated Regulation (EU) 2017/2154 of 22 September 2017 supplementing Regulation (EU) No 600/2014 of the European Parliament and of the Council with regard to regulatory technical standards on indirect clearing arrangements.

Background to and purpose of this document

Clearing members are obliged by Art. 39 (5) EMIR to offer their clients the choice between two different client account segregation models (individual client account segregation and omnibus client account segregation) for the clearing of derivative contracts via a CCP authorised under EMIR (see Part 1 B below, where the different client account segregation models are described in more detail).

In the case of indirect clearing (see section D below, where indirect clearing is described in further detail) clients must also, in accordance with Art. 5 (1) MiFIR-RTS, offer their indirect clients a choice between net omnibus client account segregation and gross omnibus client account segregation for indirect clearing of derivative contracts via a CCP (see Part 1 D below). The clearing member is therefore obliged to offer its client a choice between these two omnibus client account segregations.

This information document includes the explanations required by EMIR and MiFIR-RTS on the forms of account segregation offered for the clearing of derivative contracts, e.g. information on the level of protection and the main legal implications of the respective levels of account segregation offered including information on relevant parts of the insolvency law applicable in the relevant jurisdictions.

We provide information separately about the costs associated with the respective client account segregation models offered. Further information can be found on p. 29 of this information document. The current version of this information document and current cost information are available at www.bayernlb.com.

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Preliminary note

What should you as a client keep in mind when choosing a client account segregation model and reading this document?

Before you choose a particular client account segregation model, you should consult this information document and the information provided by the relevant CCPs in order to obtain an overview of the client account segregation models offered, the main differences between them and the general legal implications. If you require supplementary information or legal advice, you must engage third parties.

This document is intended as a guide, but does not constitute legal or other advice and is not to be regarded as such. In particular, this explanation required by regulation does not create any obligation on the part of the Bank to provide you with advice, and is purely of an informative nature.

This document describes the main legal implications, but their impact can depend on individual circumstances. In addition, it must be noted that the specific structure of the client account segregation models offered by the Bank necessarily depend on the central counterparty via which a derivative contract is settled.

In light of this, you might need additional information not included in this document when choosing a suitable client account segregation model. It is your responsibility to carefully examine the relevant legal requirements, the contract documentation and all other information provided to you regarding the CCPs' client account segregation models we offer, and the information from the various CCPs via which we settle derivative transactions for you. If necessary, you should consult your own expert adviser, and in particular seek legal advice.

As a precaution, we point out that the Bank accepts **no liability** for the accuracy and completeness of this information document.

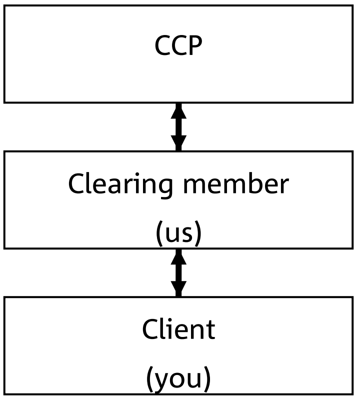
Part 1 Explanations

A. Background information on clearing

Clearing models with the Bank

If a clearing member settles a transaction with the Bank for a client via a CCP[3], this usually results in two legal relationships[4]: Firstly between the clearing member and its client and secondly between the clearing member and the CCP.

The legal relationship between client and clearing member is based on contract documentation concluded between these parties for client clearing (client clearing agreement), potentially supplemented by additional contract elements that involve the CCP directly. The legal relationship between CCP and clearing member is based on the relevant rules of the CCP in question.



Transaction between us and the CCP; this is governed by the CCP's rules (the client-related CCP transaction)

Transaction between us and you; this is governed chiefly by the provisions of the agreed contract documentation for client clearing (the client transaction)

Figure 1: Clearing model

When clearing according to the above model, the applicable CCP rules and the client clearing agreement concluded between Bank and client give rise to two transactions with identical, but mirrored content (i.e. with opposite positions): one transaction between client and clearing member (client transaction) and one transaction between clearing member and CCP that corresponds to the client transaction (client-related CCP transaction). These essentially identical but mirrored transactions are also referred to below as corresponding transactions.

As a counterparty to the CCP, the Bank as clearing member is obliged to provide assets as collateral to secure the risks arising from the client-related CCP transactions. CCPs regularly divide the collateral to be provided into collateral to be provided in advance (initial margin) and an additional payment based on the constantly changing present value of the client-related CCP (variation margin). The assets to be transferred

3 In the case of clearing via a CCP, a distinction is drawn between two models: the "agency" model and the "principal-to-principal" model. In the European market, most CCPs clear on the basis of the "principal-to-principal" model. Therefore, other models are not dealt with in this document. If we are not a clearing member of a CCP via which a client transaction is to be settled, a contractual agreement might be required between us and a clearing member of the CCP in question in order to clear this transaction (indirect clearing), see D. Additional background information on indirect clearing.

4 There are also legal relationships, not dealt with further in this document, between the client and the counterparty with which it concluded the derivative transaction to be cleared, and legal transactions required for this counterparty's CCP access.

by the Bank to the CCP to provide the initial and variation margin (together margins or collateral) must satisfy the eligibility criteria defined by the respective CCP. In addition, the Bank can set additional requirements for the assets to be provided as collateral.

On the basis of the contractual agreements on client clearing, the Bank will for its part request collateral for the client transactions from the client. Under certain circumstances, the Bank can demand more collateral from the client than the CCP asks for from the Bank with regard to the client-related CCP transactions. The value of the assets provided by a client to the Bank as collateral for client transactions can exceed the value of the assets provided by Bank to the CCP as collateral for the corresponding client-related CCP transactions (excess margin payments). With regard to such excess margin payments, the Bank may be subject to special requirements.

If assets that the client intends to provide as collateral do not satisfy the CCP's requirements, they – where appropriate and in accordance with the agreements concluded between the client and the Bank – can be exchanged by the Bank for assets that do satisfy the CCP's requirements.

Particularly if the client transfers assets to the bank by way of title transfer (see below) in order to provide margin, assets can be exposed to the risk that the Bank defaults before these assets are forwarded to the CCP and entered into the client account at the CCP in question ("transmission risk"). In the event of such default in the period between the transfer of the assets to the Bank and the forwarding to and entry into the client account set up for this purpose at the CCP, the assets would not be covered by the protection provided by the CCP for the selected client account segregation model. Further details on this can be found under "What happens if the Bank defaults according to a CCP's rules?"

In practice, however, such transmission risk will exist only in exceptional cases. Because the CCP's margin calls can occur during the day, at very short notice and at times outside of the client's normal trading hours, banks often initially provide the margin called by CCPs from their own funds and only subsequently call for assets from the client.

What if the client wants to transfer (port) its client transactions to a different clearing member?

The client can have an interest in transferring some or all of its client transactions to a different clearing member in the ordinary course of business, i.e. without the Bank having defaulted according to the CCP's rules (non-default-driven transfer/porting). Such a non-default-driven transfer is distinct from a transfer in the case of default of the clearing member according to Art. 48 EMIR. In particular, there is no obligation under EMIR for CCPs or clearing members to allow such a non-default-driven transfer.

