

AMENDMENTS TO EURONEXT CLEARING'S REGULATIONS AND INSTRUCTIONS – DEFAULT MANAGEMENT

27 OCTOBER 2025



Amendments to the default management process – in force as of 27 October 2025

1. Auctions: fine tuning on Trading Clients participation

In the context of the derivatives migration occurred in July 2024, Euronext Clearing performed significant enhancements to its default management process, which resulted in the introduction of new liquidation methods within its DMP. Notably, Euronext Clearing introduced, in addition to the established liquidation options (brokers, cash settlement) an auction-based liquidation procedure.

Euronext Clearing's auction process envisages a mechanism of mandatory participation, linked to incentives within the loss allocation process¹.

To ensure utmost participation, the auction process has been structured to also host the possibility for Trading Clients (TC) to participate within auctions, which may take part in auction only under the sponsorship of a Clearing Member. However, since TCs do not contribute directly to the CCP's resources, no incentive/disincentive scheme is foreseen directly applicable to TCs. It should be noted that GCMs are best placed to incentivize trading clients, considering their nature of intermediary between the CCP and the Clients which only access the clearing system on an indirect basis.

Nonetheless, Trading Clients can provide added value within an auction procedure, especially in relation to particular portfolios which require specific pricing expertise in the asset class.

To foster Trading Clients participation, the Rulebook is amended to specify that the General Clearing member may sponsor one or more Trading Clients and that in case of more Trading Members being sponsored by the same General Clearing Member participating to an auction, the incentive measure provided for within Article B.6.2.3-bis, paragraph 5 will be calculated to the most favourable bid submitted by the Trading Client above the Qualificative Price.

2. Auctions: qualificative price fine tuning

Following the effective implementation of the auction framework and the related fire drills and testing exercises performed, Euronext Clearing has assessed the

¹ It foresees two categories of possible auction participants, namely: (i) mandatory auction participants – identifying those Clearing Members, that have been selected by Euronext Clearing for a given Section or Sections of the System; (ii) voluntary Auction Participants – identifying those Clearing members, and where applicable, Trading Clients eligible to be invited by the CCP to participate in an auction outside the cases of mandatory participation.

opportunity for targeted revisions of the incentive rules as currently outlined within the rulebook.

Notably, the fire drill exercise demonstrated that the application of the incentive rules linked to the qualificative price determined by the CCP deliver a system which may result too rigid in allocating incentives, especially in case of multiple tranches being run. Therefore, Euronext Clearing intends to introduce tailored amendments aimed at making the incentive system more flexible, in particular by introducing a 10% tolerance level for the qualificative price with respect to submitted bids: this measure aims at introducing a more favourable treatment for (non winning) bids, rated close to the qualificative price. In line with the above, amended Article B.6.2.1- sexes clarifies that the tolerance level assumes relevance only with respect of the application of the juniorisation mechanism.

3. Auctions: pro rata incentivisation

A revision is carried out with reference to the auction incentivisation rule in case of multiple auctions. Under the current framework, in case of multiple auctions the principle of "*juniorization overrides any seniorization*" applies. Since the rule may lead in practice to suboptimal outcomes, Euronext intends to introduce a system of *pro rata* incentivization, overcoming the current principle.

In particular, the Rules are supplemented by specifying that Euronext Clearing will apply the seniorisation/standardisation/juniorisation mechanism by calculating the default fund contribution in proportion to each tranche in respect to which the Member has been invited and pro rata of the risk measure of the relevant tranche.

With respect to the pro-rata calculation, Euronext Clearing will calculate pro rata allocation based on a "What if" (risk measure) value of each tranche to determine its weight in the pro-rata. Said methodology shall also be reflected within the default management guidelines made available by Euronext Clearing.

4. Liquidation of defaulting portfolios via brokers

Euronext Clearing's default management procedure includes, among the different tools, the broker liquidation tool, which involves the appointment by Euronext Clearing to a Member, for the closure of the defaulter's Contract Positions on the market.

In this context, the role of the broker is performed by the Members on an entirely voluntary basis, in accordance with normal market dynamics. However, the framework, based on voluntary participation, creates, on the one hand, the risk of excessive concentration of the number of brokers available – a particularly acute problem for some specific types of products – and, on the other hand, a suboptimal level of participation by the CMs, with particular reference to the launch of new products/markets, consequently rendering the procedure less effective.

