

CC&G ICDS Netting Rules

Version 1.54

~~30 settembre~~ 15 ottobre 2013

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1. Netting Rules

Netting keys

For the activity carried out in the market by the Clearing Members¹, the Clearing member can opt for two model:

- the netting model (model A) that creates:
 1. a net settlement balance for the positions registered in the house account of the Clearing Member;
 2. a net settlement balance for the positions registered in the client account of the Clearing Member;
- the aggregating model (model C) that creates:
 1. a balance obtained aggregating the long positions registered in the house account of the Clearing member;
 2. a balance obtained aggregating the short positions registered in the house account of the Clearing member;
 3. a balance obtained aggregating the long positions registered in the client account of the Clearing member;
 4. a balance obtained aggregating the short positions registered in the client account of the Clearing member;

For the activity carried out in the market by Non Clearing Members, the General Clearing Member can choose to adopt one of the following models:

- Model A: in this case the activity carried out in the market by the Non Clearing Member is netted and contributes to the determination of the settlement balances of the client account of the GCM. If the GCM adopt the model A for other NCM and the model A for its own activity, all these positions are netted together.
- Model B: in this case the activity carried out in the market by the Non Clearing Member is segregated from the General Clearing Member's activity and the following settlement balances are created:
 1. a net settlement balance for the positions registered in the house account of the NCM;
 2. a net settlement balances for the positions registered in the client account of the NCM;
- Model C: in this case, the activity carried out in the market by the Non Clearing Member is aggregated in purchases and sells and contributes to the determination of the settlement balances of the client account of the GCM. If the GCM adopt the model C for other NCM or the model C for its own activity, all the long positions of these members are aggregated together and, in the same way, all the short positions are netted together.

¹Direct Participant stands for Individual Participant or GCM.

- Model D: in this case the activity carried out in the market by the Non Clearing Member is segregated from the General Clearing Member's activity and the following settlement balances are created:
 1. a balance obtained aggregating the long positions registered in the house account of the Non Clearing member;
 2. a balance obtained aggregating the short positions registered in the house account of the Non Clearing member;
 3. a balance obtained aggregating the long positions registered in the client account of the Non Clearing member;
 4. a balance obtained aggregating the short positions registered in the client account of the Non Clearing member;

With reference to the decisions of the General Clearing on the Model, please note that when the activity of several Non Clearing Members contribute to the determination of the balances in the account-third of the GCM, the models must be the same: all net or all aggregates.

As a result will not be allowed the following configurations:
GCM model-Net and Non-Clearing Model C;
GCM-aggregate model and Non-Clearing Model A
some Non Clearing Members model A, other model C.

Netting keys 1

This model is applied to:
Clearing Members - model A
Non Clearing Members - model A

- Non Clearing Members
- House Account /Client Account of the Clearing Member *
- ISIN
- currency
- Settlement date
- Settlement agent (associated to Clearing Member)
- Settlement account (associated to each Member / Account)

* the positions registered in the client and house account of NCMs for whom the model A was chosen are considered – to this end - as position of the Clearing member client account

Netting keys 2

This model is applied to:

Non Clearing Members – Model B

- House Account / Client Account of the Non Clearing Member
- ISIN
- currency
- Settlement date
- Settlement agent (associated to Clearing Member)
- Settlement account (associated to each Non Clearing Member / Account)

Netting keys 3

This model is applied to:

Clearing Members - model C

Non Clearing Members - model C

- Clearing Member
- House Account /Client Account of the Clearing Member*
- ISIN
- currency
- Settlement date
- long/short positions
- Settlement agent (associated to Clearing Member)
- Settlement account (associated to each Member / Account)

* the positions registered in the client and house account of NCMs for whom the model C was chosen are considered – to this end - as position of the Clearing member client account

Netting keys 4

This model is applied to:

Non Clearing Members - model D

- Non Clearing Member
- House Account / Client Account of the Non Clearing Member
- ISIN
- currency
- Settlement date
- long /short positions
- Settlement agent (associated to Clearing Member)
- Settlement account (associated to each Non Clearing Member / Account)

2. Registration of fails in the Members' accounts

For the activity carried out on the market by the Clearing Members, CC&G creates two balances, one for the activity in their house account and the other one for the activity in

their client account and therefore any fail is recorded respectively in the House account or in the Client Account of the Clearing Member.