Whether and under what conditions a non-default-driven transfer can be performed is therefore determined by agreements concluded thereon between client and Bank as well as the rules of the CCP affected by such a transfer. The transferring client must also find a clearing member that is willing to assume the transactions to be transferred and conclude all agreements necessary for the assumption and continuation of the transferred transactions with this clearing member.

Generally, a non-default-driven transfer will be more difficult for transactions carried in an omnibus client account than for transactions carried in an individual client account. Further information can be found under the related question "Are client-related CCP transactions and assets automatically transferred to a substitute clearing member?"

What happens if the Bank defaults according to a CCP's rules?

If a CCP finds that the Bank is in default according to its rules, the CCP has two options for handling the client-related CCP transactions and the collateral provided:

- The CCP can – if requested or with the client's consent – try to transfer (port) the client-related CCP transactions and the assets provided as collateral to a different clearing member (substitute clearing member).
- If a transfer (porting) – for whatever reason – is not possible or permitted, the CCP terminates the client-related CCP transactions.

The process for transferring client-related CCP transactions can vary according to CCP. In some cases, the transactions can be transferred together with the associated collateral from the existing account set up by the Bank at the CCP (with the level of segregation selected by the client) to a different account with the same level of segregation set up by the substitute clearing member at the CCP. In other cases, the transactions are terminated and settled, in order to use the settlement proceeds to open new client-related CCP transactions of the substitute clearing member.

In order to enable the transfer of client-related CCP transactions, some CCPs – depending on the relevant jurisdictions in the case at hand – require clearing members to provide special or additional collateral.

Are client-related CCP transactions and collateral automatically transferred to a substitute clearing member?

No, a series of conditions must be met before the client-related CCP transactions and collateral provided can be transferred to a substitute clearing member. These conditions are set out in detail in the rules of the respective CCP. A key requirement is the request or consent of the client for the transfer.

In addition, the client usually needs a substitute clearing member that has consented or will consent to assume the client-related CCP transactions. Where appropriate, the client can designate a substitute clearing member in advance. However, this substitute clearing member will not usually firmly commit to assuming client-related CCP transactions before the default of the original clearing member, but will instead link the assumption to the fulfilment of certain conditions. The client might also be able to agree directly with the relevant CCP (depending on its rules) that the client is permitted to designate a substitute clearing member if the clearing member defaults.

If a client has not designated a substitute clearing member in advance and has not made an agreement with the relevant CCP on the designation of a substitute clearing member, it is less likely that client-related CCP transactions can be transferred if the clearing member defaults.

If a transfer occurs, the client transactions corresponding to the client-related CCP transactions to be transferred are usually terminated or transferred according to the underlying client clearing agreement. In the case of termination, it can be assumed that, to continue the client-related CCP transactions transferred to a substitute clearing member between this substitute clearing member and the client, the client transactions corresponding to the client-related CCP transactions must be re-established. The details depend on the relevant agreements between the client and the substitute clearing member and, if applicable, the respective rules of the CCPs in question.

Whether and to what extent client-related CCP transactions and associated assets provided as collateral can be transferred to a substitute clearing member assets if the Bank defaults also depends on the client account segregation model selected by the client.

In the case of omnibus client account segregation (described in more detail in section B.), a transfer of the client-related CCP transactions carried in the omnibus client account concerned and the collateral provided will usually be possible only if all clients whose transactions are carried in the omnibus client account concerned agree on the same substitute clearing member or consent to the transfer to this substitute clearing member. In addition, the substitute clearing member concerned must consent to the transfer of all client-related CCP transactions carried in the omnibus client account to be transferred. In light of this, it can be assumed that a transfer is less likely to be successful in the case of omnibus client account segregation than in the case of individual client account segregation.

What happens if a transfer is not possible?

Every CCP is entitled to specify a period within which a transfer must be successfully carried out (transfer period). If the transfer does not take place within this period, the CCP is entitled to actively limit its risks in connection with the client-related CCP transactions. This can include liquidating the positions and assets received as collateral. The transfer period is stipulated in the CCP's rules and can vary between the different CCPs.

If a client wants to transfer the client-related CCP transactions, it must submit a statement to this effect to the CCP and prove to the CCP that the other conditions for the transfer are or will be met within the transfer period stipulated by the CCP. The details, including the form of the statement and the proof that the conditions are met, are provided the rules of the CCP concerned.

If the conditions for a transfer are not met, the CCP will terminate the client-related CCP transactions according to the CCP rules and set off the individual positions into a single settlement receivable (termination and settlement). If the termination and settlement result in a payment obligation for the CCP, the rules of a CCP can call for a direct payment to the client if the CCP knows the identity of the client and can determine the proportion of the settlement receivable owed to the client. If the CCP does not know the identity of the entitled client and/or cannot can determine the proportion of the settlement receivable owed to the client, the CCP pays the calculated amounted to the defaulting Bank (or its insolvency administrator) for the account of the client.

The probability that a CCP can pay such an amount directly to the client is considerably higher if the client selects individual client account segregation (described in more detail in section B.), as in this case the CCP usually knows the identity of the client and can determine any amount owed to the client on termination and settlement.

If the CCP terminates the client-related CCP transactions, the corresponding client transactions are regularly also terminated and set off into a single settlement receivable. In this case, termination and settlement are usually performed in accordance with the client clearing agreement, typically assuming the calculations performed by the CCP with regard to the client-related CCP transactions. If after termination and settlement the client has a settlement receivable from the Bank, any payments made by the CCP to the client are deducted from this settlement receivable.

B. Account segregation models

Available account types

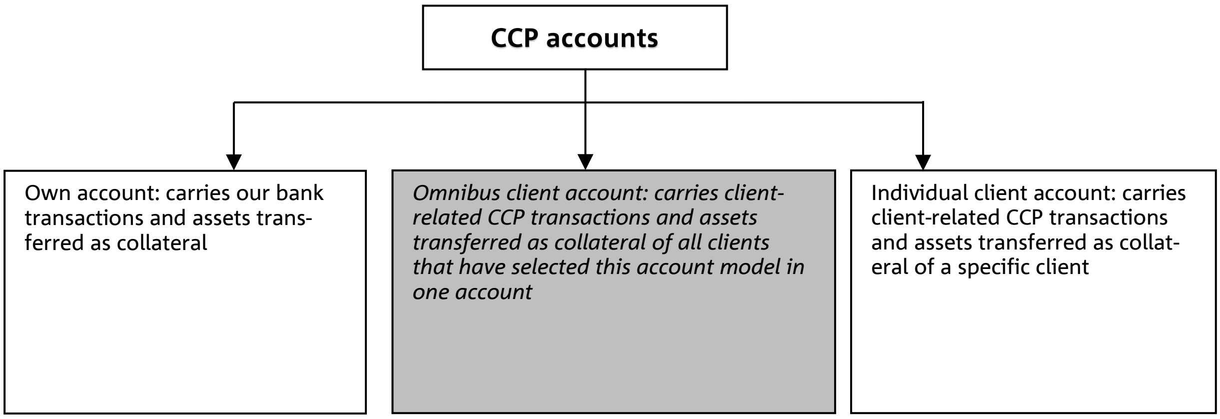
When accounts or account types are referred to in this information document, these are always the accounts set up by the Bank for client-related CCP transactions and maintained at the CCP. The CCP maintains these accounts in order to carry the client-related CCP transactions and the assets provided as collateral.

