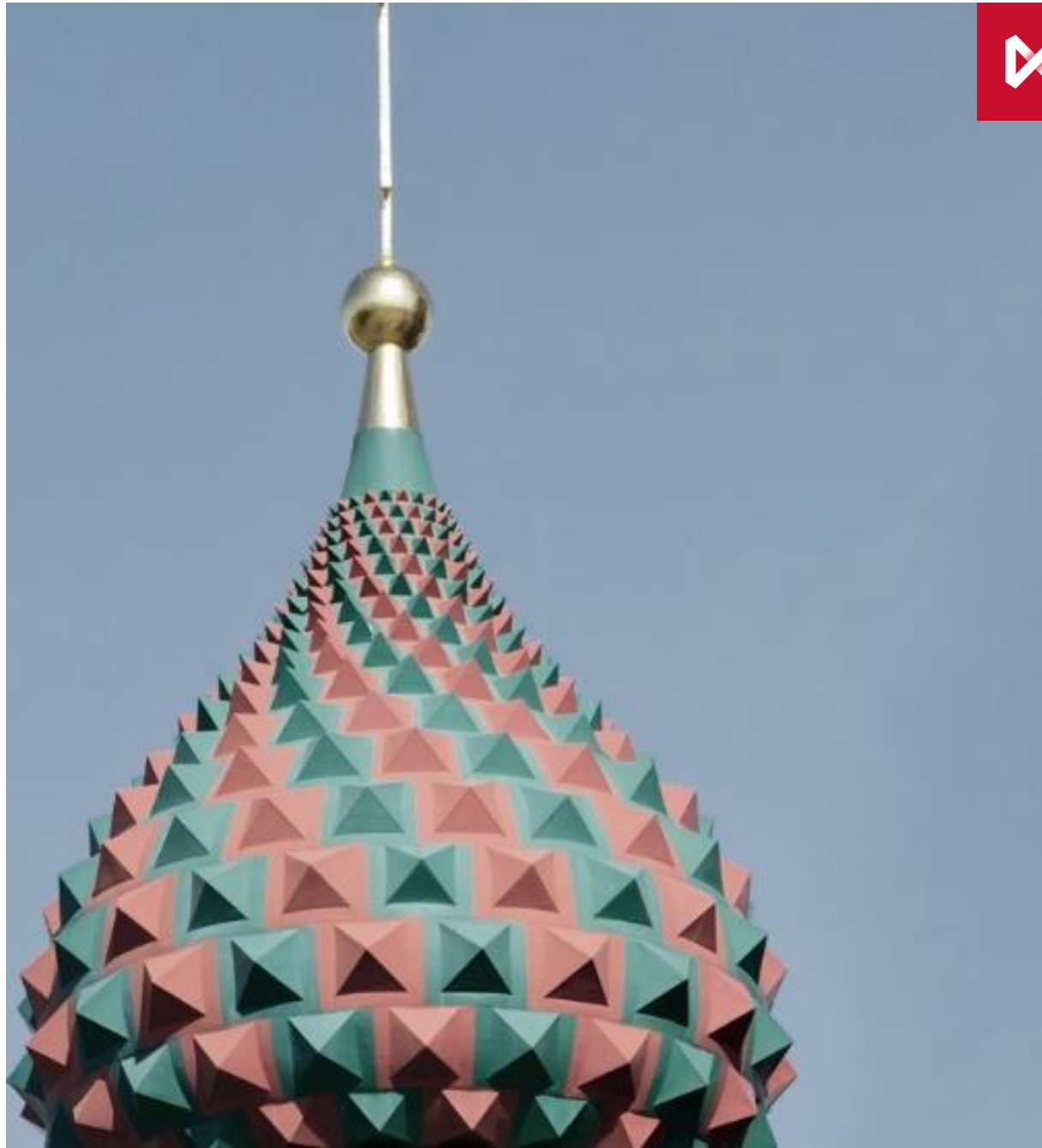




MOSCOW  
EXCHANGE



**Separation of member status on  
Trading Members and Clearing  
members**

## Separation of member status on TM and CM

- Only Trading members (TM) can participate in trading at MOEX
- Orders sent by TM lead to the trades which execute on behalf of Clearing members (CM)
- The NCC performs clearing for clearing registers of CM only. This service includes termination of obligations, collateral records and collateral control
- This project is an update for the current model on the FX market and it is an innovation for Securities market.
- There are no differences between project implementation on Securities and FX markets



