AMENDMENTS TO EURONEXT CLEARING'S REGULATIONS AND INSTRUCTIONS

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EURONEXT CLEARING

Amendments to Euronext Clearing's default management auctions: revised bid acceptance and incentive framework

In the context of the applicable framework of Euronext Clearing's default management auctions, the **Qualificative Price** ("**QP**") is employed within the **Default Management Process** ("**DMP**") for two distinct purposes:

(a) **Bid acceptance:** the QP serves as an internal reference point enabling the **CCP** to assess whether submitted bids fall within a reasonable execution range.

(b) **Incentive mechanism:** the QP also operates as a threshold within the seniorization/juniorization framework governing participants' Default Fund contributions. Bids submitted below this threshold may result in a less favourable treatment of the relevant participant's Default Fund exposure.

Given that the QP affects both auctions' outcomes and participant incentives, it constitutes a risk-critical component of the DMP. An inaccurate, insufficiently robust, or operationally impracticable QP calibration may give rise to two potential risks:

- acceptance of bids that crystallize avoidable losses for the CCP; or
- rejection of executable bids, thereby delaying liquidation and exacerbating losses as well as liquidity or operational pressures.

The proposed framework seeks to simplify existing arrangements and ensure the CCP's capacity to liquidate positions in a timely and orderly manner, while providing full transparency regarding the financial implications of execution choices.

Separation of objectives

The major amendment consists of abandoning the use of a single metric (the QP) to achieve two independent objectives. Under the revised framework, bid-acceptance support and participant incentives are addressed through two separate and complementary mechanisms, each serving a distinct purpose and control objective.

Revised incentive framework

For purposes of participant incentives and auction governance, the existing QP mechanism is replaced with a **purely auction-based incentive framework**, which relies exclusively on evidence generated within the auction process. Under

this model, incentive outcomes are determined on the basis of objectively recorded auction data, including:

- bid status,
- the number of Eligible bids,
- ranking and tie-breaking procedures, and
- a safeguard preventing unjustified juniorisation where bids remain sufficiently close to the best Eligible bid.

This approach removes reliance on internal valuation or margin data, reduces operational vulnerability, and ensures that the incentive mechanism remains transparent, reproducible, and defensible in the event of a challenge.

Fair Price and Execution Corridor

The Instructions are amended to introduce the concept of **Fair Price**, which acts as a reference point for assessing bids during the DMP. Proper calibration is essential to prevent acceptance of economically detrimental bids or rejection of executable bids, both of which may generate significant financial or governance risks.

The plausible **Execution Corridor** is also introduced as a range surrounding the Fair Price that reflects realistic market conditions and execution expectations. It is calibrated using initial margin buffers and supported by observable auction and broker data, including bid coherence and two-way pricing indications.

The execution corridor is used to inform — but not dictate — bid-acceptance decisions. Instead, it forms part of a structured assessment enabling the CCP to weigh bid quality against prevailing market evidence.

Collectively, these revisions aim at establishing a clearer and more resilient framework. Bid-acceptance determinations are grounded in observable execution evidence and explicit analysis of resource impacts, while participant incentives are governed through a simple, deterministic, and auction-based mechanism. This preserves flexibility under stressed market conditions and strengthens governance, fairness, and legal defensibility. Therefore, Euronext Clearing's Regulations and implementing Instructions are amended to reflect the revised framework concerning the bid acceptance mechanism and the criteria for allocating losses-across the tranches.

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

REGULATIONS

Article A.1.1.1 Definitions

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

~~**"Qualificative Price"**: a price, determined by Euronext Clearing in the context of an auction, for a sub-portfolio of Positions referring to a defaulting Clearing Member calculated based on the fair price of the auctioned sub-portfolio, based on the most recent prices of Financial Instruments included in each sub-portfolio. In case a Mandatory Auction Participant submits a bid below said price Article B.6.2.3 bis, paragraph 3 shall apply.~~

SECTION B – CENTRAL COUNTERPARTY SYSTEM

Omissis

PART B.6 Default

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.14 of the Instructions.
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,~~ **the relevant *Auction* parameters and criteria for the purpose of assessing auction bids and shall be entitled to accept or reject such bids at its discretion, in accordance with the methodology set forth under *Chapter B.14* of the *Instructions*.**