To ensure coverage across the range of its cleared instruments, the Rules are amended by specifying that Euronext Clearing may appoint an adequate number of Clearing Members for each Section of the System or specific asset class, to liquidate the Positions referring to the defaulting Clearing Member on the Market. The appointed Clearing Members shall act in their own name and for the account of Euronext Clearing and may execute the mandate awarded by Euronext Clearing also by appointing third parties to act as a broker. To this end, the CCP shall maintain and update the list of appointed Clearing Members to act as brokers at least on a yearly basis.

In the event of a default of a Clearing Member, in case of failure of performance of the assignment relating to the closure of Contractual Positions on the Market awarded by Euronext Clearing, Euronext Clearing reserves the right to adopt any measures in respect of Clearing Members as expressly provided in accordance to its Rulebook. An exception is made for the case where the relevant Clearing Member, acting as broker, provides objective and documented reasons to justify its non-performance. The same will apply in case that the identified brokers fail to participate to tests organised by the CCP on a regular basis.

5. Resolution cash calls (Article 31 of Regulation (EU) 2021/23)

Pursuant to Article 31 of the Regulation (EU) 2021/23 (CCP RRR), Euronext Clearing is required to implement provisions in its Rules, which entitle Bank of Italy, acting in its capacity as Euronext Clearing's Resolution Authority, to require the non-defaulting Clearing Members to provide further contributions in the form of cash (resolution cash calls) to the CCP to cover any outstanding default loss or non-default loss. The resolution cash calls may amount up to twice the original Default Fund contribution quota of the relevant Clearing Member. In accordance with article 31 paragraph 2 of CCP RRR, it is provided that if a non-defaulting clearing member does not pay the required amount, the Resolution authority may require the CCP to place that clearing member in default.

Below the excerpt of the amendments to Euronext Clearing's Regulations.

REGULATIONS

Article A.1.1.1 Definitions

1 The following definitions shall apply to these *Regulations*:

"Resolution Action" means the exercise of any *Resolution Powers* by the *Resolution Authority* in accordance with *CCPRR Regulation*;

"Resolution Authority" means the resolution authority designated by the Republic of Italy under *CCPRR Regulation* and in accordance with article 3 of the Italian Legislative Decree 6 December 2023 No 224, implementing *CCPRR Regulation*;

"Resolution Powers" means any action in respect of the assets, contracts, rights, obligations and liabilities of a *Clearing Member* existing from time to time under, and exercised in compliance with,, *CCPRR Regulation* and any law or regulation in effect in Italy.

Omissis

Chapter B.4.2. Default Funds

Omissis

Article B.4.2.7 Request for payment of additional resources by the Resolution Authority (Resolution cash call)

1. After a *Resolution Action* has been taken in relation to *Euronext Clearing* by the *Resolution Authority* in accordance with *CCPRR Regulation*, the *Resolution Authority* may request *Clearing Members* other than the defaulting *Clearing Member* to make a further contribution in cash up to twice to the respective contributions to the *Default Fund* established under Article B.4.2.1. The *Resolution Authority* may exercise the resolution cash call regardless of whether all contractual obligations requiring cash contributions from non-defaulting *Clearing Members* have been exhausted.
2. The payment indicated under paragraph 1 shall be payable immediately on demand of the *Resolution Authority*. In case the required amount is not paid, the *Resolution Authority*

may require *Euronext Clearing* to place that *Clearing Member* in default pursuant to Article B.6.2.1 of the *Regulations*.

3. If, after the exercise of the Resolution cash call, the *Resolution Authority* determines that the total amount obtained exceeds the amounts needed to cover the default losses or the non defaulting losses, it may require *Euronext Clearing* to reimburse said excess amount. In this case, *Clearing Members* impacted by the resolution cash calls will be reimbursed accordingly on a pro rata basis.
4. *Clearing Members* acknowledge and accept to be bound by any *Resolution Action* and the effects thereof.

