

Euronext Clearing migration

Frequently Asked Questions

JANUARY 2023 – VERSION 1.0



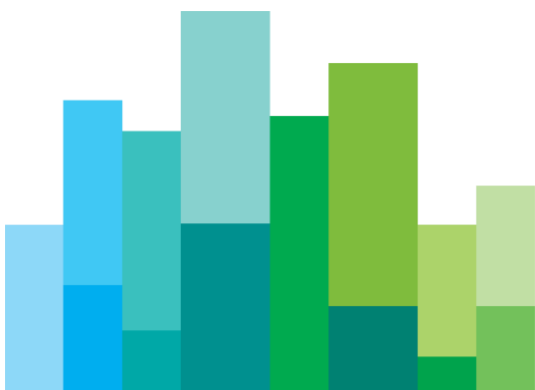
EURONEXT CLEARING

Table of contents

1. BACKGROUND AND GENERAL OVERVIEW	4
PURPOSE	5
BACKGROUND & GENERAL OVERVIEW	5
Why is Euronext undertaking this migration?	5
What are the key milestones I should be aware of?	5
What support will Euronext Clearing provide during the programme?	5
What supporting documentation can I expect to receive?	6
How can I access all documentation that has been released?	6
2. PRODUCTS AND MARKETS IN SCOPE	7
SCOPE OF MARKETS.....	8
Which Euronext markets will migrate in Q4 2023?	8
What is out of scope in Q4 2023?	8
SCOPE OF PRODUCTS	8
Which products within these markets are in scope?	8
What is out of scope in Q4 2023?	8
3. LEGAL AND CONTRACTUAL	9
CONTRACTUAL FRAMEWORK	10
What amendments will be made to membership agreements?.....	10
Is it possible to negotiate these agreements?.....	10
What is the timeline for the release of membership agreements?	10
I am operating both on Euronext Legacy markets and on Italian markets, should I sign a new contract with Euronext Clearing?	11
I am operating both on Euronext Legacy markets and on Italian markets, will I have several contracts at the same time with Euronext Clearing?.....	11
I am operating both on Euronext Legacy markets and on Italian markets, will I have to sign a new contract when the harmonisation will happen for Italian markets? ..	11
Where can I find Euronext Clearing membership agreements?	11
How can I access to the Member Portal and send the Request for Services/Simplified Request for Services?	12
RULEBOOK.....	12
What are the changes made to the Rulebook and Instructions?	12
PRICING	Error! Bookmark not defined.
When will the fee guide for Euronext Clearing services will be released?.....	13
4. CLEARING SERVICES	14
CLEARING SERVICES	15
Where can I find a description of services provided by Euronext Clearing?.....	15

Which currencies will be accepted at Euronext Clearing?	15
ACCOUNT STRUCTURE	15
Which account structure types will be supported?	15
RISK MANAGEMENT	16
What Risk Management methodology will be implemented?	16
5. IT & CONNECTIVITY	17
CONNECTIVITY	18
What technical steps are required to connect to Euronext Clearing (login, security details, certificates...)?	18
REPORTS	18
What reporting which will be provided by Euronext Clearing and how can I access them?.....	18
Will there be a web application available for Clearing Members?	19
6. TESTING & MIGRATION STRATEGY	20
TEST PHASE	21
What are the notable dates related to the Test phase?	21
How will I be able to connect to the test environments during the migration?	21
Where can I find the forms to configure my Account Structure and Connectivity for the testing phase?	21
Can I expect any documentation to help me build my Test Plan?	21
Will all functionalities be available for testing in March?	21
When would you be planning the 'Pilot Programme' testing (more complex coordinated testing incl. Buyer Protection/Buy-Ins)?	22
What will be the impacts of the migration for Trading Members?	22
What does it mean to be part of the pilot programme?	22

1. BACKGROUND AND GENERAL OVERVIEW



PURPOSE

This document has been created to capture some of the key questions that Clearing Members may have in relation to the migration of Euronext clearing activities to Euronext Clearing.

It will be a dynamic document, updated to capture new topics that may arise and require clarification. It will be published on the [Connect customer portal](#).

