

# **CC&G**

# **ICSD**

# **NETTING RULES**

Version 2.0

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# 1. NETTING RULES



## Netting Rules

For the activity carried out in the market by the Clearing Members<sup>1</sup>, 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 Trading Clients, 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 Trading Client 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 TC 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 Trading Client 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 TC;
  2. a net settlement balances for the positions registered in the client account of the TC;
- Model C: in this case, the activity carried out in the market by the Trading Client 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 TC 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.
- Model D: in this case the activity carried out in the market by the Trading Client 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 Trading Client ;

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<sup>1</sup>Direct Participant stands for Individual Participant or GCM.

2. a balance obtained aggregating the short positions registered in the house account of the Trading Client ;
3. a balance obtained aggregating the long positions registered in the client account of the Trading Client ;
4. a balance obtained aggregating the short positions registered in the client account of the Trading Client ;

With reference to the decisions of the General Clearing on the Model, please note that when the activity of several Trading Clients 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 Trading Client Model C;

GCM-aggregate model and Trading Client Model A

some Trading Client smodel A, other model C.

## 1.1 Netting keys 1

This model is applied to:

Clearing Members - model A

Trading Clients - model A

- Trading Clients
- 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 TC for whom the model A was chosen are considered – to this end - as position of the Clearing member client account*

## 1.2 Netting keys 2

This model is applied to:

Trading Clients – Model B

- House Account / Client Account of the Trading Client

- ISIN
- currency
- Settlement date
- Settlement agent (associated to Clearing Member)
- Settlement account (associated to each Trading Client / Account)

### 1.3 Netting keys 3

This model is applied to:  
 Clearing Members - model C  
 Trading Clients - 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)

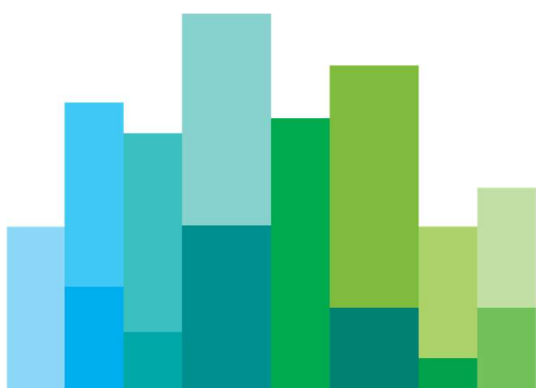
\* *the positions registered in the client and house account of TC for whom the model C was chosen are considered – to this end - as position of the Clearing member client account*

### 1.4 Netting keys 4

This model is applied to:  
 Trading Clients - model D

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

## **2. REGISTRATION OF FAILS IN THE MEMBERS' ACCOUNTS**



## Registration of fails in the Members' accounts

For the activity carried out on the market by the Trading Clients, 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.

- If the model A or C is chosen, the activity carried out on the market by the Trading Client 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 Trading Client 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 Trading Client .