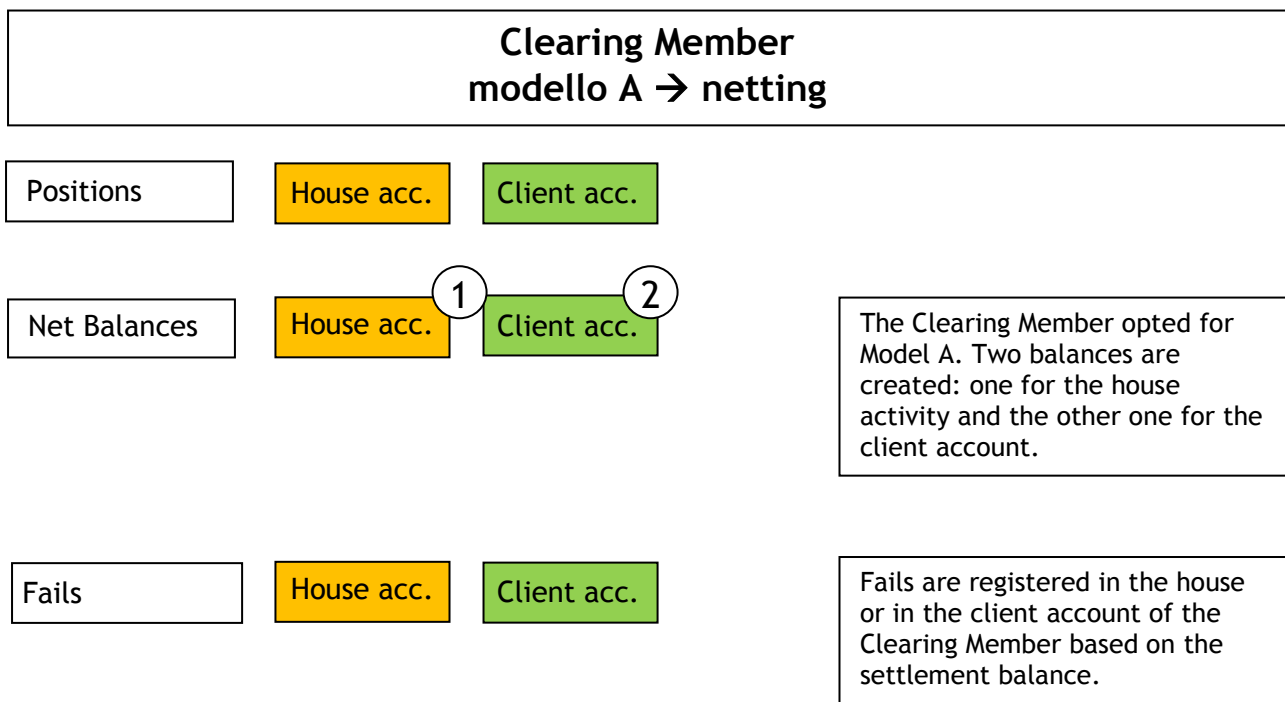
For the activity carried out on the market by the Non Clearing Members, CC&G will record any fail depending on the model chosen for the creation of settlement balances for the Non Clearing Member in question. In particular:

- If the model A or C is chosen, the activity carried out on the market by the Non Clearing Member shall contribute to the determination of the settlement balance of the Client account of the GCM and consequently fails are registered in the client account of the GCM;
- If the model B or D is chosen, the activity carried out on the market by the Non Clearing Member is segregated for the determination of the settlement balances from the General Clearing Member and CC&G creates two or four balances respectively:
 Model B - one for House account and the other one for Client account;
 Model D – two balances for aggregation of sales and purchases of the House account; two balances for aggregation of sales and purchases of the Client account.

Therefore fails are recorded respectively in the house account and in the client account of the relevant Non Clearing Member.

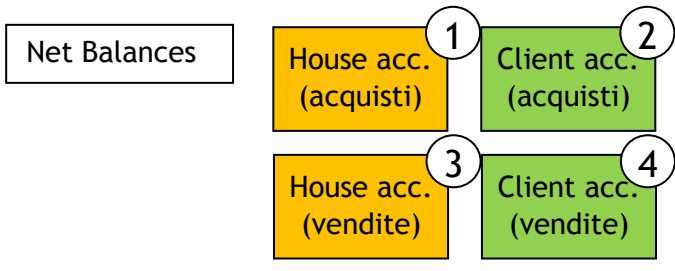
3. Link between positions, settlement balances registration of fail in clearing accounts

The following table illustrates the link between contractual positions recorded in the clearing accounts, settlement balances and registration of fail in clearing accounts. Examples on the creation of balances and registration of fail in the clearing account are given in the Annexes to this document.



**Clearing Member
Modello C → aggregation**

Positions House acc. Client acc. Mod. C

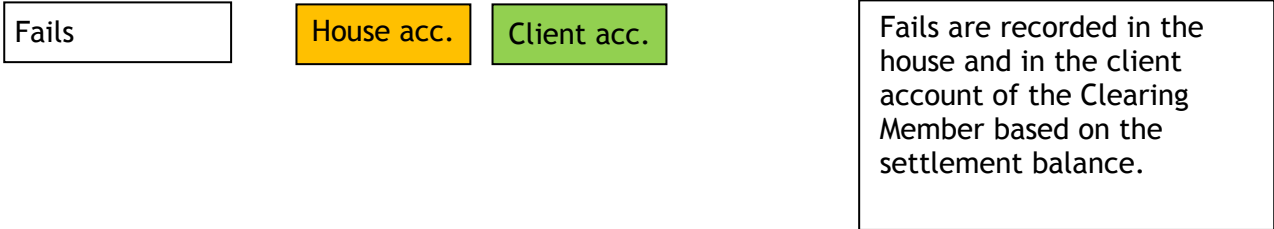
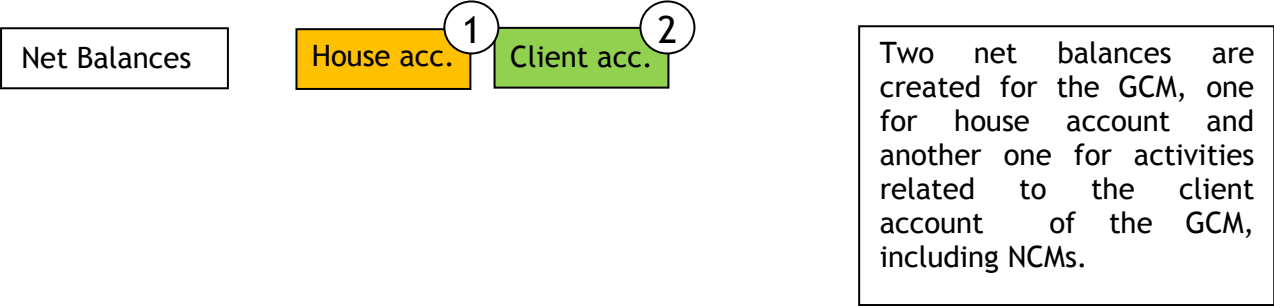
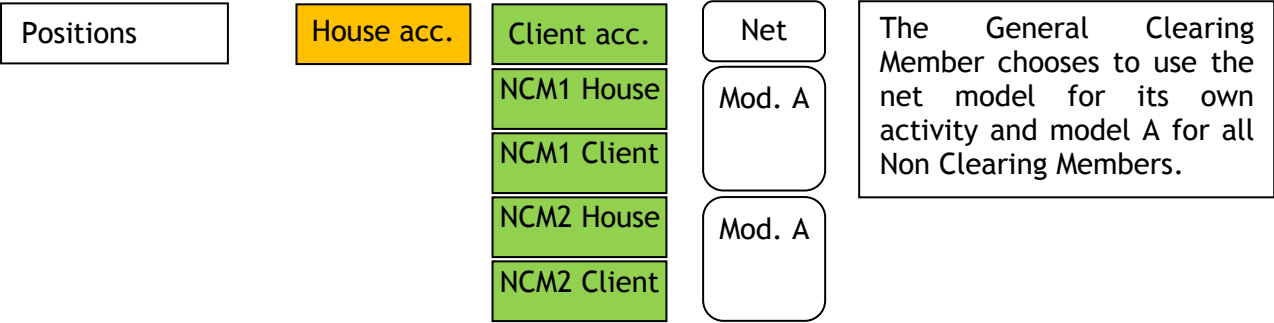