SECTION B – CENTRAL COUNTERPARTY SYSTEM

Omissis

PART B.6 Default

Chapter B.6.1 Conditions of default

Article B.6.1.1 Default of Members

1. The *Clearing Member* shall be considered in default:
 - a) in the event and at the time of non-fulfilment or partial fulfilment, under the terms provided by these *Regulations*, of the obligations
 - i. to pay *Margins* to *Euronext Clearing*,
 - ii. to deposit payments to the *Default Funds*
 - iii. to final cash settlement of *Positions* in the *Derivatives Sections*,
 - iv. to settle the amounts due for the adjustment of *Positions in Fail*;
 - v. in the context of the *Soft Commodity Derivatives Section*, to attest the complete or partial covering of selling *Positions* or to perform the delivery of the underlying

- commodities of the Positions in Delivery, or to perform the payment of the value of the underlying commodities of the Positions in Delivery or to comply with any of the obligations pertained to the physical delivery of the underlying commodities, as specified within these Regulations, Instructions and Annexes;
- vi. to cover losses, of deposit of amounts due, and costs arising from the execution of the *Buy-In* or *Sell-Out Procedures*;
- b) in the event of, and at the time at which an insolvency proceeding is open, as defined in article 1, paragraph p) of Legislative Decree of 12th April 2001 no. 210, pursuant to article 3 of the said Decree;
- c) in the event of overshooting of the position limits specified by the *Contractual Scheme* according to the indications of the *Management Company*, *Euronext Clearing* shall apply paragraph 4 of Article B.6.2.1.
- d) in the context of the *Soft Commodity Derivatives Section*, in the event and at the time of non-fulfilment or partial fulfilment, of the obligations related to the Position limits, under the terms provided by these *Regulations* in *Article B.4.4.1*, *Euronext Clearing* shall liquidate the part of the Positions exceeding the defined threshold pursuant to the manner specified in Article B.6.2.1-*nonies*.
- e) in the context of the *Soft Commodity Derivatives Section*, in the event and at the time of non-fulfilment or partial fulfilment, of the obligations related to the minimum quantity eligible to deliver, as specified in Article B.5.2.11 of these *Regulations* *Euronext Clearing* shall liquidate the *Positions* below the minimum quantity eligible to deliver pursuant to the manner specified in Article B.6.2.1-*nonies*.
- f) In the event a *Resolution Action* has been taken in relation to *Euronext Clearing*, in case of unfulfilment of the payments set out under Article B.4.2.7 of these *Regulations*.**
2. Does not constitute a cause of default of the *Clearing Member* the adoption, against him, pursuant to the Legislative Decree no. 180 of 2015, the *Consolidated Law on Banking* and the *Consolidated Law on Finance*, of a crisis prevention or management measure

or of a measure for compulsory administrative liquidation with the continuation of the business activity set out at the assignment act of the liquidators, or equivalent measures provided by jurisdictions, provided the *Clearing Member* fulfils its obligations arising from its participation in the *System*.

3. The *Special Clearing Member* shall be considered in default:
 - a) in the event of and at the time of non-fulfilment or partial fulfilment, under the terms provided by these *Regulations*, of the obligations to:
 - i. pay *Margins* to *Euronext Clearing*;
 - ii. pay amounts due following the cash settlement resulting from the fact that a *Special Clearing Member* ceases operating the central counterparty service for its clearing members;
 - b) in the event of and at the time at which insolvency is declared by the competent authority or insolvency proceedings are initiated pursuant to the legislation applicable to this.
4. The *Trading Client* shall be considered in default, other than in the cases indicated in paragraph 1, sub-paragraph b), also in the event that a *Clearing Member* whose services it uses, notifies *Euronext Clearing* under its individual responsibility of non-fulfilment or partial fulfilment, within the term provided, by the *Trading Client* of the obligation to settle toward him deriving from the operation with *Euronext Clearing*.
5. Occurrence of the default event indicated in paragraphs 1, 3 and 4 shall trigger the default procedure indicated at Chapter B.6.2, subject to the provisions of Article B.6.1.2.
6. In the event of default as indicated in the above paragraph 1, letter a) subject to the provisions of Article B.6.1.2, and to paragraph 3, *Euronext Clearing* shall inform Bank of Italy, Consob, the *Management Company* and the *Clients*.
7. Failure by the *Settlement Agent* to fulfil the payment obligations as indicated under the above paragraph 1, letter a), shall render the *Clearing Member*, as its principal, in default for all effects with exception of the circumstances indicated in Article B.6.1.2.