There are two basic account types: omnibus client accounts and individual client accounts. Some CCPs also offer sub-varieties of these two client account segregation models.

All account segregation models are characterized by the fact that bank transactions are segregated from client transactions: Transactions that we as a bank clear for own account (bank transactions) and assets that we provide as collateral for these transactions are carried in the CCP account separately from the client-related CCP transactions (including collateral) that we clear for clients.

Omnibus client account segregation in accordance with Art. 39 (2) in conjunction with (9) EMIR

In omnibus client account segregation, client-related CCP transactions and assets provided as collateral are distinguished or carried separately from bank transactions. In the case of an omnibus client account, however, all client-related CCP transactions (including the collateral provided) of the clients of a bank that have opted for this bank's omnibus client account are carried together.



Omnibus client account segregation	
Can client-related CCP transactions and assets provided as collateral be offset against our bank transactions and assets provided as collateral?	No
Can client-related CCP transactions and assets provided as collateral be offset against CCP transactions and assets provided as collateral of other clients?	Yes (but restricted only to client-related CCP transactions and assets provided as collateral of other clients that are carried in the same omnibus client account)

Figure 2: Accounts in omnibus client account segregation

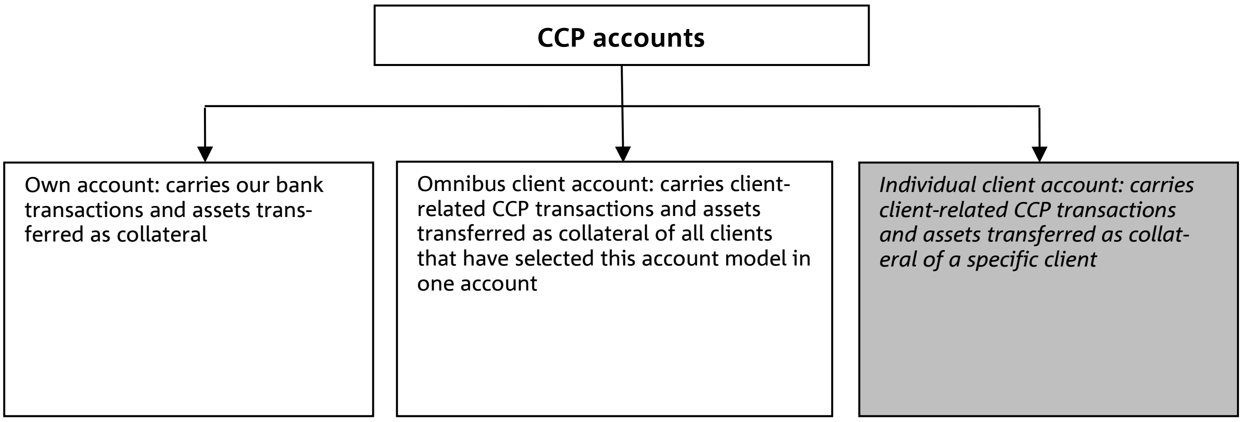
In the case of omnibus client account segregation, CCPs must ensure that the client-related CCP transactions carried in the omnibus client account concerned cannot be offset against bank transactions or other client-related CCP transactions that are not carried in the same omnibus client account. The same applies to the assets provided as collateral.

However, client-related CCP transactions and CCP transactions assigned to various clients carried in the same omnibus client account can be offset against each other (provided the conditions for such offsetting according the CCP’s rules are met). The same also applies to the assets carried in the same omnibus client account, regardless of which of the client-related CCP transactions carried here they were transferred as collateral for.

Please note that, with regard to meeting EMIR requirements for clearing and account segregation models, we treat other companies from our group exactly the same as our clients. This means that our group companies also have to choose between the different types of account and can thus also use the same omnibus client account together with other clients.

Individual client account segregation

In this account model, the client-related CCP transactions assigned to a specific client and the assets provided as collateral are not only carried separately from the bank transactions, but also from all client-related CCP transactions assigned to other clients and the respective assets provided as collateral.



Individual client account segregation	
Can client-related CCP transactions and assets provided as collateral be offset against our bank transactions and assets provided as collateral?	No
Can client-related CCP transactions and assets provided as collateral be offset against CCP transactions and assets provided as collateral of other clients?	No

Figure 3: Accounts in individual client account segregation

In the case of individual client account segregation – like in the case of omnibus client account segregation – CCPs must ensure that the client-related CCP transactions carried in the individual client account concerned and the assets provided as collateral cannot be offset against bank transactions and the assets provided as collateral.

In this client account segregation model – in contrast to omnibus client account segregation – CCPs must also ensure that the client-related CCP transactions carried in the individual client account and the assets provided as collateral cannot be offset against client-related CCP transactions carried in other individual client accounts and the assets provided as collateral.

Other aspects for the selection of the client account segregation model and the associated level of protection for collateral provided

The level of protection for collateral provided depends on a number of factors. These include:

- Decision in favour of an omnibus or an individual client account segregation model (as described in Part 1B “Available account types” above).
- When selecting a client account segregation model, selection of the version of the model offered by the relevant CCP and the Bank, if applicable.
- Method by which collateral is provided, e.g. by way of title transfer, as a lien or in another way, if offered by the CCP and the Bank.

- Whether the Bank requests higher collateral from clients than the CCP does.
- Whether the Bank, on the repayment of collateral, returns clients assets of the same type and quality as the collateral previously provided by the client.
- The law applicable to the Bank and the respective CCP, especially insolvency law.

Do you prefer a gross or a net omnibus client account?

CCPs are only obliged to offer one form of omnibus client account segregation and one form of individual client account segregation. However, some CCPs have developed various varieties of client account segregation model, which each offer different levels of segregation.

The transfer of client-related CCP transactions and the assets provided as collateral, in the case of both non-default-driven transfer and transfer due to the Bank's default, can be easier if you choose a gross omnibus client account rather than a net omnibus client account (if offered by the CCP).

In the case of a net omnibus client account, the CCP requests collateral on the basis of the CCP transactions carried in the omnibus client account on a "net" basis only. Here, the value of all collateral to be delivered to the CCP for relevant client-related CCP transactions is usually lower than the value of all collateral to be delivered by omnibus clients to the Bank for the corresponding client transactions.

If CCPs request the collateral on a gross basis, it is more likely that sufficient assets will be available to the CCP in order to transfer sufficient collateral to a substitute clearing member for every individual client-related CCP transaction. It is important to note, however, that the various CCPs' account models can be structured very differently. In order to assess the differences between the various models and sub-varieties, you must therefore take account of the CCP's information about its specific account models.

Collateral provided in cash or securities?

As described in section A. (Clearing models with the Bank), we as a clearing member of the CCP are obliged to transfer the assets provided by the client as collateral (at least partially) to the CCP. However, as likewise described, CCPs accept as collateral only assets that meet the requirements set out in their rules. These are usually just cash in specific currencies and especially liquid non-cash assets.