BACKGROUND & GENERAL OVERVIEW

Why is Euronext undertaking this migration?

On 9 November 2021, Euronext announced that it would grow CC&G into Euronext Clearing, making it Euronext's CCP of choice for its cash equity, listed derivatives and commodities markets.

Clients will have access to a harmonised clearing framework across the Euronext venues, providing one single platform for clients to access information on collateral, risk, and clearing.

Euronext Clearing will deliver improved netting efficiencies to customers, a new Value at Risk (VaR) management framework offering increasingly efficient and resilient solutions for risk capture and allocation, cutting-edge technology, and many other benefits through the simplification of the post-trade value chain.

What are the key milestones to be aware of in this project?

The Euronext Clearing programme is divided into three main milestones:

- Milestone 1: VaR core + add-ons for Italian markets: 9 October 2023
- Milestone 2: Cash Equity migration and VaR core + add-ons for Euronext Legacy markets:
 - Euronext Brussels: 23 October 2023;
 - Euronext Amsterdam, Dublin, Lisbon and Paris: 6 November 2023;
- Milestone 3: Derivatives & Commodities migration for all markets (Q3 2024).

What support will Euronext Clearing provide during the programme?

Euronext Clearing has launched a dedicated Client Services & Onboarding team to provide client support throughout the migration programme and beyond. The team will co-ordinate any questions you may have on the programme, triage technical and

functional questions, and be your main point of contact through the external user testing phase, which begins in late March 2023.
















The team can be reached on the following contact details:

Email: ccp-readiness@euronext.com

Phone: +390632395230

What supporting documentation can I expect to receive?

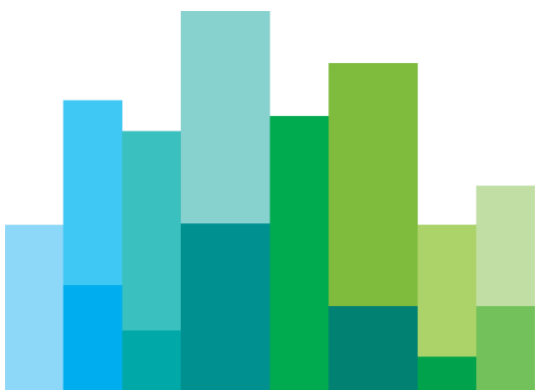
Please find below a table outlining the timeline and scope of client documentation being provided during the programme. We will update this table in future versions of this FAQ document.

DOCUMENT	DUE DATE	MARKET
Technical documentation VaR ✓	20 June 2022	
Clearing guide "How Clearing Works" ✓	30 June 2022	
Specifications V1 ✓	19 July 2022	
Specifications final version ✓	30 September 2022	
API specifications first version ✓	2 November 2022	
API specifications second version ✓	27 December 2022	
Contracts and Files to collect Static Data ✓	January 2023	
Connection specifications (incl. technical manual with security details and certificates)	January 2023	
Rulebook and Instructions	February 2023	
API specifications third version	February 2023	
Migration guidelines V1	February 2023	
UI User Guide	February 2023	
Test book	March 2023	
Fee guide	March 2023	
Technical documentation VaR (add-ons)	March 2023	

How can I access all documentation that has been released?

We are sending documentation to our existing distribution list of key contacts via email as each document is published or updated. If you feel like you are not received the documentation, feel free to contact us at ccp-readiness@euronext.com so we can add you to the distribution list. Documents will also be made available on the [Connect customer portal](#).

2. MARKETS & PRODUCTS IN SCOPE



SCOPE OF MARKETS

Which Euronext markets will migrate in Q4 2023?

Euronext Clearing will become the default CCP for Euronext Amsterdam, Brussels, Dublin, Lisbon and Paris Cash Markets in Q4 2023.

What is out of scope in Q4 2023?

Italian Cash Equities, Italian Fixed Income, Oslo Cash Equities markets are not in the scope of this migration.

Further harmonisation opportunities on cash markets will be reassessed at a later stage.

SCOPE OF PRODUCTS

Which products within these markets are in scope of the Cash Equity migration?