Four balances are created: two balances for the aggregation of purchases and sales respectively both for house and client accounts.

Fails House acc. Client acc.

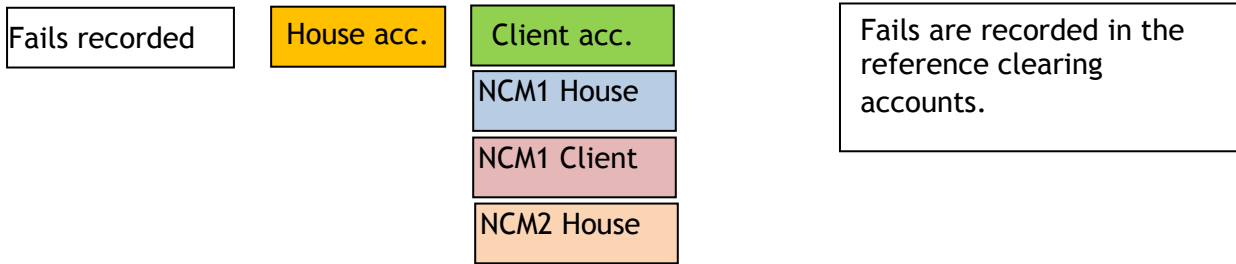
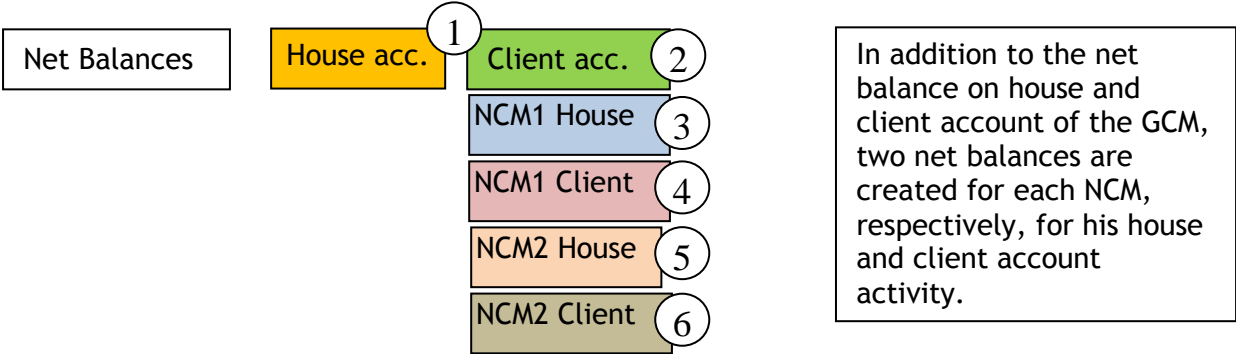
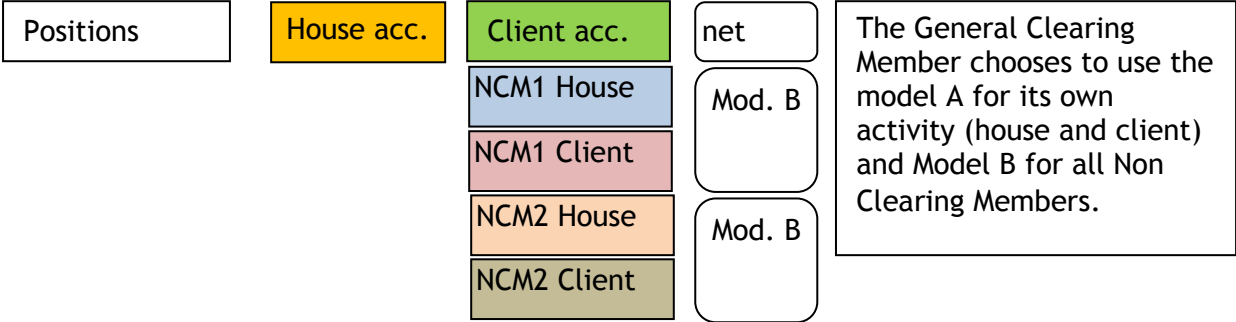
Fails are registered in the house or in the client account of the Clearing Member based on the settlement balance.