Which collateral for client transactions we as a Bank accept from you as client is determined, in line with market practice, by the client clearing arrangement agreed with you, including the further agreements on the provision of collateral concluded with you in connection with this. The requirements agreed with you may differ from those of the CCPs. As a result, it cannot be excluded that the assets we accept from you as collateral for client transactions do not satisfy the eligibility criteria stipulated for collateral by the CCPs. Whether we under certain circumstances will convert the collateral you provided into assets accepted by the CCP depends on the content of the agreements concluded with you. Furthermore, the Bank is also entitled to transfer other assets to the CCP instead of the assets transferred by the client by way of title transfer.

If the client has a right to return transfer from the Bank, in the individual client account segregation model the Bank will transfer back similar assets in accordance with the agreements concluded with the client.

If the client has a right to return transfer from the Bank, the client is exposed to the risk that the Bank will not fulfil this right to the return transfer of similar assets. If the Bank is not simultaneously in default according to the CCP's rules, in such a case of non-fulfilment of the right to return transfer the client usually has no right of recourse against the CCP and no entitlement to the assets posted with the CCP as collateral for the client-related CCP transactions. In this case, the client is restricted to its general rights as a creditor of the Bank. This risk is reduced if the Bank is simultaneously in default according to the CCP's rules. In this case, the CCP's protection mechanisms for the relevant client account segregation model come into effect. However, the specific scope of protection and especially the specific rights that the client has against the CCP in this case depend on the respective CCP.

Provision of collateral by way of title transfer or as lien

Title transfer

If, in accordance with the agreements concluded with you, the assets are provided by way of title transfer, ownership of the collateral provided passes from the client to the Bank on transfer (assets transferred by way of title transfer). The Bank carries the assets transferred by the respective client by way of title transfer accordingly for the respective client transaction.

Assets transferred by the client to the bank by way of title transfer in order to provide collateral can, under certain circumstances, be exposed to the risk that the Bank defaults before these assets are forwarded to the CCP and entered into the client account at the CCP in question ("transmission risk"). In the event of such default between the transfer of the assets to the Bank and the forwarding to the CCP and entry into the client account set up for this purpose at the CCP, the assets would not be covered by the protection provided by the CCP for the selected client account segregation model. Further details on this can be found under "What happens if the Bank defaults according to a CCP's rules?

"In practice, however, such transmission risk in the individual client account segregation model will exist only for a short time. Because the CCP's calls for collateral can occur during the day, at very short notice and at times outside of the client's normal trading hours, banks often initially provide the collateral called for by CCPs from their own funds and only subsequently call for assets from the client.

Pledging

If the client clearing agreement is subject to German law and the assets to be provided as collateral are provided by way of pledging, the client retains ownership of the pledged assets. The Bank can realise the pledged assets if the client fails to meet its obligations to the Bank and default occurs.

The provision of collateral can – depending on the governing law – also be subject to other rules. If, for example, a pledge has been made on the basis of English law ('security interest'), the following applies: In this case, the client can grant the Bank rights to use the pledged assets. Until such a right of use is exercised, the pledged assets remain in the client's ownership. When the right of use is exercised – e.g. by transferring the assets to a CCP – ownership of the assets passes from the client to the Bank. From this date, the client has exposures to the Bank corresponding to those of the title transfer. The circumstances under which the Bank can exercise such a right of use to pledged assets and the purposes for which the Bank can use assets are stipulated in the client clearing agreement.

Excess collateral requested by the Bank

In accordance with EMIR and the relevant rules of the CCPs, the Bank may be subject to special obligations with regard to the handling of collateral from the client that exceeds the collateral requested from the Bank by the CCP (excess collateral).

If a client selects an individual client account and the Bank collects excess collateral from the client, the Bank must forward this excess collateral to the CCP. Collateral that the client has provided to the Bank for purposes other than securing the client's exposures to the CCP does not fall under this obligation and must be distinguished. Moreover, the Bank is not obliged to forward excess collateral to a CCP if it comprises assets that do not meet the CCP's eligibility criteria for assets to be provided as collateral. In particular, the client is not entitled to demand that the Bank convert such assets into other collateral that does meet the eligibility criteria. The details in this regard may be stipulated in the client clearing agreements between client and Bank.

If a client selects an omnibus client account, the Bank does not have to forward excess collateral to the CCP. In this case, depending on the way in which the excess collateral was provided to the Bank (title transfer or lien), the client can be exposed to the above-described default risk of the Bank with regard to rights to return transfer. The details in this regard are stipulated in the client clearing agreements between client and Bank.

Return of similar assets

Under certain circumstances, the client clearing agreements between client and Bank stipulate whether the Bank is obliged to ensure that the assets to be transferred back to the client have to meet certain minimum requirements with regard to their similarity to the assets originally provided as collateral.

If such minimum requirements have been agreed, it should be noted that the client might receive returned assets that do not meet these minimum requirements if the Bank defaults. This is because CCPs have broad discretionary powers when it comes to the liquidation and measurement of assets and how rights to return transfer are fulfilled in the event of a default of a clearing member. In addition, the CCP will often not be aware of the agreements concluded between a Bank and its clients regarding the provision of collateral and any resulting requirements for the similarity of assets to be transferred back. This risk may exist regardless of which client account segregation model the client has chosen.

C. Information on insolvency law

General insolvency risks

In the event that the Bank defaults, especially in the case of insolvency, the client has to expect that its client transactions will not continue and it will not recover all of its assets. Associated time delays and additional costs (e.g. financing costs and legal consulting costs) must also be expected. These risks exist in both individual client account segregation and omnibus client account segregation for the following reasons:

- In general, clients have no direct claims against the CCP if the Bank defaults; the situation can be different in connection with transfer options (porting options) granted by CCPs and any other client protection mechanisms. Claims against the Bank would be subject to the insolvency proceedings.
- Insolvency proceedings against the Bank would be filed by the Federal Financial Supervisory Authority (BaFin) (please note that, besides insolvency proceedings, there can also be other supervisory measures with regard to the Bank). In insolvency proceedings, all powers with regard to the Bank's insolvency estate lie with the insolvency administrator. Legal steps must be initiated against the insolvency administrator. This can be a time-consuming process with an uncertain outcome.
- Every legal act by the Bank (including client transactions or client-related CCP transactions and the provision of collateral) can be contested by the insolvency administrator if the legal requirements are met. For the special factors in the case of transfer, etc., please refer to the remarks on Art. 102b EGInsO below.

Please also note the following:

- This document deals only with insolvency on the part of the Bank. It is also possible that you will not recover assets (in full) if others involved in clearing default – e.g. the CCP, a custodian bank or other bodies.
- Many of the client-protection provisions stem from the rules of the CCPs and the applicable law. It should be noted that, under certain circumstances, multiple jurisdictions can be relevant. You should therefore obtain an overview of the situation and in particular consider the information provided by the respective CCPs in your choice of client account segregation model and the associated level of protection.

Due to the complexity arising from the interplay of multiple jurisdictions, it can be useful to seek legal advice on this matter.