The following products are within the scope of the Cash Equity migration Q4 2023 migration:

- Equities (COB and TCS);
- ETFs;
- Cash Bonds;
- Warrants;
- Amsterdam Open-Ended Funds;
- Instruments traded on Euronext Block (Euronext ISINs only).

What is out of scope in the Cash Equity migration?

The following products are not included within the scope of the Cash Equity migration Q4 2023 migration:

- Instruments traded on Euronext Block (non-Euronext ISINs);
- OTC cleared trades going through Saturn;
- Instruments with bilateral settlement (non-cleared warrants);
- Delta neutral cash leg;
- Derivatives exercises and assignments.

3. LEGAL AND CONTRACTUAL FRAMEWORK



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CONTRACTUAL FRAMEWORK

What amendments will be made to membership agreements?

Euronext Clearing has updated the current contractual framework to implement the necessary changes to reflect the new features and rules of the CCP.

Apart from general updates to the terminology and definitions, the following amendments have been made in terms of the structure of the contractual relationship with the CCP, in line with the amendments to the Rules and Instructions:

- 1) Trading Clients operating on the Euronext Markets affected by the migration will not have a contractual relationship with Euronext Clearing. On a temporary basis, Trading Clients operating on Borsa Italiana will maintain their existing contractual relationship with Euronext Clearing until further notice. As a consequence, Trading Clients operating on the Euronext Markets subject to this migration are not included in the specific section of the Request for Services form and are not requested to sign it.
- 2) As a consequence of the simplification of the rules on default management, "Members pro-tem" are removed from the Request for Services and General Terms and Conditions as such entities are not relevant for the purpose of Euronext Clearing Default Management Process and will not be requested to sign the Request for Services.

Is it possible to negotiate these agreements?

The contractual framework has been designed to align all Clearing Members on the same standard Terms & Conditions to ensure equal treatment of all members. Therefore, these agreements are non-negotiable. Of course, Euronext Clearing teams are available to clarify any points and answer questions that Clearing Members may have on the legal documentation.

What is the timeline for the release of membership agreements?

Euronext Clearing will release its membership agreements package in January 2023.

Clearing Members are then expected to sign the Request for Services or Simplified Request for Services by the end of May 2023.

I am operating both on Euronext Legacy markets and on Italian markets. Should I sign a new contract with Euronext Clearing?

It is expected that Clearing Members already operating with Euronext Clearing will maintain their existing contract in force, extending membership to the specific section of the Clearing Service for Euronext Markets where necessary and applicable. In that respect, Clearing Members already active on the Italian Markets should sign the simplified Request for Services.

I am operating both on Euronext Legacy markets and on Italian markets. Will I have several contracts at the same time with Euronext Clearing?

All sections of the clearing service are regulated by the same set of General Terms and Conditions. However, Clearing Members already operating with Euronext Clearing shall extend the current membership to the new section of the clearing service for Euronext Legacy markets signing a "Simplified Request for Services".

I am operating both on Euronext Legacy markets and on Italian markets. Will I have to sign a new contract when the harmonisation will happen for Italian markets?

No. After the migration of Italian markets, you will still have only one contract, which will harmonise the terms relating to the Italian markets with the terms relating to Paris, Brussels, Lisbon, Amsterdam and Dublin markets. Indeed, your existing contract, which at migration will be extended to the relevant section of the Clearing Service for Euronext Legacy Markets, will remain in force at the time of harmonisation, provided that Euronext Clearing performs the necessary amendments to implement such harmonisation. The amendments will be notified to Clearing Members in advance according to the General Terms and Conditions Part I.

Where can I find Euronext Clearing membership agreements?

The complete membership agreements package (General Conditions Part I, the General Conditions Part II and Rules & Instructions, Request for Services / Simplified Request for Services) is available for consultation on the [Connect customer portal](#).

The Request for Services and the Simplified Request for Services forms are available on the [Member Portal](#) and Clearing Members will be able to sign them through the portal.

How can I access the Member Portal and return the Request for Services/Simplified Request for Services to Euronext?