   ~~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.~~ **whether or not to accept one or more bids in an *Auction*, by taking into account the interest of the *System* and of the *Members* and on the basis of the assessment framework set forth in the *Instructions*, including observable market evidence, bid quality, and execution considerations.** In case of several equal bids, Article B.14.1.2, 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 *Default Fund* contributions of the relevant *Mandatory* or *Voluntary Auction Participants* being allocated in accordance with *Article B.6.2.3-bis* and *Chapter B.14* of the *Instructions*** ~~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-septies Mandatory Participation in auction and preparedness

1. In order to ensure adequate coverage across the range of its cleared Financial Instruments, as well as effective participation within an auction, *Euronext Clearing* shall determine, for each *Section of the* System, or combination, or part thereof the *Clearing Members* to act as *Mandatory Auction Participants*.
2. The determination shall be made by *Euronext Clearing* 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 the objectives of paragraph 1. *Euronext Clearing* shall update the lists of *Mandatory Participants* at least on a yearly basis.
3. *Mandatory Auction Participants* shall possess adequate organizational and risk management resources and shall actively participate in the tests organized by *Euronext Clearing*.
4. In case an auction is organized, and *Euronext Clearing* invites a Mandatory Auction Participant, the latter shall participate in the Auction, either directly or by sponsoring a Trading Client, in the manner set forth in Article B.6.2.1octies, paragraph 3. However,

on an individual basis, in case of proven changes to the conditions referred to in paragraph 2, Euronext Clearing may consider waving said requirement and exempt the *Mandatory Auction Participant* from participation within the auction.

5. Within the procedure set forth in Article B.6.2.3, *Mandatory Auction Participants* are subject to the provisions of Article B.6.2.3 bis, paragraphs 3 and 4.

6. When participating in an auction, *Mandatory Auction Participants* are subject to Article B.6.2.1sexies, paragraph 8.

7. The provisions of this article shall not apply to Public Entities.

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 Client* 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 and the related implementing provisions of the *Instructions*. In case of participation by a *Trading Client*, the sponsoring *General Clearing Member* shall benefit from such incentive measures on the basis of the bid submitted by the relevant *Trading Client*, in accordance with Article B.6.2.3-bis and Chapter B.14 of the *Instructions.* Where more than one *Trading Client* sponsored by

the same *General Clearing Member* participates in the same *Auction*, the incentive treatment shall be determined on the basis of the most favorable *Eligible bid* submitted on behalf of that sponsoring *General Clearing Member*, in accordance with the *Instructions*. ~~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.

Omissis

Article B.6.2.3. Costs for management of default procedures of a *Clearing Member*

1. Subject to subsequent recovery actions against the party in default, where the default procedure indicated at Article B.6.2.1 is triggered, *Euronext Clearing* shall allocate the losses and costs in the following order:

a) to the *Collateral* posted to fulfil *Margins* obligations and payments to the *Default Funds* in accordance with Article A.1.1.5, deposited by the *Member* in default, if applicable, any sum resulting from the activation of *Central Bank Guarantee* and to the sums arising from the closing of the *Positions*;

b) to the guarantee, if deposited by the defaulting *Member*, indicated at Article B.2.1.2, paragraph 5;

c) to the assets of *Euronext Clearing* within the limits of the amount calculated in compliance with article 35 of the Regulation no. 153/2013 of the European Commission, implementing article 45 of the *EMIR Regulation* and published on its internet website: www.euronext.com/it/posttrade/euronextclearing);

d) to the contributions of the other *Clearing Members* to the Default fund guaranteeing the *Section*, or *Sections,* concerned, pro rata to the payments made and limited to the losses and costs incurred in relation exclusively to the *Positions* of said *Section,* or *Sections,* where applicable, pursuant the order described in Article B.6.2.3 bis, paragraph 2. In the event of a default event opened with respect to a *Clearing Member active on a single Segment* of the Equity and Derivatives Default Fund, the allocation shall be further segmented between Segment EQDER (Equity and Financial Derivatives) and Segment COMDER (Soft Commodity Derivatives) in accordance with Article B.4.2.1 of the Regulations, with prior allocation of costs and losses to the Segment corresponding to the defaulter's cleared Positions*;*

e) to the assets of *Euronext Clearing*, within the limits of the amount calculated in compliance with article 9, paragraph 14 and 15 of *CCPRR Regulation* and related Commission Delegated Regulation and published on its internet website: www.euronext.com/it/posttrade/euronextclearing);

f) to the additional resources paid by the *Clearing Members* pursuant to Article B.4.2.5 pro rata to their contribution to the *Default Fund* guaranteeing the *Section*, or *Sections,* concerned, where applicable, pursuant the order described in Article B.6.2.3 bis, paragraph 2. In case of the *Equity and Derivatives Section,* the allocation shall be further segmented between *Segment A* (Equity and Financial Derivatives) and *Segment B* (Soft Commodity Derivatives) in accordance with Article B.4.2.1 of the Rules, with prior allocation of costs and losses the segment corresponding to the defaulter's cleared Positions.