Protection though Article 102b EGInsO

The particular provisions of Article 102b EGInsO apply for a CCP's measures concerning the administration, closing out and other clearing of client positions, their transfer, and the use and return of client collateral. These provisions take priority over the general principles of German insolvency law. The measures covered by Art. 102b EGInsO are not subject to voidability in insolvency proceedings. Under certain circumstances, however, legal acts not covered by Art. 102b EGInsO but related to such measures might be contested by the insolvency administrator.

Measures for bank resolution and in the event of default risk

Under certain circumstances, especially in the case of a risk to the settlement of liabilities or the Bank's solvency, the resolution agency can order a transfer of some or all of the assets (together with some or all liabilities) to another legal entity. It can under certain circumstances stay the performance of contracts (temporarily), amend contractual conditions and/or close out derivative contracts and, if necessary, cancel claims and/or convert into equity of the bank (bail-in).

In the event of serious risks for the economy as a whole, the federal government could also order a moratorium.

Effects on collateral

In general, your risk of loss is higher when providing collateral by way of title transfer and lower when creating security interests whereby you retain ownership of the assets (such as pledging). Depending on the applicable law, however, deviations and special factors can arise here.

In this context, it should be noted that CCPs frequently require a title transfer of the collateral for individual client account segregation.

The specific risks of loss, their size, and whether third-parties have claims to the assets largely depend on the circumstances of the individual case and the actual situation.

Termination and settlement

If, in the event of a Bank default, the client-related CCP transactions and the assets provided as collateral in this context cannot be transferred (porting) to a substitute clearing member, the CCP transactions in question are terminated. This typically involves liquidation netting, which ends in a single settlement receivable.

However, the protection offered by the respective client account segregation model in this case depends on the circumstances of the case, the applicable insolvency law and the actual situation.

For various standard client clearing agreements, legal opinions on the effectiveness of the respective provisions on termination and settlement (close-out netting) are prepared or updated. It is sensible and advisable to consult these opinions in your choice of client account segregation model offered and possibly to seek further legal advice.

Regardless of and in addition to the above, please note that the termination options in the event of a Bank default in contractual agreements on client clearing are limited compared with corresponding provisions in other standard contract documentation. This is the only way to guarantee the furthest possible synchronisation between the client transaction and the client-related CCP transaction; this synchronisation is essential for effective client account segregation.

Insolvency of CCPs and others

Although this document deals only with insolvency of the Bank, please note that the default of the CCP, another clearing member and potentially other entities can also compromise your client transactions and rights to your assets.

In general, the rights of the Bank and the client in the event of CCP default depend on the law of the country in which the CCP is domiciled and the CCP's respective protections. To find out more, please refer to the information published by the respective CCPs.

It can be useful to seek legal advice on this matter.

D. Additional background information on indirect clearing

What is indirect clearing?

The Bank can also offer you clearing of certain derivative contracts via a CCP by way of indirect clearing. In indirect clearing, we are not a clearing member ourselves. Instead, we engage our clearing member to clear our bank clients' transactions via a CCP. On the basis of the principal-to-principal model described in section A. ("'Principal-to-principal' clearing model"), therefore, we are the client in this set-up, and you are the indirect client.

If the Bank settles a transaction via a CCP by way of indirect clearing for an indirect client, this usually results in three legal relationships.

The first is between Bank and indirect client, the second is between the Bank and the clearing member, and the third is between the clearing member and the CCP. The legal relationship between the Bank and you as the indirect client is based on contract documentation concluded between you and the Bank for indirect client clearing (indirect client clearing agreement). Our legal relationship with the clearing member is based on the clearing member's contract documentation for client clearing (client clearing agreement). The legal relationship between CCP and clearing member is subject to the relevant rules of the CCP in question.

Our contractual position and our risks therefore correspond to those of a client described in sections A. to C. above. As our risks also rebound on you as an indirect client, you should also be aware of the risk position of the client and review the above sections A. to C. carefully.

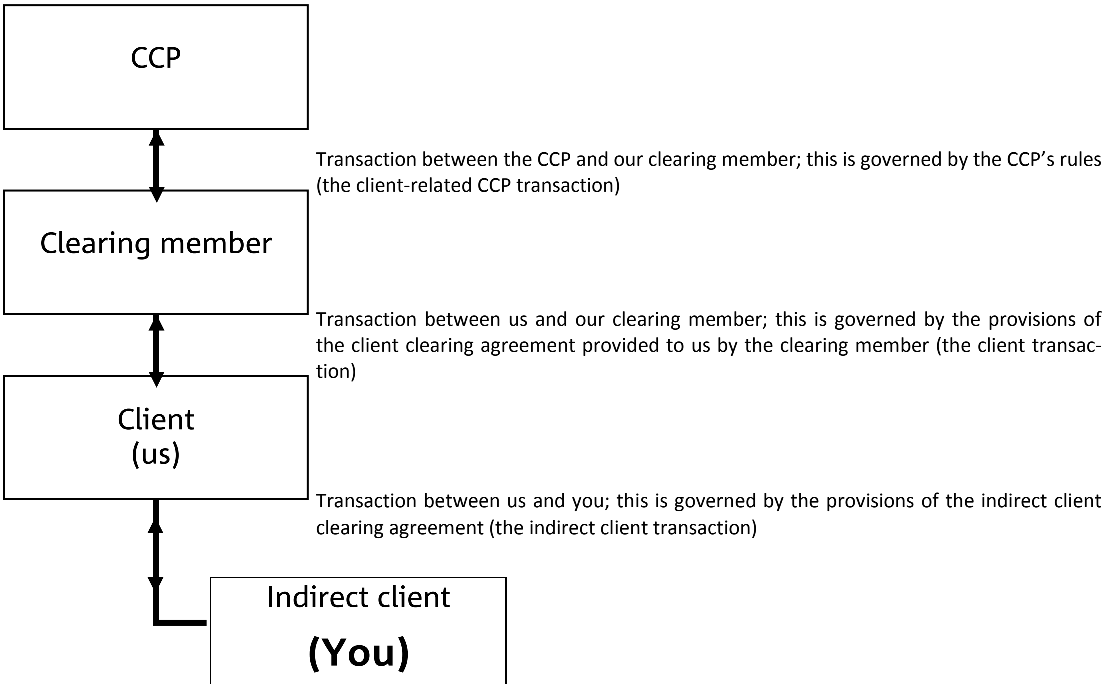


Figure 4: Indirect clearing model

When clearing according to the principal-to-principal model, the applicable CCP rules, the clearing member's agreement with us and the indirect client clearing agreement concluded between us and you typically give rise to three transactions with identical, but mirrored content (i.e. with opposite positions for each party): one transaction between client and Bank (indirect client transaction), one transaction between Bank and clearing member that corresponds to the indirect client transaction (client transaction with the Bank's position mirrored), and one transaction between clearing member and CCP that corresponds to the client transaction (client-related CCP transaction with the clearing member's position mirrored). These identical but mirrored transactions are also referred to below as "corresponding transactions".

