

AMENDMENT TO THE INSTRUCTIONS ACCOMPANYING CC&G's RULES

MAINTENANCE OF MEMBERSHIP REQUIREMENTS

With the ratification of the withdrawal agreement between the European Union and the United Kingdom pursuant to Article 50 TEU, the United Kingdom ceased, from midnight of 31 January 2020, to be part of the European Union.

In order to maintain the continuity of the legal framework, the withdrawal agreement introduced a transitional period, which is currently in force, under which European Union law will continue to apply in the territory of the withdrawing country until 31 December 2020.

Given the above, CC&G, as a CCP incorporated outside the United Kingdom, initiated a recognition procedure with the Bank of England, in coordination with the competent Supervisory Authorities, in order to continue providing its services in the United Kingdom also after the end of the transitional period. A similar procedure was also initiated concerning the request for designation of the settlement system, in order for CC&G to benefit from the protection under the settlement finality rules within the United Kingdom. Consequently, on 24 January 2019, Bank of England published the list that includes CC&G among: (i) the CCPs based outside the United Kingdom, eligible for the temporary recognition regime in the United Kingdom post-Brexit; and (ii) the financial operators which will benefit from the protection under the settlement finality rules.

As a result, CC&G, as a CCP admitted to the temporary recognition regime applicable to CCPs incorporated outside the United Kingdom, will be able to continue providing its clearing and settlement services to members based in the United Kingdom also after 31 December 2020, without any interruption. The aforementioned temporary recognition regime will last three years, i.e. until 31 December 2023, also subject to an annual extension that may be granted by the Ministry of the Treasury of the United Kingdom.

Thanks to the new regulatory framework described above continuity of access to the central counterparty system managed by CC&G will remain guaranteed in respect to members based in the United Kingdom.

Given the particular nature of the circumstances described, in order to ensure operational continuity for members based in the United Kingdom, the Instructions

accompanying the Rules of CC&G have been supplemented in relation to the maintenance of the membership requirements for the system. It is established that, for this category of members, the conditions and requirements laid down in Article B.2.1.1 and Article B.2.1.2, paragraphs 12 and 13 of the Rules shall be deemed to have been met for a period of 18 months starting from 31 December 2020. This period of 18 months may be renewed by CC&G, in agreement with Consob and Bank of Italy, conditioned upon the fact that the potential extension does not imply risks to financial stability and, in any event, on the condition that no divergent legislative policy developments will emerge in the United Kingdom.

The above applies on the assumption that clearing members based in the United Kingdom, which are presently subject to European Union legislation until 31 December 2020, will then be subject to a regulatory framework – in particular with reference to rules governing clearing and settlement finality, as well as supervision for banks and securities firms - equivalent to that applicable in the European Union.

This amendment is also justified in the light of the European Commission Decision of 21 September 2020 (Commission Implementing Decision (EU) 2020/1308), adopted pursuant to Article 25 (6) of EU Regulation 648/2012 (EMIR), which established the equivalence of the legal and regulatory framework, as well as the supervisory arrangements concerning clearing applicable in the United Kingdom starting from the first of January 2021 and for a period of 18 months.

In line with the Commission's Decision and in coordination with the competent authorities, CC&G reserves the right to take any action it considers necessary if there were to be assessed divergent legislative policy developments in the United Kingdom that may affect the situation described above. It is therefore important for clearing members of to continue to directly monitor any possible development related to Brexit, also evaluating the potential impact on their individual operations.

The amendments to the Instructions will enter into force on 31 December 2020; an excerpt of the amendments is reported below.

INSTRUCTIONS ACCOMPANYING THE RULES

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TITLE B Central Counterparty System

CHAPTER B.1 Membership

Heading B.1.1 Membership

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Article B.1.1.4 Maintenance of membership requirements and Members' obligations

1. *Members* must forward updates of the membership information indicated in Annex B.114 to CC&G at the times and under the circumstances provided for therein, using the forms provided by CC&G available through the CC&G Internet site (www.lseg.com/ccg).
2. Any amendment of settlement accounts relating to positions in the *Equity Derivatives Section*, concerning *Trading Clients*, and of settlement accounts relating to positions in the *ICSD Bond Section* must be notified electronically to the *Clearing Member* using the forms available through the CC&G Internet site (www.lseg.com/ccg), at least 5 *CC&G open days* using the new accounts.
3. Any change in the appointments of Referents and Delegates with management powers exercisable in non-electronic form must be notified by the same methods as used in the application phase, and shall have effect, unless agreed otherwise, from the second *CC&G open day* after that in which the notice is received by CC&G, or on a subsequent date indicated by the *Member* in said notification.
4. *Members* are obliged to notify CC&G, of any failure to maintain membership requirements within the same day in which the said failure has occurred, or has been verified, in order for CC&G to promptly undertake the consequent measures provided for by the *Regulations*. The notification shall be made by registered letter with return receipt, advanced via email.
5. **For entities based in the United Kingdom, which are *General or Individual Members* of CC&G as at 31 December 2020, the conditions and requirements laid down in Article B.2.1.1 and Article B.2.1.2, paragraphs 12 and 13 of the *Rules* shall be deemed to have been met for a period of 18 months starting from that date.**

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