Omissis

Article B.6.2.1-quater Liquidation via Clearing members or by appointed brokers

1. Euronext Clearing may liquidate the Positions referring to the defaulting Clearing Member on the market, through one or more brokers.
2. Appointed brokers shall act in their own name and for the account of Euronext Clearing. Brokers may execute the mandate awarded by Euronext Clearing also through other parties.
- ~~3. Euronext Clearing shall liquidate non-transferred *Positions* of the *Bond Section and ICSD Bond Sections* only through the use of brokers.~~
- 3. In order to ensure coverage across the range of its cleared *Financial Instruments*, Euronext Clearing may appoint an adequate number of *Clearing Members* for each *Section of the System* or specific asset class, to liquidate the *Positions* referring to the defaulting *Clearing Member* on the *Market*. The appointment made by Euronext Clearing shall be based on the yearly average of contributions referred to in Article B.4.2.1 of each *Clearing Member*. Euronext Clearing may also consider the historical House activity of the *Clearing Member* on the *Section, or Sections* concerned, including the extent of markets covered by each *Clearing Member*. When lacking historical data, Euronext Clearing shall consider other relevant factors with the purpose of guaranteeing adequate coverage.**
- 4. Appointed *Clearing Members* shall act in their own name and for the account of Euronext Clearing and may execute the mandate awarded by Euronext Clearing also by appointing third parties to act as a broker. With respect to *Markets* where execution on behalf of third parties is not envisaged, *Clearing Members* may act in their own name and subsequently register the same transaction between the *Clearing Member* and the CCP in the post trade systems to flatten the obligations assumed by the *Clearing Member* on the *Market*. Euronext Clearing shall maintain and update the list of appointed *Clearing Members* to act as brokers and update it on a regular basis.**

- 5. In the event of a default of a *Clearing Member*, in case of failure of performance of the assignment relating to the closure of *Contractual Positions* on the *Market* awarded by *Euronext Clearing*, *Euronext Clearing* reserves the right to adopt any measures in respect of *Clearing Members* as expressly provided in accordance to these *Regulations*, exception made for the case where the relevant *Clearing Member*, acting as broker, provides objective and documented reasons to justify the failure of performance.**
- 6. To ensure preparedness, *Euronext Clearing* may organize on a regular or ad hoc basis, tests which may include also the participation of appointed *Clearing Members*, including, where applicable, brokers. In the event the identified brokers fail to participate to tests, *Euronext Clearing* reserves the right to adopt any measures in respect of *Clearing Members* as expressly provided in accordance to these *Regulations*.**

Omissis

Article B.6.2.1-sexies Auction

1. *Euronext Clearing* may in its sole discretion decide to organize one or several auctions, for the liquidation of the Positions, related to the *defaulting Clearing Member*, as a whole or in part. *Euronext Clearing* shall organize and manage an auction, taking into consideration the interest of the *System* and the *Members*, pursuant to the following principles, as implemented within Chapter B.15 of the Instructions. This Article does not apply to the *Bond* and *ICSD Bond* Sections.
2. *Euronext Clearing* shall determine, based on its exclusive judgement, which *Clearing Members* and, where relevant, *Trading Clients* to invite, so as to ensure the effectiveness of the auction, as well as to ensure confidentiality. Participation in auction is limited to either *Mandatory Auction Participants* or *Voluntary Auction Participants*.
3. *Euronext Clearing* shall determine, as the case may be, one or more, *Qualificative Price(s)*, pursuant to the fashion set forth within the *Instructions*. In case of a bid which is submitted

below said *Qualificative Price* by a *Mandatory Auction Participant*, Article B.6.2.3 bis, paragraph 3 applies. ***Euronext Clearing* may in its sole discretion, reserve the right to apply a tolerance level to a maximum amount to the bid submitted by a *Mandatory Auction Participant* below the *Qualificative Price*, giving evidence of this choice and the specific maximum amount within the *Instructions*.**