# Models of status separation

## The «clearing broker» model

- CM is the party in trades concluded not in the interest of CM

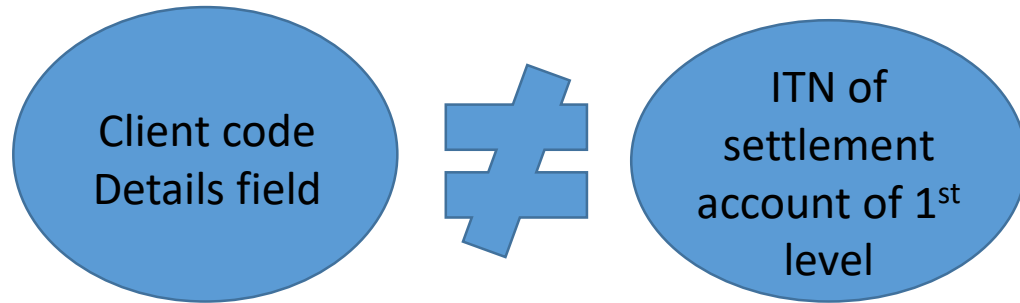
## The «delegation agreement» model

- TM is able to execute trades on behalf and in interest of CM.
- It is impossible to execute trades on behalf of the other clients of TM or clients of CM

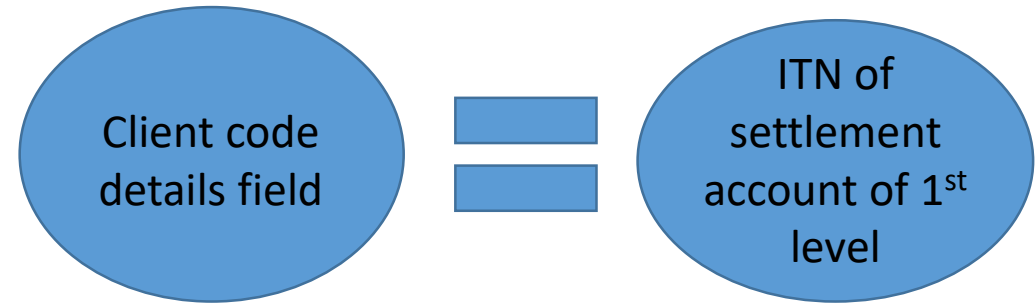
- In clearing system interface a clearing model is defined by the CLEARINGMODE field of the BANKACC table
- One CM is able to use both models for different settlement accounts. It is also possible to combine CM and the TM roles.

# Client code in orders

## Settlement Account for the “clearing broker” model



## Settlement Account for the “delegation agreement” model



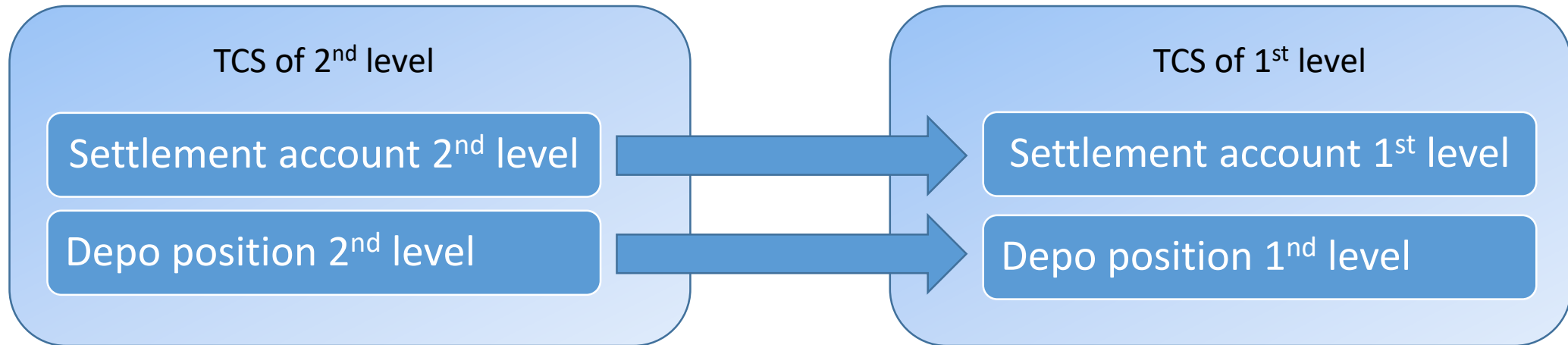
- Client code in orders sent with a settlement account of 1<sup>st</sup> level (CM is also a TM ) or with settlement account of 2<sup>nd</sup> or 3<sup>rd</sup> (clearing broker model) level could be skipped if a trade executes on behalf of TM
- Client code shall be sent in “delegation agreement” model. In this case CM is the client of TM.
- TM is able to provide a list of forbidden clients (clients’ identification data) to the Clearing Centre. TM cannot execute trades in interest of these clients.