As a counterparty to the clearing member, the Bank is obliged to provide margin as collateral to secure the risks arising from the client transactions (see "'Principal-to-principal' clearing model" under A. above). The Bank provides this margin separately from collateral for its own bank transactions included in clearing via the clearing member. The Bank must ensure – possibly via remargining – that the total value of the assets provided to the clearing member as margin with regard to indirect clearing for the indirect client always covers the clearing member's total risk from the client transactions concerned. The assets to be transferred by the Bank to the clearing member to provide the initial and variation margin must satisfy the eligibility criteria defined by the clearing member and are subject to its risk markdowns.

On the basis of the indirect client clearing agreement, the Bank for its part will request collateral or margin for the indirect client transactions from the indirect client. Under certain circumstances, the Bank can demand more collateral or higher margin from the indirect client than the clearing member demands from the Bank or the CCP demands from the clearing member (excess margin payments).

If the assets provided by the client as margin do not satisfy the clearing member's or the CCP's requirements, they – where appropriate and in accordance with the agreements concluded between the indirect client and the Bank – can be exchanged by the Bank for assets that do satisfy the clearing member's or the CCP's requirements.

If assets are transferred to the Bank by the indirect client by way of title transfer in order to provide margin (see "Provision of margin by way of title transfer or as lien" under section B. above), the indirect client is exposed to the risk that the Bank defaults before such assets are forwarded via the clearing member to the CCP and entered into the client account at the CCP in question ("transmission risk"). In the event of such default in the period between the transfer of the assets to the Bank and the forwarding to and entry into the client account set up for this purpose at the CCP via the clearing member, the assets would not be covered by the protection provided by the CCP for the selected client account segregation model.

A similar transmission risk exists for the Bank as a client of the clearing member in the event of its default (further details on this can be found in section A. "What happens if the clearing member defaults according to a CCP's rules?"). If the Bank suffers a loss in this context, the indirect client is exposed to the risk of having to bear this loss in its internal relationship with the Bank.

In practice, however, such transmission risk will exist only in exceptional cases. Because the CCP's margin calls can occur during the day, at very short notice and at times outside of the client's normal trading hours, banks often initially provide the margin called by clearing members and CCPs from their own funds and only subsequently call for assets from the indirect client.

What account models are available in indirect clearing?

In indirect clearing, the Bank is legally obliged to offer you a choice between a net omnibus client account and a gross omnibus client account. If the indirect client does not inform the Bank of its choice, the Bank is entitled to assign the indirect client one of the available levels of segregation itself. The Bank is likely to assign the indirect client a net omnibus client account. The indirect client should note that this selection by the Bank can therefore result in a lower level of protection for the indirect client. However, the indirect client can request a change to the selected segregation model at any time.

In both omnibus client account segregations, client-related CCP transactions and assets provided as margin at the level of the CCP are distinguished or carried separately (i) from the transactions of the clearing member and its other clients and (ii) from bank transactions. In the case of an omnibus client account, however, all client-related CCP transactions (including the assets provided as margin) of all the direct clients of the Bank that have opted for the relevant omnibus client account are carried together.

Further details on this can be found in section B. under “Omnibus client account segregation”. The descriptions in this section also apply accordingly to indirect clearing.

In the case of omnibus client account segregation at their level, the clearing members must ensure that the Bank’s client transactions relating to the indirect client cannot be offset against bank transactions. The same applies to the assets provided as margin.

In the case of the net omnibus client account, client-related CCP transactions of various indirect clients carried in the same omnibus client account at the CCP can be offset against each other (provided the conditions for such offsetting according the CCP’s rules are met). The same also applies to the assets provided as margin carried in the same net omnibus client account with regard to indirect clients, regardless of which of the client-related CCP transactions carried here they were transferred by the clearing member as margin for. Further information can be found under “Do you prefer a gross or a net omnibus client account? What is the difference?”

Please note that, in indirect clearing, we treat other companies from our group exactly the same as our indirect clients. This means that our group companies also have to choose between the different types of account and can thus also use the same omnibus client account together with other indirect clients.

What other aspects should be taken into account when choosing the client account segregation model and the associated level of protection for assets provided as margin?

The level of protection for assets provided as margin depends on a number of factors. These include:

- The decision for a net or gross omnibus client account or, if even offered in indirect clearing, an individual client account
- The way in which the assets to be provided as margin are provided to the Bank, e.g. by way of title transfer, as lien or in another way
- Whether the Bank requests a higher margin from indirect clients than the clearing member and/or the CCP
- Whether on repayment of margin the Bank returns the indirect client assets identical to the assets previously provided by the indirect client as margin
- The law applicable to the Bank, the clearing member and the respective CCP, especially insolvency law

Do you prefer a gross or a net omnibus client account? What is the difference?

Within the omnibus client accounts for the indirect clearing there are two important differences in respect to the segregation of positions and margin in respect to the protection level for the indirect client:

- “Net” means that the margin required from the CCP for the client-related CCP transactions is required on the basis of the CCP transactions recorded on the net omnibus client account on a net basis. This means that at the level of the CCP and also at the level of the clearing member it is not possible to allocate the margin provided to a specific indirect client. In addition, this usually means that the indirect client is unknown to the clearing member and the CCP.
- “Gross” means that the margin required from the CCP for the client-related CCP transactions is required on the basis of the CCP transactions recorded on the gross omnibus client account on a gross basis. This means that at the level of the CCP and also at the level of the clearing member there is a calculation of the collateral requirements per indirect client and client-related CCP transactions / client transactions booked in respect to this indirect client on the gross omnibus client account. Thus the indirect client can also be identified for the CCP and the clearing member and using the information of the Bank on its indirect clients the margin provided can be allocated to a specific indirect client.

With the net omnibus client account, in the case of the Bank default the Bank and the clearing member are not legally required to implement a transfer of the indirect client transactions to another client or a clearing member. Rather the client transactions of the Bank are terminated and settled by the clearing member on the basis of the client clearing agreement. There is a termination settlement between Bank and clearing member and also often between Bank and indirect client and when calculating a single settlement receivable, which takes account of any (excess) margin payments, especially those made by way of title transfer (cf. below “In the case of a Bank default, what happens if Bank transactions are terminated and settled by the clearing member?”)

The clearing member has no legal obligation to perform a single settlement receivable of the Bank against the clearing member to the indirect clients. Rather the clearing member will pay excess amounts to the Bank for the account of the indirect clients. Insolvency protection of this performance for the account of the indirect clients depends on the insolvency law which applies to the Bank. You are thus subject to the risk that your claims to repayment, in particular to excess margin payments to the Bank, can be regarded as a unsecured insolvency claim and could largely default (cf. below “In the case of a Bank default, what happens if Bank transactions are terminated and settled by the clearing member?”).

With the gross omnibus client account, the clearing member will provide for procedures which allow a transfer of the indirect client transactions and client transactions of the Bank to another client or clearing member (cf. below “What happens if the Bank defaults in its role as client?”). However the clearing member also has no obligation to secure a transfer either in fact or law. As a result of the individual allocability of the indirect client transactions and the margin provided, for a gross omnibus client account there is the possibility of a transfer. However, depending on the applicable insolvency code, there is legal uncertainty so that ultimately termination and settlement of the indirect client transactions is not improbable. In this case, the insolvency risks of the indirect clients described above on the net omnibus client model also exist (cf. also below “In the case of a Bank default, what happens if Bank transactions are terminated and settled by the clearing member?”).