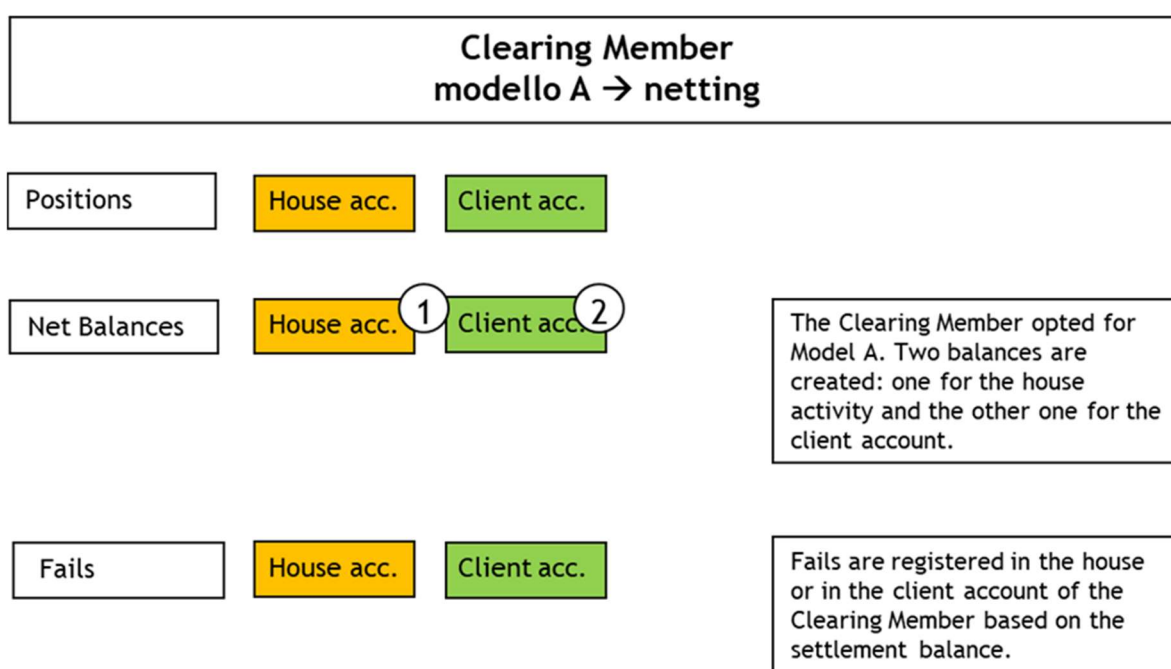


# **3. LINK BETWEEN POSITIONS, SETTLEMENT BALANCES, REGISTRATION OF FAIL IN CLEARING ACCOUNTS**



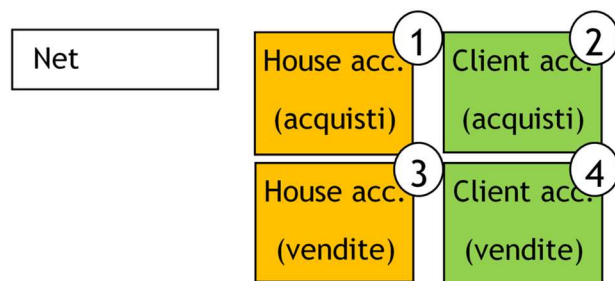
## Link between positions, settlement, balances, registration of fail in clearing accounts