General Clearing Member
 - Clearing member → Model A - netting
 - all Non Clearing Members → Model A (in the GCM/net)

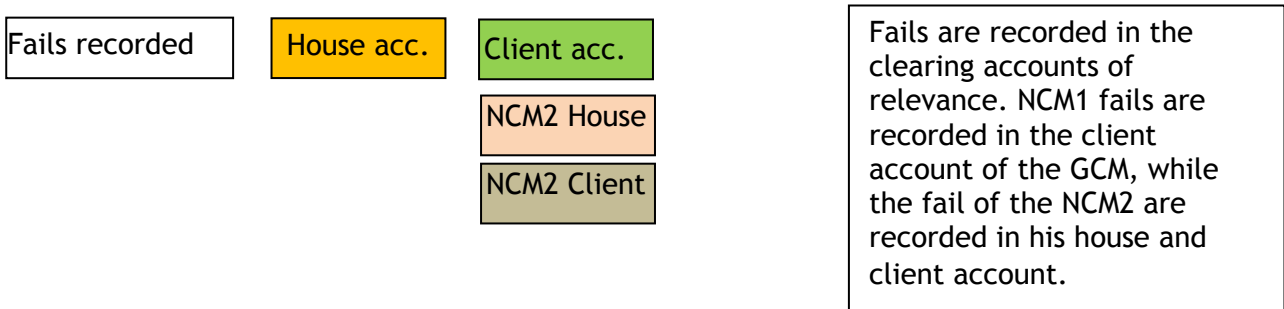
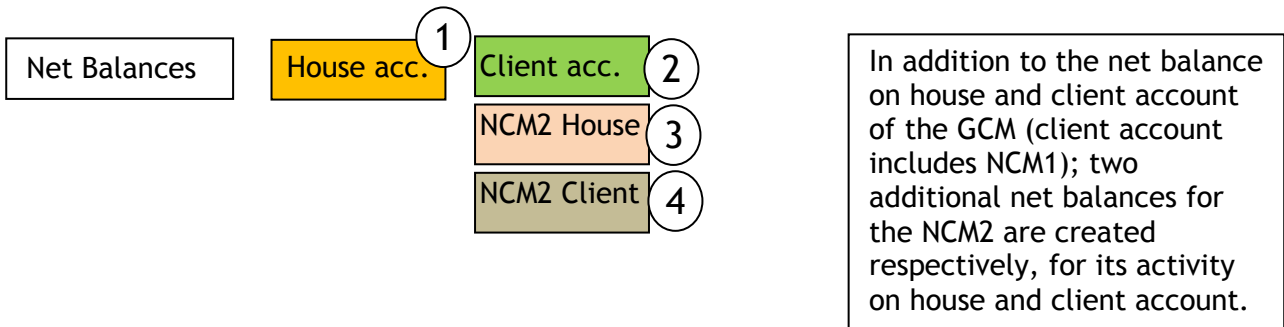
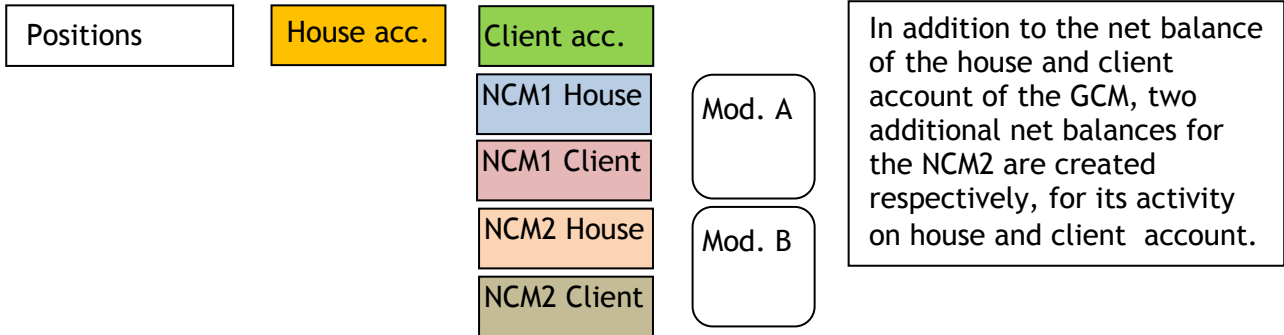


General Clearing Member:

- Clearing Member → Model A - netting
- all Non Clearing Members → Model B (separate balances/net rule)



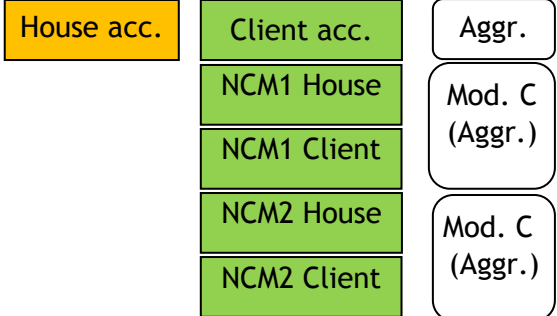
General Clearing Member:
Clearing member → Model A - netting
Some Non Clearing Members → model A (balances with GCM/net)
Some Non Clearing Members → model B (separate balances/net)



General Clearing Member:

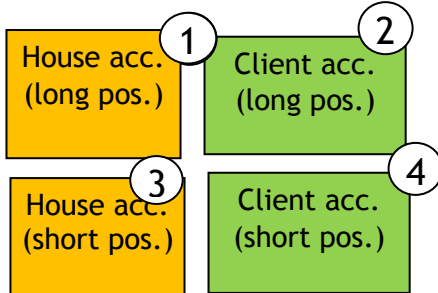
- Clearing Member → Model C - aggregation
- All Non Clearing Members → Model C (balances with GCM/aggreg.)

Positions



All NCM are grouped in the client account of the GCM. All Purchases and sells of the GCM and of the NCM are aggregated together respectively.