Margin provided in cash or in securities?

What assets we as Bank accept from you as indirect client as margin for the indirect client transactions is determined in line with market practice by the requirements agreed with you, including any collateral discounts for securities. The arrangements agreed with you may differ from those of the clearing members and CCPs. As a result, it cannot be excluded that the assets we accept from you as margin for indirect client transactions do not satisfy the eligibility criteria stipulated for margin by the clearing members and CCPs. This can result that we – on the basis of the agreements concluded with you – convert the margin you provided into assets accepted by our clearing members and the CCPs.

Provision of margin by way of title transfer or as lien?

Please see section B. “Provision of margin by way of title transfer or as lien”. The remarks there apply accordingly to indirect clearing.

In relation to the indirect clearing, in the case of a title transfer you should also be aware of the following special factors:

- The Bank is also entitled to transfer other assets to the clearing member instead of the assets transferred by the indirect client by way of title transfer. The same can apply for the clearing member and its margin payments to the CCP in relation to the Bank as client of the clearing member. In this case, your collateral may be protected only in terms of “value”.

- If the indirect client has asserted a right to return transfer from the Bank, the indirect client is exposed to the risk that the Bank will not fulfil the right to the return transfer of similar assets. If the Bank is not simultaneously in default in line with the indirect client clearing agreement, in such a case of non-fulfilment of the right to return transfer, the indirect client has no right of recourse against the clearing member or the CCP or on the assets posted with the CCP as margin for the client-related CCP transactions. In this case the indirect client is restricted to the general rights as creditor of the Bank and depends on the level of protection of the selected omnibus client account and any transfer measures of the clearing member in the case of a gross omnibus client account model. However, the specific scope of protection and especially the specific rights that the client has against the clearing member in this case depend on the respective clearing member.

How does the Bank treat requested excess margin payments?

With an omnibus client account the Bank need not transfer any excess margin payments of the indirect client to the CCP via the clearing member. In this case – depending on the way in which the excess margin payments were provided to the Bank (in particular whether by title transfer or lien) – the indirect client can be exposed to the above-described default risk of the Bank in respect to its rights to return transfer.

Are similar assets returned and are there risks if the Bank defaults?

Under certain circumstances, the indirect client clearing agreement between indirect client and Bank stipulates that the Bank is obliged to transfer back to the indirect client only those assets which meet certain minimum requirements with regard to their similarity to the assets originally provided by the indirect client as margin.

If such minimum requirements have been agreed, it should be noted that in the case of a Bank default the indirect client is likely to be returned only cash amounts, unless in the case of a gross omnibus client account there is a transfer to another client or a clearing member. This is because in the case of a Bank default the clearing member will terminate and settle the client transactions of the Bank as its client and determine a single settlement receivable in cash. However, this situation is somewhat different if the indirect client provides the Bank margin by means of a lien (cf. above section B. “Provision of margin by way of title transfer or as lien”).

What if the indirect client wants to transfer (port) its indirect client transactions to a different client or a clearing member transfer?

The indirect client can have an interest in transferring some or all of its client transactions to a different client or a clearing member in the ordinary course of business (i.e. without the Bank having defaulted) (non-default-driven transfer/porting). Such a non-default-driven transfer is distinct from a transfer in the case of default of the Bank or the clearing member according to Art. 48 EMIR. In particular, under EMIR and MiFIR there is no obligation for the Bank to allow such a non-default-driven transfer.

Whether and under what conditions a non-default-driven transfer can be performed is therefore determined by agreements concluded thereon between indirect client and Bank and the requirements of the clearing member as well as the rules of the CCPs affected by such a transfer. The transferring indirect client must also find another client or a clearing member that is willing to assume the transactions to be transferred and conclude all agreements necessary for the assumption and continuation of the transferred transactions with this client or clearing member.

How happens if the Bank defaults in its role as client?

If the Bank defaults, this impacts both the contractual relationship of the Bank with the clearing member and the contractual relationship of the Bank with the indirect client. The respective contractual relationship stipulates the conditions for determining a default and its consequences.

These depend on the omnibus client account selected:

- With the gross omnibus client account the clearing member – if requested by or with corresponding consent from the indirect client – can attempt to transfer (port) the client transactions and the indirect client transactions and the relevant assets provided as margin to another client (substitute client) or a clearing member (substitute clearing member). If a transfer – for whatever reason – is not possible, the clearing member is likely to terminate the client transactions and thus it is also likely that the indirect client transactions are terminated between the Bank and you on the basis of the indirect client agreement (cf. below “What happens if a transfer (porting) is not possible?”).

  The process for transferring the client transactions and indirect client transactions can vary according to the clearing member. It is possible that corresponding transactions together with the relevant margin are transferred to a substitute client or a substitute clearing member on the basis of an omnibus client account model with an appropriate level of segregation. However, it is possible to terminate and settle the corresponding transactions in order to use the settlement to open new substitute transactions via the substitute client or substitute clearing member.

  In order to enable the transfer of the transactions, it can be legally necessary – depending on the relevant jurisdictions in the case at hand – that the Bank as defaulting client commissions the creation of special security interests in any rights it has for return transfer regarding the assets provided as margin to the clearing member in favour of the indirect client.

- For the net omnibus client account there is no transfer. Rather the clearing member terminates the client transactions with the Bank, performs a settlement and determines a single settlement receivable. As a result it is likely that the indirect client transactions between the Bank and you are also terminated and settled on the basis of a single settlement receivable (cf. below “What happens if a transfer (porting) is not possible?”). The clearing member has no obligation to fulfil a single settlement receivable of the Bank against direct payment to the indirect clients. The clearing member has an obligation only to make any settlement amount to be paid to the Bank to the Bank for the account of the respective indirect client.

In the case of termination and settlement, the clearing member is likely to close out the client-related CCP transactions and use the related settlement payments and available margin as the basis of the single settlement receivable between it and the Bank.

If the Bank defaults are the gross omnibus account segregation client transactions and the indirect client transactions automatically transferred to a substitute client or a substitute clearing member?

No, a series of conditions must be met before transactions and the assets provided as margin can be transferred to a substitute client or a substitute clearing member. These conditions are set out in detail in the indirect client documentation with the clearing member, the client and the indirect client.

Furthermore, in each case the indirect client requires a substitute client or a substitute clearing member which consents to assuming the transactions. The indirect client can designate a substitute client or a substitute clearing member in advance. However, this substitute client or substitute clearing member will not generally be able to commit to a transfer of transactions before the Bank defaults, but will link the transfer to meeting certain conditions.

If an indirect client has not designated a substitute client and substitute clearing member in advance and the clearing member and the Bank have not made any arrangement in advance, it is less likely that transactions can be transferred if the Bank defaults.

If a transfer occurs, under certain circumstances the indirect client transactions and client transactions are initially terminated. It can thus not be excluded that to continue the transactions transferred to a substitute client or a substitute clearing member, the transactions between this substitute client and the substitute clearing member must then be re-established. However, the details depend on the relevant agreements between clearing member, client, indirect client as well as substitute client and substitute clearing member.