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      Mod. C



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

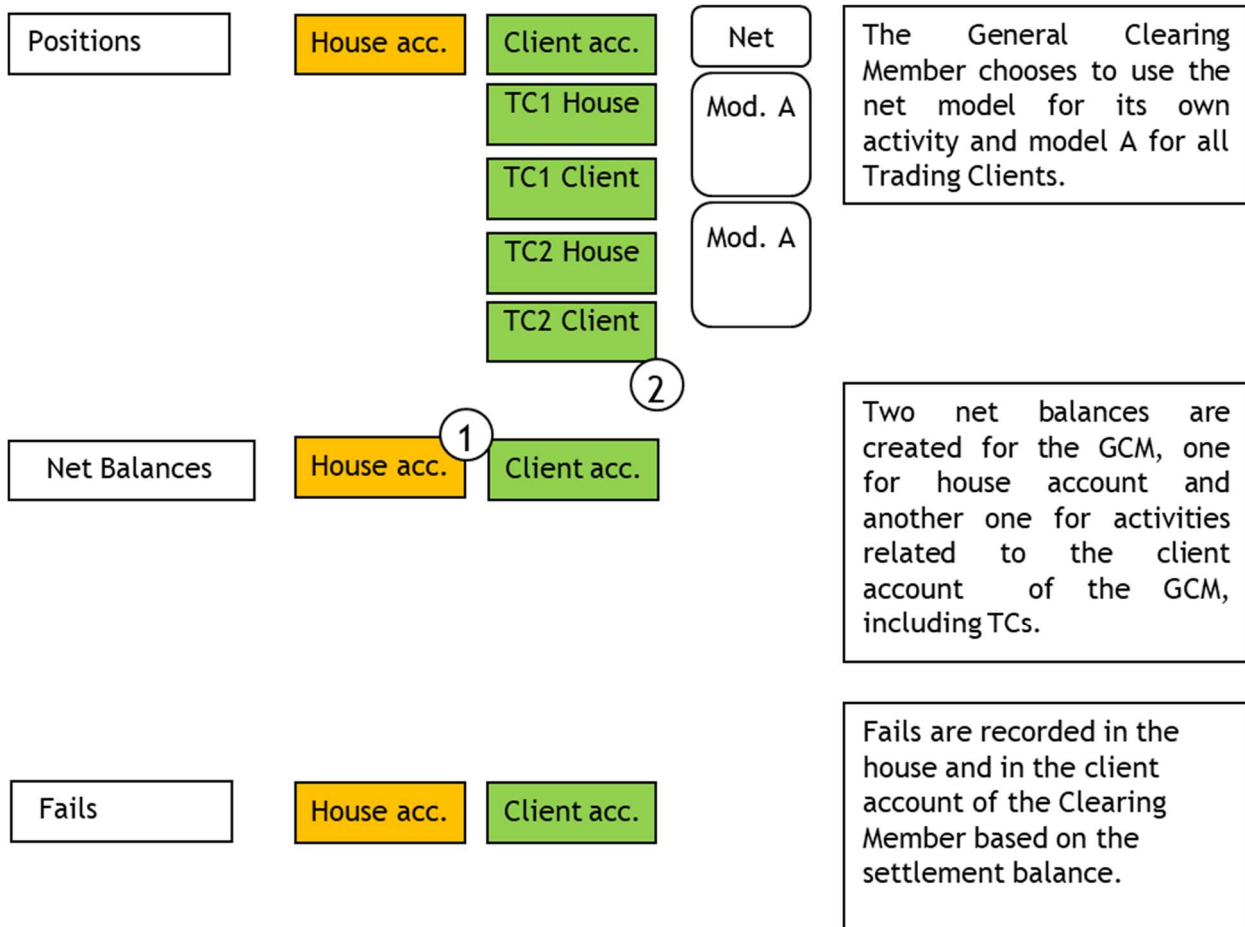
Fails      House acc.      Client

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

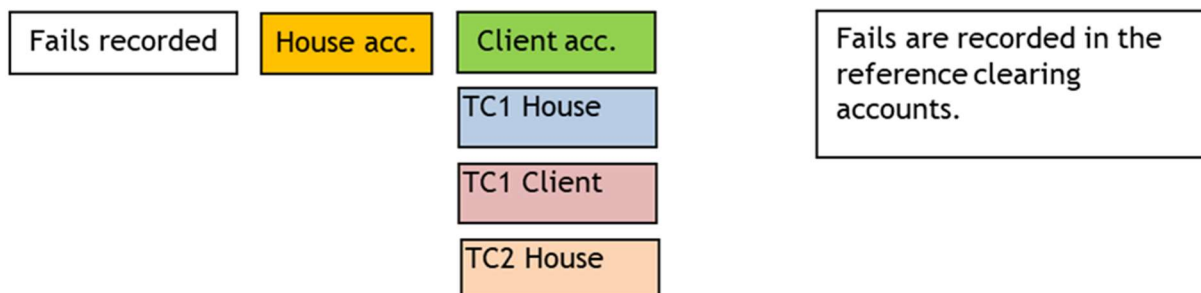
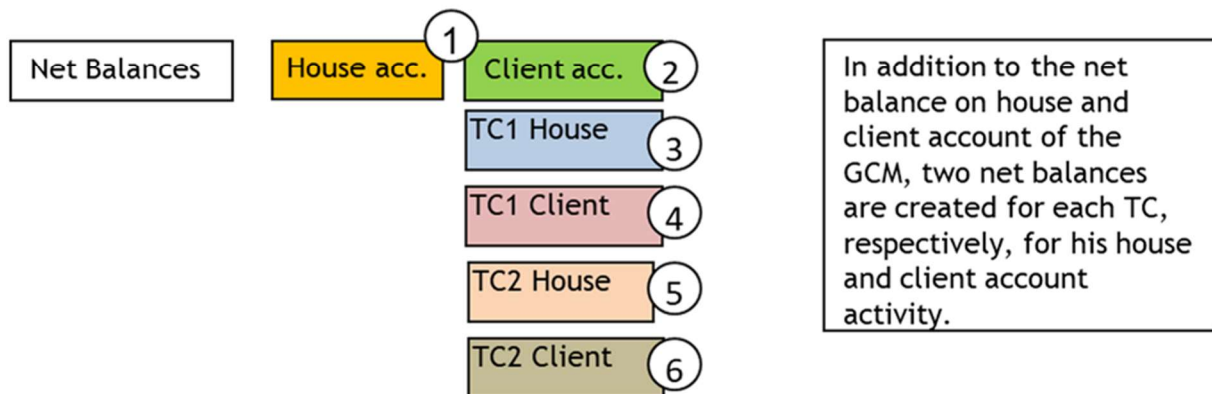
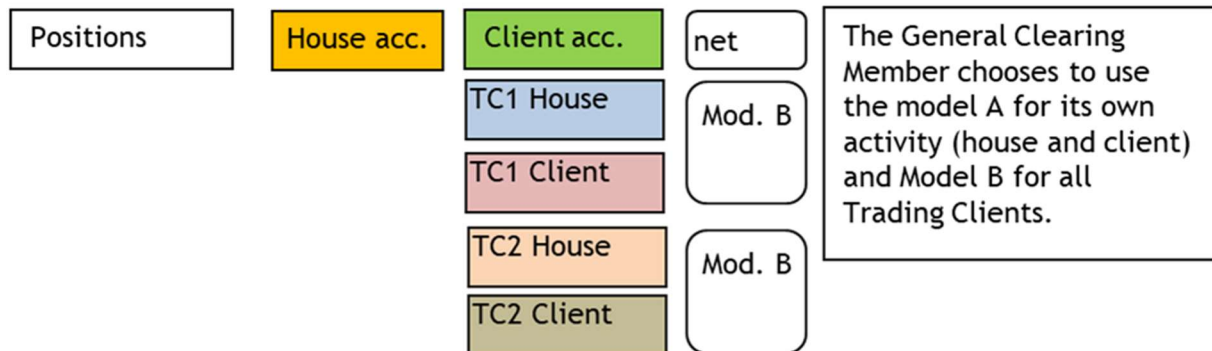
### General Clearing Member:

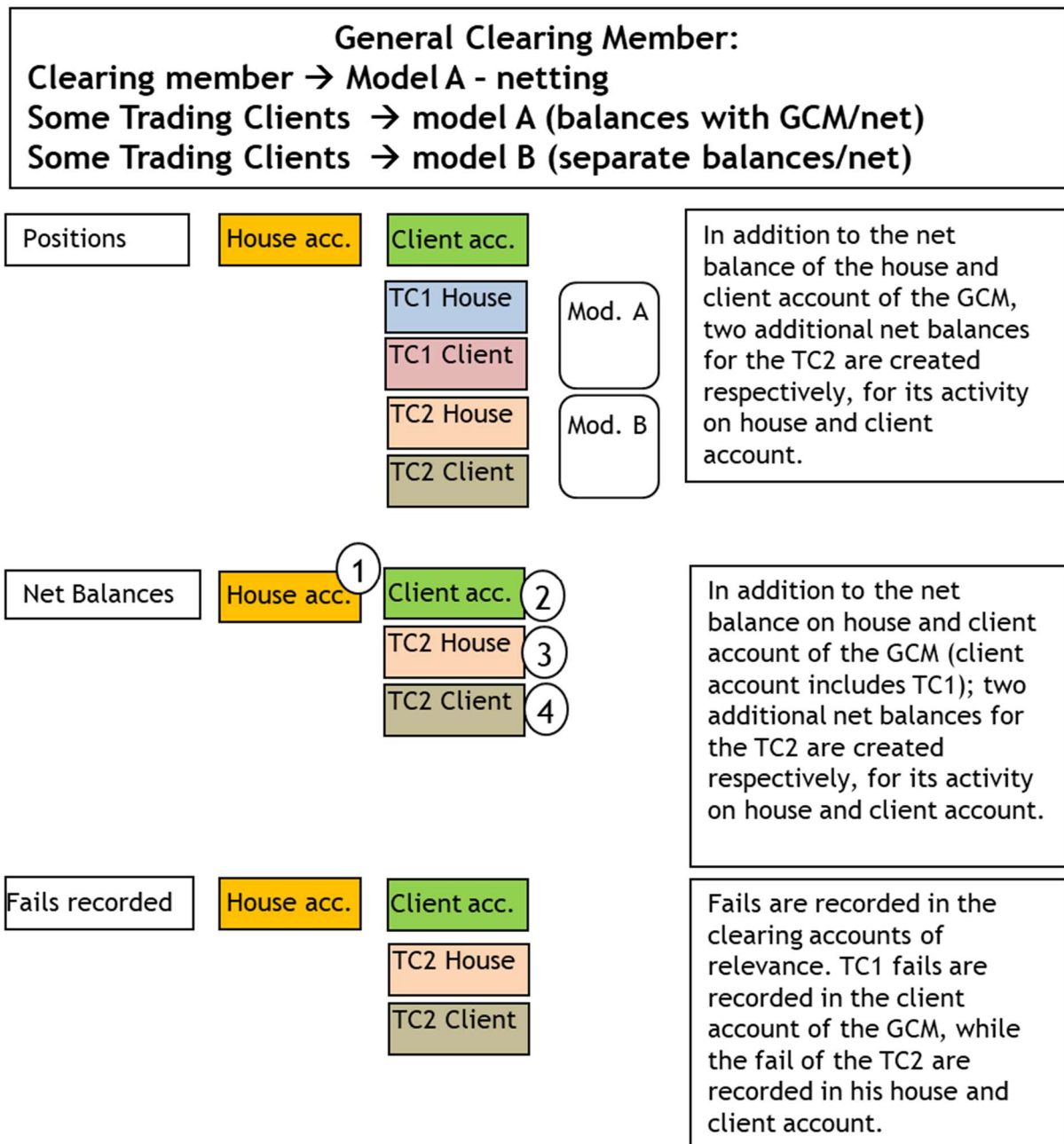
Clearing member → Model A - netting

all Trading Client → Model A (in the GCM/net)



**General Clearing Member:**  
**Clearing Member → Model A - netting**  
**All Trading Clients → Model B (separate balances/net rule)**





### General Clearing Member:

**Clearing Member → Model C - aggregation**

**all Trading Clients → Model C (balances with GCM/aggreg.)**

Positions

House acc.

Client acc.