In order to access the Euronext Clearing Member Portal, go to the [Member Portal](#) and follow the procedure below:

- **For existing Clearing Members:**
 - Access the Member Portal using the credentials of your existing Contract Representative(s);
 - Click on "Membership Management - New Services Request";
 - Select the relevant Section;
 - Generate and sign via DocuSign the 'Simplified Request for Services' (Simplified MRS)

- **For new Clearing Members:**
 - Go to the Member Portal and register your Company;
 - Complete the Application Request indicating the names of the Contract and Legal Representatives;
 - Select the relevant Section;
 - Generate and sign via DocuSign the 'Request for Services' (MRS).

At the end of the process, a confirmation letter will be sent by Euronext Clearing to the person(s) indicated in the form as Contract Representative. Clearing Members will then be required to complete the admission workflow (Membership Request) on the Member Portal.

RULEBOOK

What are the changes that have been made to the Rulebook and Instructions?

The amendments to the Rulebook and Instructions cover the following topics:

- Membership onboarding requirements: introduction of dedicated fine-tuning on membership requirements, including those of an operational nature, for prospective Clearing Members.
- Legal arrangements governing participation of Trading Clients: overall simplification of legal arrangements underpinning participation of Trading Clients admitted to Euronext Legacy Cash Markets, including the removal of the direct contractual relationship between them and the CCP.
- Trade capture and interposition model (novation): introduction of specific provisions governing the CCP Trade capture model for Euronext Legacy Markets and adoption

of novation as default CCP interposition model for all sections of the system, so as to implement a consistent and harmonised model.

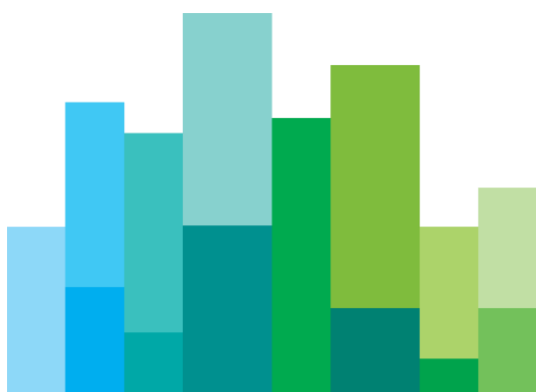
- Account structures available to Clearing Members: introduction of flexible framework governing House and Client account structures available to Clearing Members active on Euronext Markets, in line with relevant EMIR requirements.
- Collateral and collateral management: targeted amendments to the set of provisions governing Collateral Account configuration and related Collateral Management workflows, including those related to Settlement Agents.
- Default management and portability: overall simplification and streamlining of the portability framework applicable for Client Account Structures, including amendments to portability windows and communication of relevant information to the CCP by Designated Clearing Members.
- Settlement arrangements and related operational rules applicable to clearing of transactions on Euronext legacy cash markets:
 - Introduction of the definitions of Delivery Account and Settlement Address;
 - Internalisation of the pre-settlement process within the CCP for trades;
 - Introduction of specific operational pre-settlement processes;
 - Introduction of specific provisions governing the management of failed settlement positions (buy-in, sell out, penalty regimes, buyer protection).

PRICING

When will the fee guide for Euronext Clearing services will be released?

In accordance with our client documentation table, the fee guide for Cash markets will be released in March 2023.

4. CLEARING SERVICES



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CLEARING SERVICES

Where can I find a description of services provided by Euronext Clearing?

Euronext Clearing will provide a range of clearing services to its Clearing Members. You will find a description of these services in the document 'Euronext Clearing - How Clearing Works', available on the [Connect customer portal](#). This document covers the following topics:

- Trade Capture;
- Trade Management;
- Account Management;
- Settlement;
- Risk Framework;
- Collateral Management;
- Reporting and Connectivity;
- Non-Guaranteed Activity.

Which currencies will be accepted at Euronext Clearing?

Euronext Clearing will accept all currencies traded on the Euronext Cash Markets. The denominated currencies are the following:

EUR, USD, GBP, NOK, AUD, CHF, SEK, CAD, JPY, NZD, ZAR, CNY, PLN, DKK, HUF, CZK, HKD, and SGD.