Balances



Four balances are created: one for purchases and another one for the sales executed by the GCM in the house account. Other two, one for the purchases and the other one for the sales executed by the GCM in the client account and by the NCMs in the house and client account

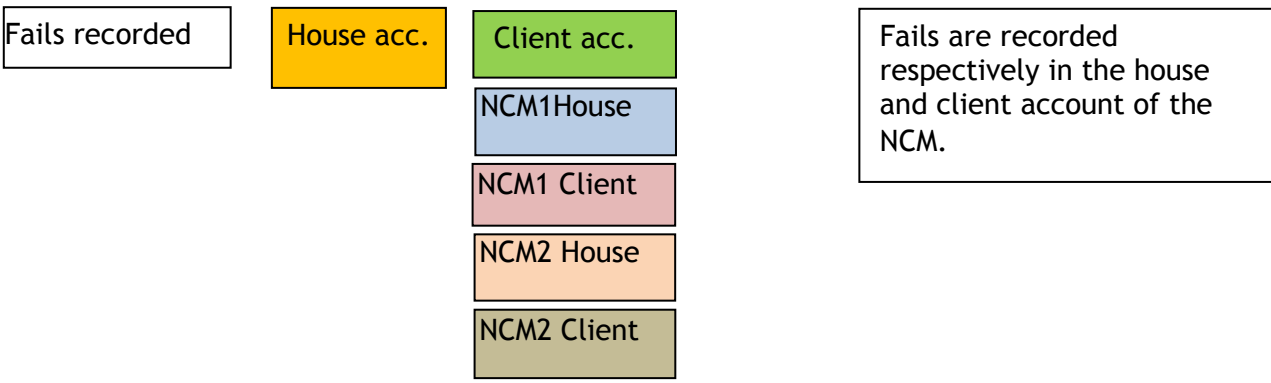
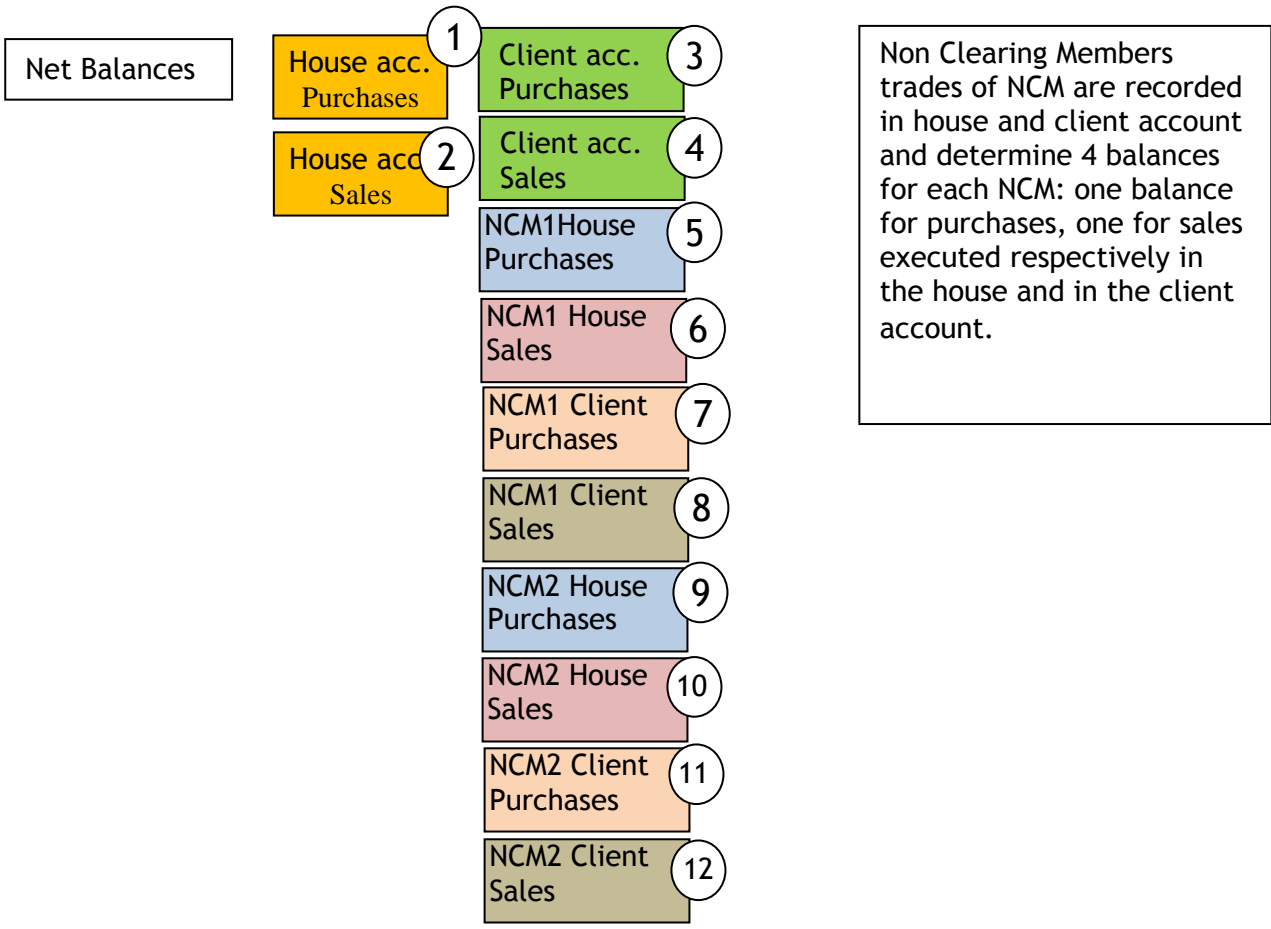
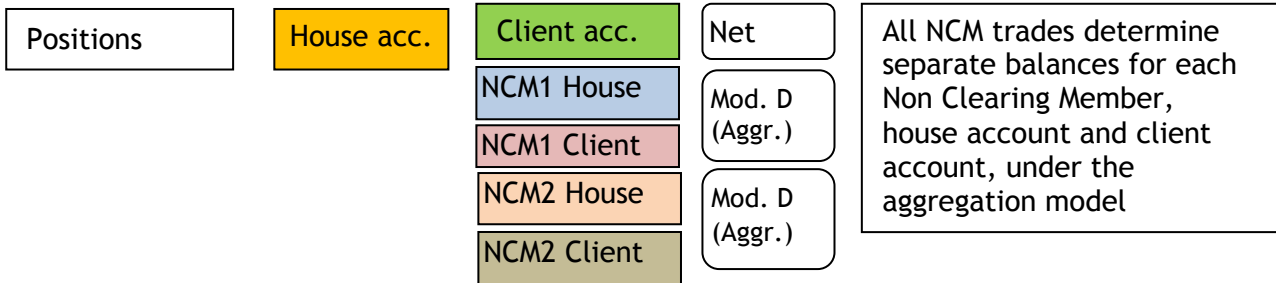
Fails