Any remaining losses following the actions set out under the preceding points will be allocated by *Euronext Clearing* pro rata to the *Clearing Members* participating to the *Default fund* guaranteeing the *Section*, or Sections, concerned up to a maximum amount equal to 50% of the payment of the additional resources pursuant to Article B.4.2.5, pursuant the order described in Article B.6.2.3 bis, paragraph 2. In the event of a default event opened with respect to a *Clearing Member active on a single Segment* of the *Equity and Derivatives Default Fund*, the allocation shall be further segmented between Segment EQDER (Equity and Financial Derivatives) and Segment COMDER (Soft Commodity Derivatives) in accordance with Article B.4.2.1 of the *Regulations*, with prior allocation of costs and

losses to the Segment corresponding to the defaulter's cleared Positions.

2. In the event of default of a *Clearing Member*:

   a) the assets held in the *Clients Collateral Accounts* shall not be used for allocation of losses related to the liquidation of *Positions* registered in the *House Position Account* and any existing sub-accounts;

   b) the assets held in the *House Collateral Account* shall be used, where necessary, for the allocation of losses related to the liquidation of the *Positions* registered *within the Clients Position Accounts* pursuant to Article B.3.1.2 and any existing sub-accounts;

3. At the end of the procedures indicated in this Article, any balances of the defaulting *Clearing Member* in excess of the amount necessary to cover any losses sustained shall be returned by *Euronext Clearing* to the *Clearing Member* itself, with indication of the assets of each *Client Collateral Account* pursuant to Article B.4.3.0, where in managing the default procedure *Euronext Clearing* did not succeed in transferring the relevant positions and assets pursuant to Article B.6.2.1bis.

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;

Where an event of default occurs with respect to a *Clearing Member active on a single Segment* of the *Default Fund* relating to the Equity, Financial Derivatives and Soft Commodity Derivatives Section (either Segment EQDER or Segment COMDER), the *Default Fund Segmentation* mechanism shall apply in accordance with Articles B.4.2.1 and B.6.2.3 of the Regulations.

In such circumstance, where the default has been managed by *Euronext Clearing* through an *Auction* procedure, *Euronext Clearing* shall allocate losses amongst the contributions of non-defaulting *Clearing Members* across the tranches set out under paragraph 2 above with priority to the contributions associated with the *Segment* of the *Default Fund* affected by the default, before any allocation to contributions relating to the other Segment.

~~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 referrable 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, *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.~~

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. For each auctioned sub-portfolio, the loss allocation mechanism applies equally to both *Mandatory Auction Participants* and *Voluntary Auction Participants*, based on the classification and quality of their bids as determined by Euronext Clearing in Chapter B.14 of the *Instructions*.
4. For the purposes of loss allocation following an *Auction*, *Euronext Clearing* shall assign *Default Fund* contributions to tranches based on the participant's status (Mandatory or Voluntary) and the nature and quality of their bid, as determined on the basis of objectively

recorded auction data and as specified in Chapter B.14 of the Instructions.

5. The incentive mechanism applicable to *Auctions* shall be determined exclusively on the basis of objective data and verifiable evidence produced within the *Auction* process. No element of the mechanism shall be derived from, or influenced by, metrics, indicators, or information that do not directly pertain to, or originate from the outcome of the *Auction.*

~~6. *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.~~

~~7. *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.~~

~~8. 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~~

~~c. in full, in case the bid was accepted by *Euronext Clearing*,~~

~~d. or pro rata, in proportion to the share of exposure of the concerned portfolio over the total Positions referrable 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.*~~

~~9. 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.~~

~~10. Outside of the cases of the preceding paragraphs, the contributions of *Clearing Members* are always included within the standard tranche.~~