4. Once submitted by a *Clearing Member*, a bid shall be binding and may not be revoked. In the case of participation of *Trading Clients*, the bid shall be considered legally binding if validated by the sponsoring *Clearing Member*
5. Euronext Clearing shall in its sole discretion decide whether or not to accept one or more bids in an auction. In case of several equal bids, Article B.15.1.2, paragraph 8 of the *Instructions* applies.
6. In case a winning bid is accepted, Euronext Clearing shall register the Positions in the name of the winning *Clearing Member*, and request the payment of any obligation in conjunction with those Positions, including Margins, Default Fund Contributions, and other measures that *Euronext Clearing* may apply pursuant these Regulations.
7. In order to ensure preparedness, *Euronext Clearing* may organize on a regular or ad hoc basis, tests which may include also the participation of *Clearing Members*, including, where applicable, *Trading Clients*. Effective participation in these tests is a precondition for being invited to an auction.
8. *Clearing Members*, and where applicable *Trading Clients*, shall treat any information acquired in the context of an auction with the utmost confidentiality.
9. By taking part in an *Auction*, both *Mandatory Auction Participants* and *Voluntary Auction Participants* accept the obligation to submit a bid, which must comply with the requirements set forth within the *Instructions*. Failure to do so, shall result in the contributions of the relevant *Mandatory* or *Voluntary Auction Participant* being juniorised, in the manner described in Article B.6.2.3bis, paragraph 6.

Article B.6.2.1-octies Voluntary participation in auction and preparedness

1. Any other *Clearing Member*, that has not been identified in the context of Article B.6.2.1septies and, where applicable, *Trading Clients*, may be invited by *Euronext Clearing* to participate in an auction as *Voluntary Auction Participant*.
2. *Voluntary Auction Participant* are required beforehand to demonstrate to possess adequate organizational and risk management resources. To ensure adequate standards of preparedness, previous and positive participation to the tests exercises organized by *Euronext Clearing* is mandatory.
3. *Trading Client* participate under the sponsorship of a single *General Clearing Member*. Participation of a *Trading Client* shall occur under the full responsibility of its *General Clearing Member* and conditioned upon the consent of latter. **The General Clearing Member may sponsor one or more Trading Clients.** Bids submitted by the *Trading Clients* shall be considered legally binding if validated by the sponsoring *General Clearing Member*.
4. *Voluntary Auction Participants* may benefit from the incentive measure foreseen in Article B.6.2.3 bis, paragraph 5. In the case provided for in the preceding paragraph, the *General Clearing Member* sponsoring the *Trading Client* acting as *Voluntary Auction Participant*, shall benefit from the incentive measure provided for within Article B.6.2.3 bis, paragraph 5. **In case of more Trading Members being sponsored by the same General Clearing Member participating to an auction, the incentive measure provided for within Article B.6.2.3 bis, paragraph 5 will be calculated to the most favorable bid submitted by the Trading Client above the Qualificative Price, in accordance with the provisions of the same Article B.6.2.3 bis.**
5. When participating in an auction, *Voluntary Auction Participants* are subject to Article B.6.2.1sexies, paragraph 8.

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Article B.6.2.3-bis Incentive measures related to auctions

1. In order to ensure an adequate level of participation within an auction, the following incentivization measures apply, which complement the provisions set forth in Article B.6.2.3.

2. In case an event of default has been managed by *Euronext Clearing* through an auction, in respect of the resources mentioned in letter d) and f) of Article B.6.2.3, including the residual recovery loss allocation tool provided for within the last part of paragraph 1, *Euronext Clearing* shall allocate losses amongst the non-defaulting *Clearing Members'* contributions in the following order:
 - i. a junior tranche – being used first for the purpose of loss allocation;
 - ii. a standard tranche – being used following the depletion of the contributions included within the junior tranche above;
 - iii. a senior tranche - being used last, following the depletion of the contributions included within the junior and senior tranche;
3. A *Mandatory Auction Participant* that, although invited by *Euronext Clearing*, has not participated in the auction, or which has submitted a bid below the *Qualificative Price* set by *Euronext Clearing*, **save for the application of a tolerance level set out under Article B.6.2.1-sexies, paragraph 3**, shall have its contributions used first, as junior tranche.
4. A *Mandatory Auction Participant*, that has submitted a bid which has been accepted by *Euronext Clearing*, shall have its default fund contributions included under the senior tranche.
5. A *Voluntary Auction Participant*, that has submitted a bid above the *Qualificative Price*, shall have its default fund contributions included within the senior tranche, either
 - a. in full, in case the bid was accepted by *Euronext Clearing*,
 - b. or pro rata, in proportion to the share of exposure of the concerned portfolio over the total Positions referable to the defaulter, in case the bid was not accepted by *Euronext Clearing* (not being the winning one) and where multiple auctions have been organized to manage a default.