Fails are recorded in the house and in the client account of the Clearing Member based on the settlement balance.

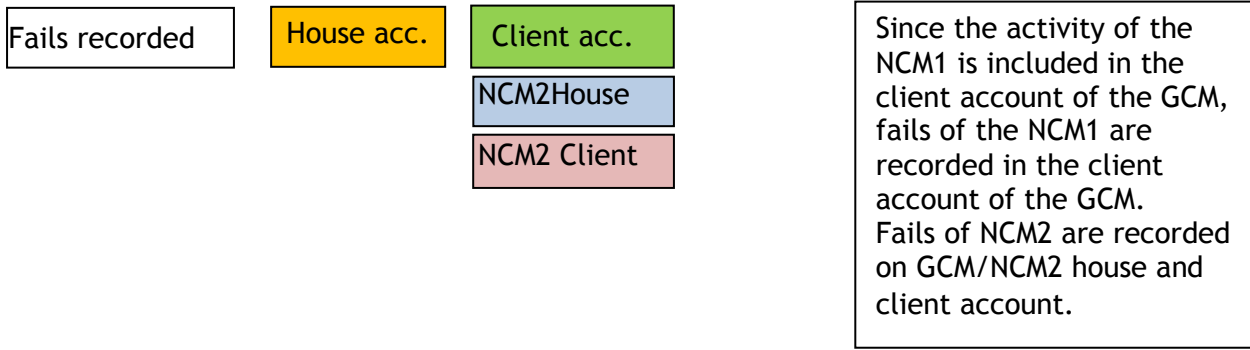
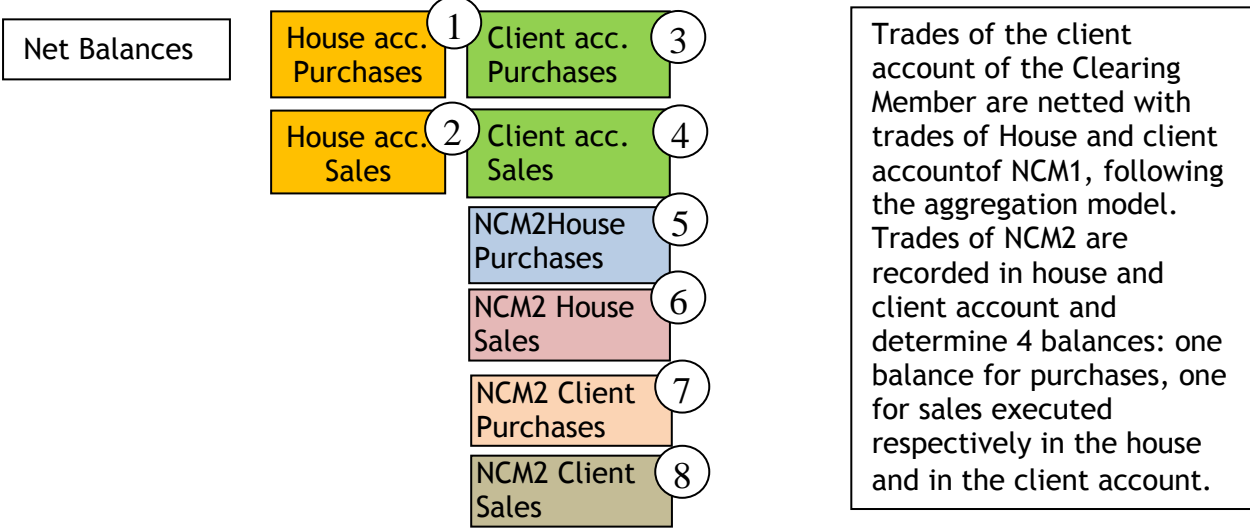
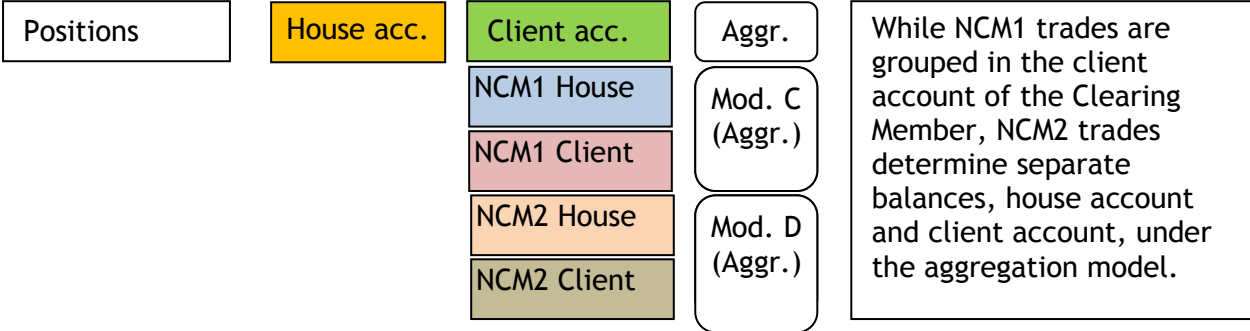
General Clearing Member:

- Clearing Member → Model C - netting
- All Non Clearing Members → Model D(separate balances/net)



Partecipante Generale:

- Partecipante diretto → Modello C - netting
- Some Clearing Members → model C (net with GCM /aggreg.)
- Some Clearing Members → model D (separate balances/aggreg.)