In addition, you should consider the porting structure by the clearing member and the rules of the CCP. It is possible that a transfer is stipulated only if all indirect clients whose transactions are posted on the relevant gross omnibus client account agree on the same substitute client or the same substitute clearing member and consent to the transfer to this substitute clearing member. In light of this it should be anticipated that a transfer is only rarely successful.

In the case of a transfer, the respective CCPs themselves will not implement any transfer measures in respect to the clearing member and only if a gross omnibus client account has been successfully transferred will reproduce the instructions of the clearing member in their systems.

What happens if a transfer for a gross omnibus client account is not possible?

The clearing member can stipulate specific deadlines and conditions for a transfer. If the transfer does not take place within this period, or if the conditions for the transfer are not met or if a transfer fails due to legal obstacles, it is likely that the clearing member is entitled to terminate and settle the client transactions in respect to the indirect client and in this settlement to take into account the assets received as margin (cf. below “In the case of a Bank default, what happens if Bank transactions are terminated and settled by the clearing member?”).

The deadlines and conditions for a transfer can vary between various clearing members.

If an indirect client wants to transfer transactions, it must submit a statement to this effect to the clearing member and, where necessary, prove the clearing member that the other conditions for the transfer can be met within the transfer period stipulated by the clearing member. The details, including the form of the statement and proof that the conditions are met, are provided in the agreement between clearing member, Bank and indirect client.

In the case of a Bank default, what happens if Bank transactions are terminated and settled by the clearing member?

If the clearing member terminates and settles the client transactions with the Bank, the corresponding indirect client transactions between the Bank and it are often terminated and settled on the basis of a single settlement receivable. In this case, termination and settlement are performed in accordance with the indirect client clearing agreement.

On the basis of the client clearing agreement, the clearing member will determine a single settlement receivable between the clearing member and the Bank which takes particular account of the (excess) margin payments made by way of title transfer. In this connection the clearing member will also include its close-out expenses in respect to the CCPs in relation to the client-related CCP transactions and the margin held by it and provided by the Bank. If the termination and settlement result in a payment obligation of the clearing member, depending on the level of segregation the following apply:

- With the gross omnibus client account the clearing member, to the extent that it can determine the amount of the share relating to the indirect client, can pay out this amount directly to the indirect client. If the clearing member does not know the identity of the entitled indirect client and/or cannot determine it or cannot pay the full amount to the indirect client (for whatever reason), the clearing member pays the amount calculated to the Bank (or its insolvency administrator) for the account of the indirect client.

- In the case of the net omnibus client account, the clearing member pays the calculated amount to the Bank (or its insolvency administrator) for the account of the indirect client.

Between the Bank and the indirect client a single settlement receivable is then also calculated on the basis of the indirect client clearing agreement. What are generally used here are the calculations that the clearing member has made in respect to the client transactions. If the margin was provided by way of title transfer, then the value of the margin provided is used in calculating the single settlement receivables.

If after termination and settlement the client has a single settlement receivable against the Bank on the basis of the indirect client clearing agreement, then the assertion of this receivable may be subject to the applicable insolvency law. It is likely that the indirect client has an unsecured insolvency claim against the Bank. Otherwise, the applicable insolvency law regulates the extent to which the indirect client participates in the payment of the clearing member to the Bank (or its insolvency administrator) for the account of the indirect client.

Otherwise, with a gross omnibus client account any payments made directly from the clearing member to the indirect client are deducted from a single settlement receivable of the indirect client against the Bank.

What are the risks in the case of a clearing member default?

In the case of a default of a clearing member, in relation to the risks of omnibus account segregation the remarks in section A under “What happens if the clearing member defaults according to a CCP’s rules?” and

“Are client-related CCP transactions and assets automatically transferred to a substitute clearing member?” apply. If the Bank suffers a loss in this context, the indirect client is exposed to the risk of having to bear this loss in its internal relationship with the Bank.

What are the additional insolvency risks with indirect clearing?

The remarks in section C. apply in principle for the indirect clearing with the following special factors:

- In general, if the Bank defaults indirect clients have no direct claims against the CCP and against the clearing member deployed by the Bank; with a gross omnibus client account the situation can be different in connection with transfer (porting) options granted by the clearing member.

- It is possible that you will then not recover assets (in full) if the clearing member defaults and in the internal relationship to the Bank you are obliged to bear the resulting consequences.

- Many of the client-protection provisions do not result from the CCP rules and the applicable law, but from an additional agreement with the clearing member, the Bank and you and/or the relevant applicable law. It should be noted that, under certain circumstances, multiple jurisdictions can be relevant. You should therefore obtain an overview of the situation and in particular consider the information provided by the respective clearing member and the Bank in your choice of the client account segregation model and of the associated level of protection.

- The extent to which Art. 102b EGInsO relates to porting measures of a clearing member is currently open.

Due to the complexity arising from the interplay of multiple jurisdictions, it can be useful to seek legal advice on this matter.

Part 2 Overview of the key differences between the different client account segregation models offered by CCPs

As described in Part 1, each CCP must offer at least omnibus client account segregation and individual client account segregation. Per CCP we thus also offer you different account segregation models on the the respective CCP models are based. The respective structure of the account segregation models offers can vary from CCP to CCP.

In making a decision for a specific account segregation model, you need to assess and weight different risks which are immanent to the account segregation models. In what follows, we present some risks which are relevant for your decision. You can also refer to the corresponding publications of the CCPs on their account segregation models as to whether and the extent to which you are exposed to these risks with the individual account segregation models. Furthermore, you should analyse and under the risks from the client clearing agreement. For this reason you must examine the information and contractual documentation provided by the CCPs as well as the client clearing agreement in order to understand fully the risks of the respective account model.

Selected individual risks related to the individual account types	**Explanation of the risk**
Transmission risk	Whether you are exposed to the risk of a Bank default at any time in the process of providing or receiving collateral.
Risk assumption for other clients	Whether assets provided for your client-related CCP transaction can also be used for CCP transactions of other clients in the case of a Bank default.
Liquidation risk	Whether in the case of transferring (porting) client-related CCP transactions and related collateral to another clearing member there is the risk that non-case assets are liquidated.
Haircut risk	Whether the CCP valuation of the assets provided by you as collateral corresponds with your valuation or the CCP valuation (considerably) deviates as a result of a haircut.
Commutisation risk	Whether the value of the assets for your client-related CCP transactions develop differently than you expect because the assets for other client-related CCP transactions have lost value.
CCP insolvency risk	Where you are exposed to a risk in the case of insolvency or any other CCP default.

Appendix

References to information documents of selected CCPs

The following references have been added only to facilitate your orientation. If the links do not take you to the relevant web pages of the respective CCP, please contact the CCP directly to obtain the required documentation.

Eurex Clearing AG:

www.eurexclearing.com

➔ Link:

http://www.eurexclearing.com/blob/284984/4ff593ada08be3d8994e2c1ce579d33a/data/EMIR_disclosure_document_39.pdf

LCH Clearnet Ltd:

www.lchclearnet.com

➔ Link:

http://www.lchclearnet.com/documents/731485/762693/Legal+Implications+Article+39.7

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