Aggr.

TC1 House

Mod. C  
(Aggr.)

TC1 Client

TC2 House

Mod. C  
(Aggr.)

TC2 Client

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

Balances

1

House acc.  
(long pos.)

1

Client acc.  
(long pos.)

2

3

House acc.  
(short pos.)

4

Client acc.  
(short pos.)

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 TC in the house and client account

Fails

House acc.

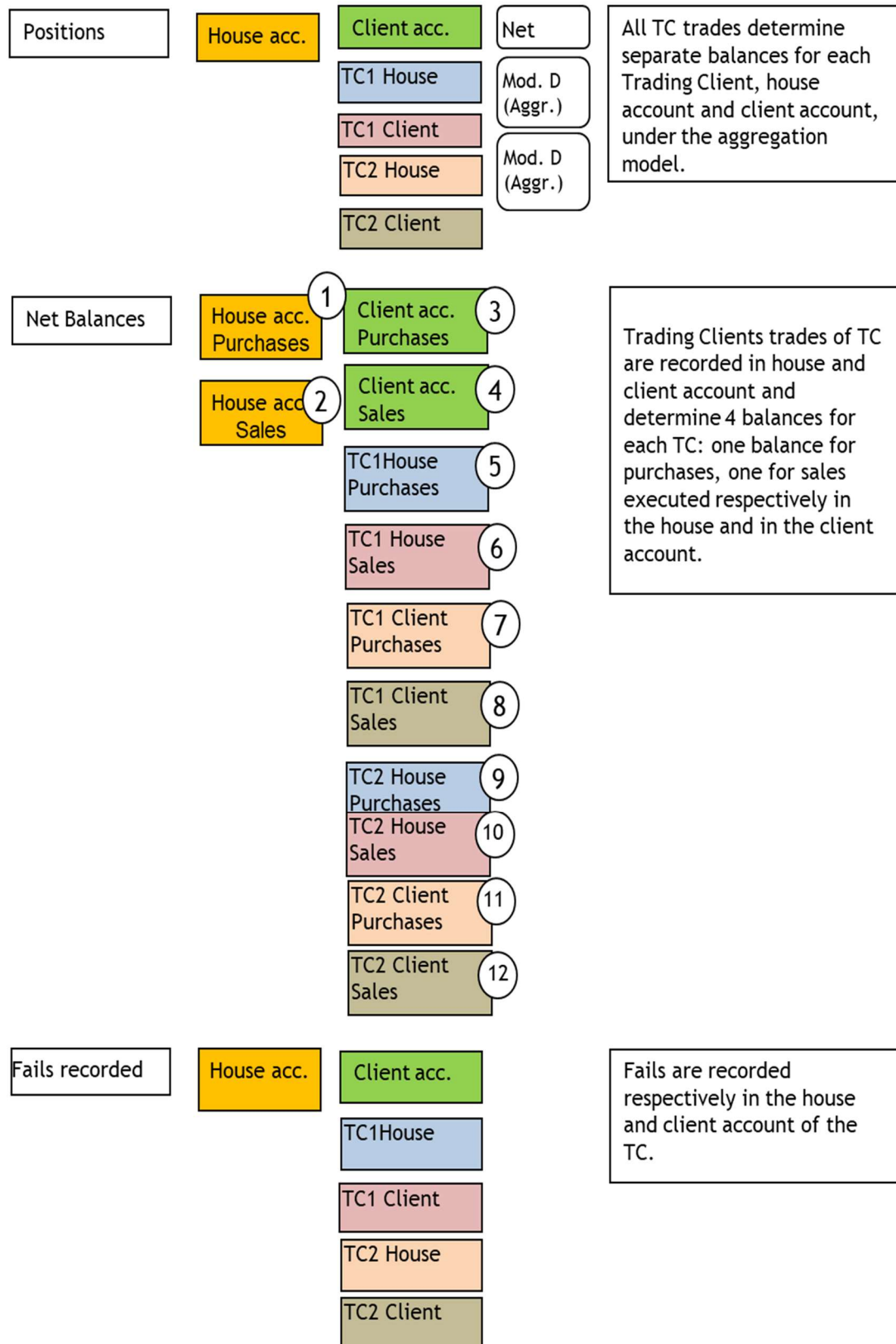
Client acc.