~~11.~~ In case of multiple auctions being organized to manage a default, *Euronext Clearing* **shall apply the loss allocation mechanism described in paragraph 2 above by allocating the Default Fund contribution across tranches on a pro rata**

basis, according to the risk measure of the relevant sub-portfolios associated with the auctions in which the Member has been invited to participate ~~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.~~

~~12. 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

1. TITLE A General provisions

2. Article A.1.1.1 Definitions

1. The following definitions shall apply to these *Instructions:*

"*Fair Price*": a reference price determined by *Euronext Clearing*, in the context of an *Auction*, for a sub-portfolio of *Positions* referring to a defaulting *Clearing Member*, reflecting prevailing market conditions and used by the CCP as a benchmark within the bid assessment framework.

"*Execution Corridor*" means the range of prices established by *Euronext Clearing* around the *Fair Price*, based on prevailing market conditions and objective risk parameters, and used by the CCP as a decision-support tool in assessing the plausibility of bids.

"*Eligible bid*": a valid bid which, following the CCP's assessment under Article B.14.1.2, is deemed credible and usable for the purposes of the auction incentive framework.

"*Ineligible bid*": a valid bid which, following the CCP's assessment under Article B.14.1.2, is not deemed credible or usable for the purposes of the auction incentive framework.

Omissis

CHAPTER B.14 Auction procedure

Article B.14.1.1 Determination of Liquidation Portfolio

1. In view of protecting the interest of the *System,* as well as to promote the efficiency of an *Auction,* Euronext Clearing shall, in its full discretion determine the composition of each *Liquidation Portfolio*. *Euronext Clearing* may therefore combine or divide the relevant *Liquidation Portfolio*(s) and consequently organise one or several *Auctions*.

Article B.14.1.2 Auction

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 *Auction* and provide them with the details reasonably required in respect of the relevant Liquidation Portfolio.

2. The *Auction* 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 *Auctions* 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 *Auction* to Invited Bidders beforehand.
4. Within 30 minutes from the end of the Bidding Window, Euronext Clearing shall validate the outcomes of the *Auction* 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 *Auction* 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 **as part of the *Auction* validation and assessment framework**. In order to be deemed valid, received bids shall comply with this **framework** ~~model.~~
6. ***Euronext Clearing* may, following the completion of the Auction, disclose to invited bidders certain information relating to the *Auction* outcomes, including for the purposes of the incentive framework, in such form and level of aggregation as it deems appropriate**. ~~In order to stimulate competitiveness within an *Auction*, 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 **decide whether or not to accept one or more valid bids for each auctioned sub-portfolio if submitted in accordance with a *Fair Price*. *Euronext Clearing* shall establish an *Execution Corridor* around the *Fair Price*, calibrated by using objective risk parameters and observable market data. A bid may be accepted even if outside the plausible *Execution Corridor* where the CCP determines, on the basis of additional evidence, that such bid is executable and appropriate** ~~in its sole discretion decide whether or not to accept one or more valid bids in the context of an *Auction*.~~
   ~~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*~~.

Euronext Clearing reserves the right to deviate from the procedure described in this Article, if so required in the interest of the *System.*

10. **For each auctioned sub-portfolio, the applicable loss allocation mechanism is based on the classification and quality of their bids as determined by *Euronext Clearing*. In particular:**
    i. **a *Clearing Member* that does not submit any bid shall be considered a non-auction participant.**
    ii. **a *Clearing Member* that submits a bid which is untimely incomplete, non-compliant with the applicable auction requirements, or otherwise technically deficient shall be considered to have submitted an invalid bid.**
    iii. **a *Clearing Member* that submits a valid bid which is which, following the assessment referred to in paragraph 9, is not deemed credible or usable for the purposes of the incentive framework shall be considered to have submitted an *Ineligible Bid*.**
    iv. **a *Clearing Member* that submits a valid bid which, following the assessment referred to in paragraph 9, is deemed credible and usable for the purposes of the incentive framework shall be considered to have submitted an *Eligible bid*.**

11. **For the purposes of loss allocation following an auction, *Euronext Clearing* shall assign *Default Fund* contributions to tranches based on the participant's status (Mandatory or Voluntary) and the nature and quality of their bid, as follows:**
    i. **Where a *Mandatory Auction Participant* or a *Voluntary Auction Participant* does not submit any bid, its *Default Fund* contribution shall be assigned to the junior tranche.**
    ii. **Where a *Mandatory Auction Participant* or a *Voluntary Auction Participant* submit a bid that is**

invalid or otherwise Non-eligible, their *Default Fund* contribution shall be assigned to the junior tranche.