In case of a *Trading Client*, the default fund contributions subject to the provisions of this article are understood to be of the sponsoring *General Clearing Member*.

6. A *Mandatory Auction Participant* or a *Voluntary Auction Participant*, that while participating in an Auction has failed to submit a valid bid, shall have its default fund contribution included under the junior tranche.

7. Outside of the cases of the preceding paragraphs, the contributions of *Clearing Members* are always included within the standard tranche.
8. In case of multiple auctions being organized to manage a default, ~~the juniorisation measure foreseen within paragraph 3 shall always prevail.~~ **Euronext Clearing will apply the loss allocation mechanism described under paragraph 2 above, by calculating the *Default Fund* contribution in proportion to each tranche in respect to which the *Member* has been invited and pro rata of the risk measure of the relevant tranche.**
9. The provisions set forth in this Article apply only in case an auction is organized by Euronext Clearing pursuant to Article B.6.2.1sexies.

INSTRUCTIONS

CHAPTER B.15 Auction procedure

Omissis

Article B.15.1.2 Direct Offer

1. Euronext Clearing shall identify the *Invited Bidders* considering Article B.6.2.1septies and B.6.2.1octies. Euronext Clearing shall disclose to each Invited Bidder the information concerning the organisation of the Direct Offer and provide them with the details reasonably required in respect of the relevant Liquidation Portfolio.
2. The Direct Offer is articulated as a single unit auction, where any Invited Bidder shall bid at a price for the entire relevant Liquidation Portfolio. In case of multiple Direct Offers for multiple Liquidation Portfolios, each Invited Bidder shall provide separate offers for each Liquidation Portfolio.
3. Following the invitation referred to above, each Invited Bidder shall have the same Bidding Window, to present a bid to Euronext Clearing. Said timeframe shall be identified by Euronext Clearing on a general basis, within a Guideline. Euronext Clearing will communicate, the Bidding Window of each Direct Offer to Invited Bidders beforehand.
4. Within 30 minutes from the end of the Bidding Window, Euronext Clearing shall validate the outcomes of the Direct Offer and communicate the results to *Invited Bidders*. In case a bid has been accepted by Euronext Clearing, Article B.6.2.1sexies, paragraph 5 of the Regulations applies, and Euronext Clearing shall communicate to the winning Invited Bidder and where relevant, other Participants. In case no bid has been accepted, Euronext Clearing may, in its sole discretion, organise another Direct Offer or take any other measure foreseen within the Regulations.
5. Where appropriate, Euronext Clearing in its sole discretion may require Invited Bidders to present their bids under a Two-Way

Pricing model. In order to be deemed valid, received bids shall comply with this model.

6. In order to stimulate competitiveness within a Direct Offer, Euronext Clearing may decide to disclose, in near real time and before the end of the Bidding Window, the best bids received.
7. Received bids shall be considered valid only if:
 - i. received within the applicable Bidding Window;
 - ii. If applicable, complying with the two way pricing requirements set by Euronext Clearing;
 - iii. In the case of Trading Clients, if sponsored by the relevant Clearing Member
 - iv. complying with other requirements which may be applied by Euronext Clearing for a given auction.

In case no valid bid is received from an Invited Bidder within the Bidding Window, Article B.6.2.1-sexies, paragraph 8 of the *Regulations* applies.

8. Bids received are ranked in accordance with their price. In the event that two or more Invited Bidders submit an equal bid, Euronext Clearing shall rank the bids according to the chronological order of the bids' reception, and, in case they are simultaneous, the one performed by the Clearing Member with the bigger contribution to the relevant default fund shall be ranked first.
9. In any case, Euronext Clearing shall in its sole discretion decide whether or not to accept one or more valid bids in the context of a Direct Offer. **As specified under Article B.6.2.1-sexies of the Regulations, Euronext Clearing applies a tolerance level to a maximum amount of 10% to the bid submitted by a Mandatory Auction Participant below the Qualificative Price.**
10. Euronext Clearing reserves the right to deviate from the procedure described in this Article, if so required in the interest of the *System*.