4. Settlement Agents

The Clearing Member may appoint a Settlement Agent different from the one used for the other Sections, i.e. the Settlement Agent for the ICSDs can be different from that used in Express II.

5. Settlement Accounts

The system allows you to specify the settlement account to be used for the activity recorded in each account (house account / client account). General Clearing Member can indicate the settlement account for each account (house account / client account) of each Non Clearing Member.

6. Strange Nets

Following the Netting, a Strange net could arise. In such a case, being not possible the creation of a DVP/RVP settlement instruction, CC&G will create settlement instructions according to what is indicated in the following table in the column denominated "Instruction":

	Securities	Cash	Net type	Instruction
1	Delivery	Withdrawal	Ordinary	DVP (ordinary)
2	Withdrawal	Delivery	Ordinary	RVP (ordinary)
3	Delivery	Zero	Just Securities	Two ordinary instructions (better DVP or RVP) determined by the aggregation respectively of sales and purchases
4	Withdrawal	Zero	Just Securities	
5	Delivery	Delivery	same direction	
6	Withdrawal	Withdrawal	Same direction	
7	Zero	Withdrawal	Just Cash	
8	Zero	Delivery	Just Cash	
9	Zero	Zero	Zero	

7. Shaping

In case the nominal value of the instruction should be higher than a pre-determined amount, the instruction ~~could will~~ be split in more than an instruction. Thresholds will be defined for each currency.

The shaping is implemented after that the balances are sent to the settlement service.

CC&G will make available to the Members the data file D26A and the report MD21 and to the Settlement Agent the data file D26B and the report MD22 that will indicate the canceled operation and the new operations.

8. Annex- Example of Nets Creation

General Clearing Members:

Clearing member → model A - netting

all the Non Clearing Members → Model A

Member	Type	Netting Model
EEE	GCM	A
AAA	NCM1	A
BBB	NCM2	A

	Trading member	Account	CC&G Membership	Settlement Agent	Settlement Account	Positions
	EEE	H	EEE	SSS	122	+110
	EEE	C	EEE	SSS	122	-90
	AAA	H	EEE	SSS	122	+30
	AAA	C	EEE	SSS	122	-5
	BBB	H	EEE	SSS	122	-35
	BBB	C	EEE	SSS	122	+65

Settlement balances

	Trading member	Account	CC&G Membership	Settlement Agent	Settlement account	Settlement netting
1	EEE	H	EEE	SSS	122	+110

fails are registered in the House account of EEE

	Trading member	Account	CC&G Membership	Settlement Agent	Settlement account	Settlement netting
2	EEE	C	EEE	SSS	122	-35
3	AAA	H	EEE	SSS	122	
4	AAA	C	EEE	SSS	122	
5	BBB	H	EEE	SSS	122	

6	BBB	C	EEE	SSS	122	
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fails are registered in the Client account of EEE

General Clearing Members:
Clearing Member → Model A - netting
All the Non Clearing Members → Model B

Member	Type	Netting Model
EEE	GCM	A
AAA	NCM1	B
BBB	NCM2	B

	Trading member	Account	CC&G Membership	Settlement Agent	Settlement Account	Positions
1	EEE	H	EEE	SSS	122	+110
2	EEE	C	EEE	SSS	122	-90
3	AAA	H	EEE	SSS	122	+30
4	AAA	C	EEE	SSS	122	-5
5	BBB	H	EEE	SSS	122	-35
6	BBB	C	EEE	SSS	122	+65

Settlement balances

	Trading member	Account	CC&G Membership	Settlement Agent	Settlement Account	Settlement netting
1	EEE	H	EEE	SSS	122	+110

fails are registered in the House account of EEE

	Trading member	Account	CC&G Membership	Settlement Agent	Settlement Account	Settlement netting
2	EEE	C	EEE	SSS	122	-90

fails are registered in the Client account of EEE

	Trading member	Account	CC&G Membership	Settlement Agent	Settlement account	Settlement netting
3	AAA	H	EEE	SSS	122	+30

fails are registered in the House account of AAA

	Trading member	Account	CC&G Membership	Settlement Agent	Settlement account	Settlement netting
4	AAA	C	EEE	SSS	122	-5

fails are registered in the Client account of AAA

	Trading member	Account	CC&G Membership	Settlement Agent	Settlement Account	Settlement netting
5	BBB	H	EEE	SSS	122	-35

fails are registered in the House account of BBB

	Trading member	Account	CC&G Membership	Settlement Agent	Settlement Account	Settlement netting
6	BBB	C	EEE	SSS	122	+65

fails are registered in the Client account of BBB

General Clearing Members:

Clearing member → Model A - netting

Non Clearing Members → Models A and B

Member	Type	Netting Model
EEE	GCM	A
AAA	NCM1	A
BBB	NCM2	B

	Trading member	Account	CC&G Membership	Settlement Agent	Settlement Account	Positions
1	EEE	H	EEE	SSS	122	+110
2	EEE	C	EEE	SSS	122	-90
3	AAA	H	EEE	SSS	122	+30
4	AAA	C	EEE	SSS	122	-5
5	BBB	H	EEE	BBB	123	-35
6	BBB	C	EEE	BBB	123	+65