12. **In case of receipt of *Eligible bids*, the following mechanism shall apply:**

    a) **where the number of *Eligible bids* submitted by *Mandatory Auction Participants* or *Voluntary Auction Participants* for the relevant sub-portfolio is equal or less than three, the *Default Fund* contributions of both types of participants shall not be assigned to the junior tranche solely on the basis of ranking. In such circumstances*, *Default Fund* contributions shall be allocated only between the senior and standard tranches in accordance with the methodology set out by *Euronext Clearing*;**

    b) **Where the number of *Eligible bids* submitted by *Mandatory Auction Participants* or *Voluntary Auction Participants* for the relevant sub-portfolio is four or more:**

    i. ***Eligible bids* ranked in the top 25% percentile shall be assigned to the Senior tranche for both Mandatory and *Voluntary Auction Participants*.**

    ii. ***Eligible bids* ranked in the middle 50% percentile shall be assigned to the standard tranche for both *Mandatory* and *Voluntary Auction Participants*.**

    iii. **Eligible bids ranked in the bottom 25% percentile shall be assigned to the junior tranche for *Mandatory Auction Participants*, subject to the application of the tolerance mechanism described below; for *Voluntary Auction Participants*, such bids shall be assigned to the standard tranche.**

    iv. **Where a bid in the bottom 25% percentile remains within the applicable asset-class tolerance parameter from the best *Eligible bid*, it shall not be assigned to the junior tranche solely by reason of its ranking and shall instead be reclassified to the standard tranche.**

In the event that two or more bids are tied at a tranche boundary, the CCP reserves the right, irrespective of whether submitted by a *Mandatory or Voluntary Auction Participant*, to assign such bids to the more favorable tranche.

Article B.14.1.3 Confidentiality

1. *Invited Bidders* commit to being bound by the confidentiality terms for participating in auctions set forth within an Annex.

Article B.14.1.4 organizational and risk management resources

1. In order to promote the fruitfulness of an *Auction*, a *Clearing Member*, or where applicable, a *Trading Client* wishing to take part in an auction shall identify, within its organisation, a DMP coordinator and a back-up DMP coordinator.
2. The DMP Coordinator possesses adequate risk management and operational knowledge of the default management procedures.
3. The DMP Coordinator shall act as single point of contact between the Clearing Member, or Trading Client, and Euronext Clearing for all matters related to default management, including tests.
4. At onboarding stage, the Clearing Member, or Trading Client where applicable, shall delegate a DMP Coordinator within the fashion set forth in Article B.14.1.7.

Article B.14.1.5 Communication

1. All communication between Euronext Clearing and the Invited Bidders shall occur through the Auction Infrastructure, which is made available by Euronext Clearing to delegated *DMP Coordinators.*
2. In case of malfunctioning, Euronext Clearing may indicate, through a Notice, a different means of communication, to be used as contingency method.

Article B.14.1.6 Testing and preparedness

1. In order to promote the preparedness of Clearing Members and, where applicable, Trading Clients, Euronext Clearing organizes on a regular or ad hoc basis, tests concerning the implementation of its *Auction* procedure and the broader default management procedure as defined within Article B.6.2.1 of the Regulations.

Article B.14.1.7 Onboarding requirements related to default management

1. For the purpose of the default management process, Clearing Members shall provide Euronext Clearing with a signed "auction authorization form", which includes:
   - - the delegation of powers to the DMP Coordinator and the back-up DMP Coordinator;
   - - the acceptance of relevant confidentiality obligations;
2. Additionally, the Clearing Member shall transmit on behalf of its *Trading Clients* wishing to participate in an auction, to Euronext Clearing a signed "auction authorization form", which includes:
   - - the delegation of powers to the Trading Client's DMP Coordinator and back-up DMP Coordinator (s);
   - - the consent of the sponsoring Clearing Member, as well as the delegation of powers to the Clearing Member's DMP Coordinator(s) and back-up DMP Coordinator;
   - - the acceptance of relevant confidentiality obligations;
   - by both the Trading Client and the Sponsoring Clearing Member.