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 Trading Clients → Model D (separate balance net)



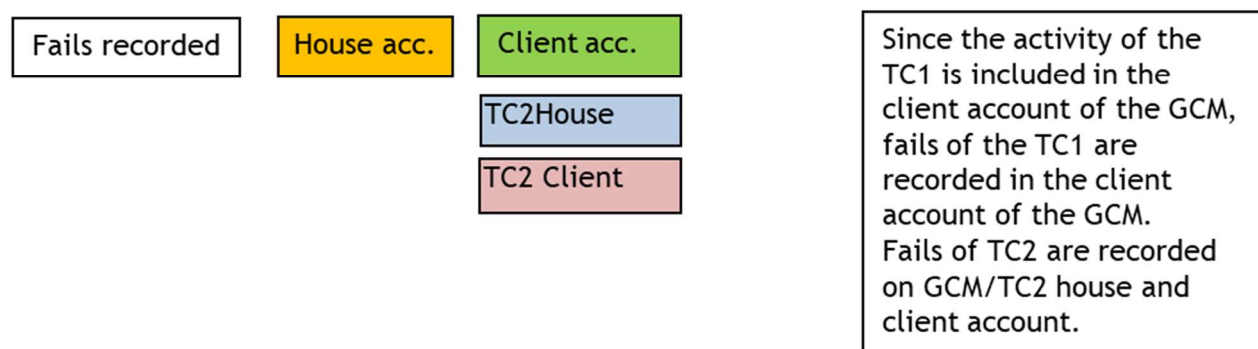
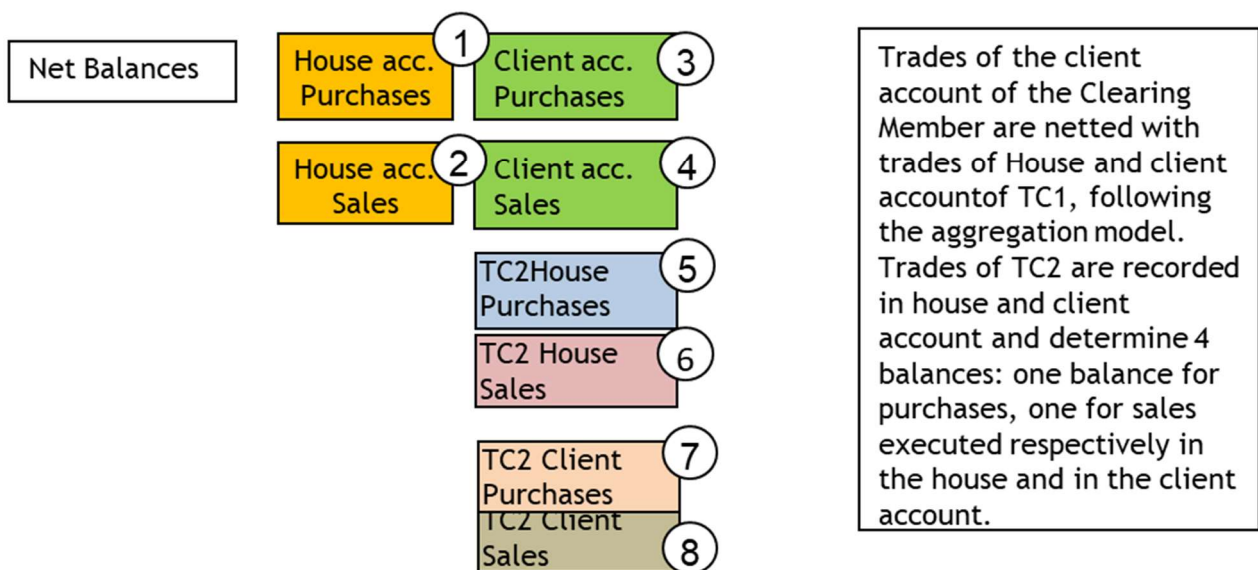
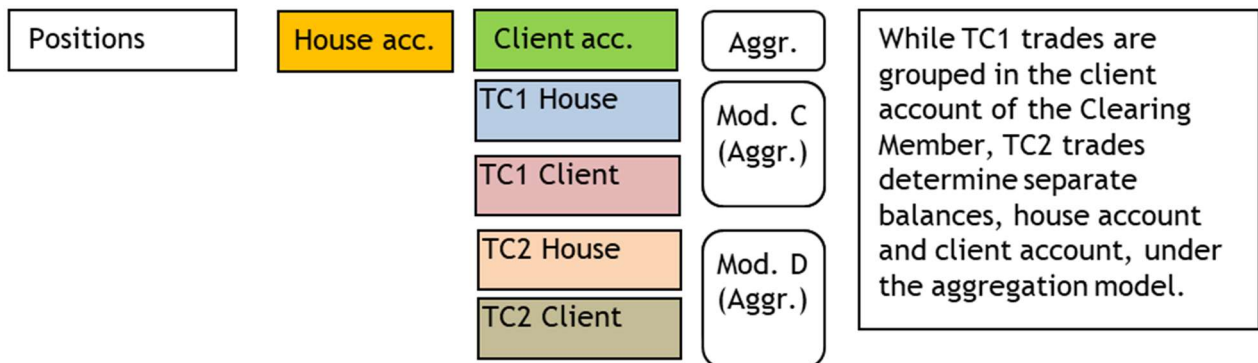