For further information, please consult the document 'Euronext Clearing - How Clearing Works' (Section 2.3 Accepted Currencies), available on the [Connect customer portal](#).

ACCOUNT STRUCTURE

Which account structure types will be supported?

Euronext Clearing will offer flexible account structure in respect of EMIR requirements related to account segregation mechanisms. For each Clearing Member the CCP will open by default at least:

- One House Account structure for the Clearing Member positions; and
- One Client Account structure for the Clearing Member's clients' positions.

Multiple options are available to Clearing Members to manage their client activity, with a choice of account structures providing varying degrees of segregation of positions, margins and collateral. 3 choices of Account Structure will be available:

- Individual Segregated Account Structure (ISA)
- Gross Omnibus Segregated Account Structure (GOSA)
- Net Omnibus Segregated Account Structure (NOSA).

For further information, please consult the document 'Euronext Clearing - How Clearing Works' (Section 4 – Account Management, and examples in the Appendix), available on the [Connect customer portal](#).

RISK MANAGEMENT

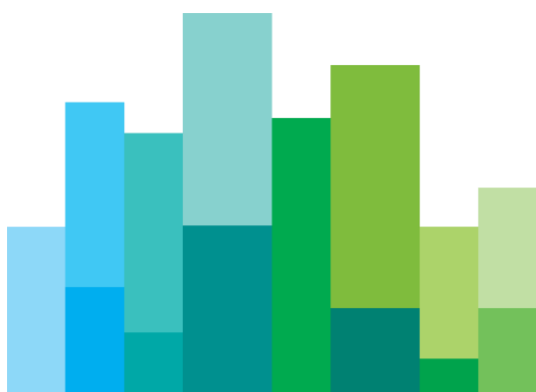
What Risk Management methodology will be implemented?

Euronext Clearing aims to ensure that its Risk Framework is aligned with best market practices. Euronext Clearing has therefore developed a Value-at-Risk ('VaR') based margin methodology for the clearing of Equities and as well as of Equity and Index Derivatives.

Specifically, a Historical Expected Shortfall approach has been chosen as the preferred risk measure to be applied for the computation of margin requirements. The new risk framework will allow for cross-margining efficiencies between cash equity and equity & index derivatives asset classes.

Please refer to the document 'Euronext Clearing - How Clearing Works' (Section 6 - Risk Framework). For more details on the VaR model, please refer to the modules A0 to A4. These documents are all available on the [Connect customer portal](#).

5. IT & CONNECTIVITY



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CONNECTIVITY

What technical steps are required to connect to Euronext Clearing (login, security details, certificates, etc.)?

A dedicated document 'Connection specifications' will be released by the end of January 2023 providing details on these steps. It will be available on the [Connect customer portal](#).

REPORTS

What reporting will be provided by Euronext Clearing and how can I access reports?

Euronext Clearing will report updated and comprehensive information to Clearing Members on trades executed and all related clearing data, including risk and collateral management reports.

Available reports will cover the following main categories:

- Trade legs;
- Open positions;
- Settlement instructions (including Fails);
- Buy-In information;
- Margin calculation & margin call;
- Collateral posted;
- Default Fund contributions;
- CSDR Penalties;
- Payments;
- Fees.

Information will be provided via the following channels:

- **Graphical User Interface (GUI) channel:** displays the user's real-time clearing data on a web browser. It also provides features that enable the Clearing Member to interact with the settlement and collateral management workflows. Additionally, it allows the user to interact with the risk management system for margin calculation and simulations on portfolios.
- **Application Programming Interface (API) channel:** enables the interoperability of the clearing system with the Clearing Member's own systems. It

is based on a machine-to-machine protocol and provides all the informative and operational functions that are made available for human users via the GUI.

For further details see section 2.1. of the document 'Euronext Clearing Interfaces Overview and Reporting 2.0' as well as Euronext Clearing Application Programming Interfaces Specifications V2.0, available on the [Connect](#) customer portal.

- **Secured File Transfer Protocol (SFTP) channel:** allows Clearing Members to retrieve reports generated by the Clearing System.

For further details see section 3.3. of the document 'Euronext Clearing Interfaces Overview and Reporting 2.0' available on the [Connect](#) customer portal.