Settlement balances

	Trading member	Account	CC&G Membership	Settlement Agent	Settlement account	Settlement netting
1	EEE	H	EEE	SSS	122	+110

fails are registered in the House account of EEE

	Trading member	Account	CC&G Membership	Settlement Agent	Settlement account	Settlement netting
2	EEE	C	EEE	SSS	122	-65
3	AAA	H	EEE	AAA	122	
4	AAA	C	EEE	AAA	122	

fails are registered in the Client account of EEE

	Trading member	Account	CC&G Membership	Settlement Agent	Settlement account	Settlement netting
5	BBB	H	EEE	BBB	123	-35

fails are registered in the House account of BBB

	Trading member	Account	CC&G Membership	Settlement Agent	Settlement account	Settlement netting
6	BBB	C	EEE	BBB	123	+65

fails are registered in the Client account of BBB

General Clearing Members:

Clearing member → Model C - aggregation

all the Non Clearing Members → Model C (balances at GCM/aggregation)

Member	Type	Netting Model
EEE	GCM	C
AAA	NCM1	C
BBB	NCM2	C

Trading member	Account	CC&G Membership	Settlement Agent	Settlement Account	Positions
EEE	H	EEE	SSS	122	+110
EEE	H	EEE	SSS	122	-100
EEE	C	EEE	SSS	122	-90
AAA	H	EEE	SSS	122	+30
AAA	C	EEE	SSS	122	-5
BBB	H	EEE	SSS	122	-35
BBB	C	EEE	SSS	122	+65

Settlement balances

	Trading member	Account	CC&G Membership	Settlement Agent	Settlement account	Settlement netting
1	EEE	H	EEE	SSS	122	+110
2	EEE	H	EEE	SSS	122	-100

fails are registered in the House account of EEE

	Trading member	Account	CC&G Membership	Settlement Agent	Settlement account	Settlement netting
2	EEE	C	EEE	SSS	122	-130
3	AAA	H	EEE	SSS	122	
4	AAA	C	EEE	SSS	122	
5	BBB	H	EEE	SSS	122	+95
6	BBB	C	EEE	SSS	122	

fails are registered in the Client account of EEE

General Clearing Members:
Clearing member → model C (net)
all the Non Clearing Members following the Model D

Member	Type	Netting Model
EEE	GCM	C
AAA	NCM1	D
BBB	NCM2	D

	Trading member	Account	CC&G Membership	Settlement Agent	Settlement Account	Positions
1	EEE	H	EEE	SSS	122	+110
2	EEE	C	EEE	SSS	122	-90
3	AAA	H	EEE	SSS	122	+30
4	AAA	C	EEE	SSS	122	-5
5	AAA	C	EEE	SSS	122	-5
6	BBB	H	EEE	SSS	122	-35
7	BBB	H	EEE	SSS	122	-10
8	BBB	C	EEE	SSS	122	+65

Settlement balances

	Trading member	Account	CC&G Membership	Settlement Agent	Settlement Account	Settlement netting
1	EEE	H	EEE	SSS	122	+110

fails are registered in the House account of EEE

	Trading member	Account	CC&G Membership	Settlement Agent	Settlement Account	Settlement netting
2	EEE	C	EEE	SSS	122	-90

fails are registered in the Client account of EEE

	Trading member	Account	CC&G Membership	Settlement Agent	Settlement account	Settlement netting
3	AAA	H	EEE	SSS	122	+30

fails are registered in the House account of AAA

	Trading member	Account	CC&G Membership	Settlement Agent	Settlement account	Settlement netting
4	AAA	C	EEE	SSS	122	-10

fails are registered in the Clinet account of AAA

	Trading member	Account	CC&G Membership	Settlement Agent	Settlement Account	Settlement netting
5	BBB	H	EEE	SSS	122	-45

fails are registered in the House account of BBB

	Trading member	Account	CC&G Membership	Settlement Agent	Settlement Account	Settlement netting
6	BBB	C	EEE	SSS	122	+65

fails are registered in the Client account of BBB

General Clearing Members:
Clearing member → model A (net)
Non Clearing Members following Models A and B

Member	Type	Netting Model
EEE	GCM	C
AAA	NCM1	C
BBB	NCM2	D

	Trading member	Account	CC&G Membership	Settlement Agent	Settlement Account	Positions
1	EEE	H	EEE	SSS	122	+110
2	EEE	C	EEE	SSS	122	-90
3	AAA	H	EEE	SSS	122	+30
4	AAA	C	EEE	SSS	122	-5
5	BBB	H	EEE	BBB	123	-35
6	BBB	C	EEE	BBB	123	+5
7	BBB	C	EEE	BBB	123	+65
8	BBB	C	EEE	BBB	123	-10

Settlement balances

	Trading member	Account	CC&G Membership	Settlement Agent	Settlement account	Settlement netting
1	EEE	H	EEE	SSS	122	+110

fails are registered in the House account of EEE

	Trading member	Account	CC&G Membership	Settlement Agent	Settlement account	Settlement netting
2	EEE	C	EEE	SSS	122	-95
3	AAA	C	EEE	SSS	122	

	Trading member	Account	CC&G Membership	Settlement Agent	Settlement account	Settlement netting
4	AAA	H	EEE	SSS	123	+30

fails are registered in the House account of EEE

	Trading member	Account	CC&G Membership	Settlement Agent	Settlement account	Settlement netting
5	BBB	H	EEE	BBB	123	-35

fails are registered in the House account of BBB

	Trading member	Account	CC&G Membership	Settlement Agent	Settlement account	Settlement netting
6	BBB	C	EEE	BBB	123	+70
7	BBB	C	EEE	BBB	123	-10

fails are registered in the Client account of BBB