### General Clearing Member:

Clearing Member → Model C - netting

Some Trading Clients → model C (net with GCM /aggreg.)

Some Clearing Members → model D (separate balances/aggreg.)



# 4. SETTLEMENTS 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 Trading Client.

# 6. STRANGE NETS



## Saldi non ordinari

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":

	<b>Securities</b>	<b>Cash</b>	<b>Net type</b>	<b>Instruction</b>
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	No instructions

# 7. SHAPING





## Shaping

In case the nominal value of the instruction should be higher than a pre-determined amount, the instruction could 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



## Example of nets creation

### General Clearing Members:

#### Clearing member → model A (net)

#### All the Trading Clients following the Model A

Member	Type	Netting Model
EEE	GCM	A
AAA	TC1	A
BBB	TC2	A

	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	

3	AAA	H	EEE	SSS	122	-35
4	AAA	C	EEE	SSS	122	
5	BBB	H	EEE	SSS	122	
6	BBB	C	EEE	SSS	122	

fails are registered in the Client account of EEE

### General Clearing Members:

#### Clearing member → model A (net)

#### All the Trading Clients following the Model B

Member	Type	Netting Model
EEE	GCM	A
AAA	TC1	B
BBB	TC2	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 (net)****All the Trading Clients following Models A and B**

Member	Type	Netting Model
EEE	GCM	A
AAA	TC1	A
BBB	TC2	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 Trading Clients following the Model C (balances at GCM/aggregation)**

Member	Type	Netting Model
EEE	GCM	C
AAA	TC1	C
BBB	TC2	C

	Trading member	Account	CC&G Membership	Settlement Agent	Settlement Account	Positions
1	EEE	H	EEE	SSS	122	+110
	EEE	H	EEE	SSS	122	-100
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
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 Trading Clients following the Model D**

Member	Type	Netting Model
EEE	GCM	C
AAA	TC1	D
BBB	TC2	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 Client 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)****Trading Client Members following Models A and B**

Member	Type	Netting Model
EEE	GCM	C
AAA	TC1	C
BBB	TC2	D

BBB settles directly

	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



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