FIX connection: provides real-time trade confirmation.

For further details see section 1.3.2 of the document 'Euronext Clearing Interfaces Overview and Reporting 2.0' available on the [Connect](#) customer portal.

Will there be a web application available for Clearing Members?

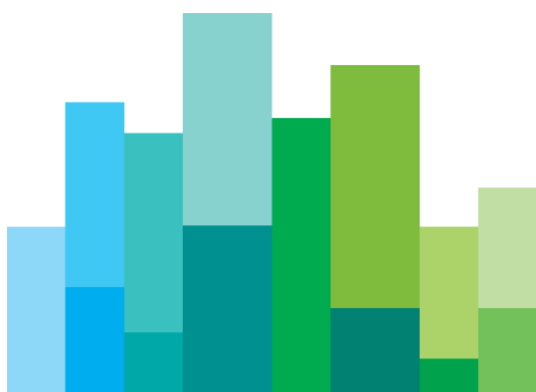
Yes, a Graphical User Interface will be provided as a Web Application that can be accessed through a Web Browser (e.g. Google Chrome, Microsoft Edge, Mozilla Firefox).

The user will be able to access and prompt real-time data concerning all clearing processes including trade capture, pre-settlement, position keeping, margin calculation and margin calls, collateral management and default fund contributions.

Data will also be exportable in different formats using specific custom schemas and filters and processed locally on the user's desktop.

In addition, the user will receive real-time notification on clearing events (e.g. margin calls) and will be able to download mandatory and tailor-made reports (the same reports available via SFTP).

6. TESTING & MIGRATION STRATEGY



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TEST PHASE

What are the dates to note related to the Test phase?

Testing on the core clearing system will begin in late March 2023.

Testing of functionality with full connection to the Markets and CSDs (i.e. expanded to Trading and Settlement platforms) will begin in June 2023.

Sign-off will be requested from Members in advance of Go-Live in October 2023.

How will I be able to connect to the test environments during the migration?

For the testing phase, you will complete dedicated forms for the collection of static data, which include technical information for the connection to Euronext Clearing's test environment. The information you will be asked for concerns the number of users you need for the Clearing System UI, and whether you want to connect to further optional channels like APIs, FIX, SFTP.

Where can I find the forms to configure my Account Structure and Connectivity for the testing phase?

These forms have been made available on the [Member Portal](#) and on [Connect](#). Please reach out to ccp-readiness@euronext.com if you need any assistance.

Can I expect any documentation to help me build my Test Plan?

Euronext Clearing will release a client test book at the beginning of March. It will consist of the list of functionalities being made available for each phase of testing activity, with a detailed description and related mandatory test cases.

We will request all Clearing Members to confirm satisfactory completion of these mandatory cases, before Go-Live, to demonstrate readiness.

The client test book represents the minimum scenarios and functionality to test, which you can expand according to your test strategy.

Will all functionalities be available for testing in March?

Not all functionalities will be available for testing in March. The list of testable features will be released in the client test book, as well as a list of features being made available for later phases in the testing cycle.

When will you be planning the 'Pilot Programme' testing (more complex co-ordinated testing including Buyer Protection/Buy-Ins)?

Pilot Programme testing is expected to take place during the front-to-back test phase when the Clearing system is connected to Trading and Settlement systems, beginning in June. This phase is therefore expected to be during Q3 2023.

What will the impacts of the migration be for Trading Members?

There will be no functional or technical changes for Trading Members, and the membership process will stay the same.

However, Trading Members will be requested to perform front-to-back tests to ensure that there is no impact on reconciliation with their cleared activity, particularly relating to the Trade Unique Identifier (TUI) which is generated upon execution and persists through the post-trade chain. Euronext Clearing will request that Members validate this reconciliation has been completed satisfactorily.

What does it mean to be part of the pilot programme?

The pilot programme is a specific programme which includes extended tests on complex topics and requires a high level of coordination among stakeholders (markets, CSDs, CCP, etc.). Additional test cases will be provided; they will cover corporate actions, buyer protection and buy-in. Specific time windows will be dedicated to these activities.

More details will be provided in the test package.

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