# Trading/clearing account (TCA) of the 1<sup>st</sup> level

- Trading/clearing account of the 1<sup>st</sup> level could be used as a trade account only if TM is also a CM
- CM may request NCC to change client identification details to be linked to the 1<sup>st</sup> level settlement account.
- When client details are linked to a 1<sup>st</sup> level settlement account then identification data from a client code indicated at order enter will be checked against client details linked to a settlement account during the order verification in the Securities market trading system.
- Closing of a TCA account of the 1<sup>st</sup> level involves also closing of all linked TCSs of level 2 and 3

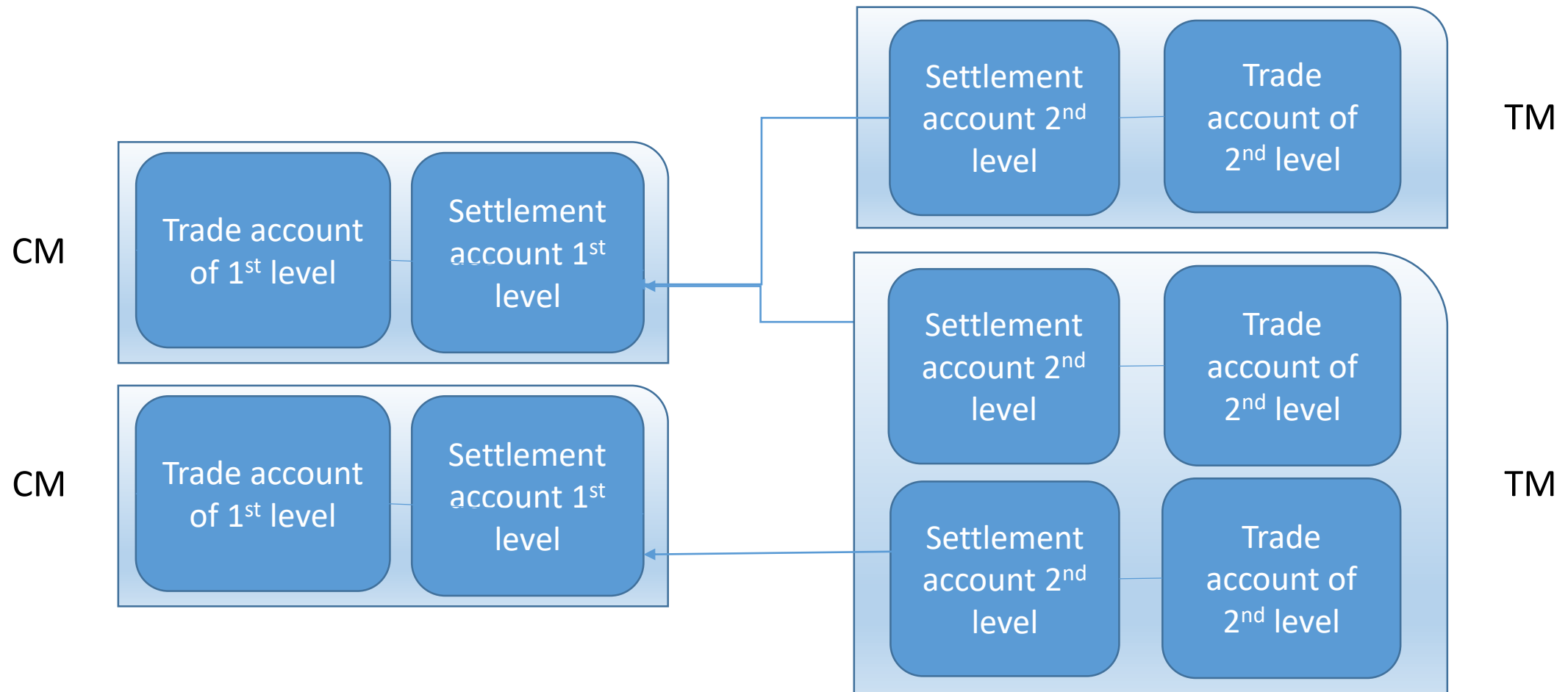
# TCA of 2<sup>nd</sup> level

- A TCA of 2<sup>nd</sup> level could be opened for a TM who isn't CM himself as only linked to the 1<sup>st</sup> level TCA. Model of settlement account of 1<sup>st</sup> level should be "clearing broker" or "delegation agreement".
- TCA of 2<sup>nd</sup> level could be indicated in order transactions.



- CM may request NCC to change client identification details to be linked to the 2<sup>nd</sup> level settlement account. When client details are linked to a 2<sup>nd</sup> level settlement account then identification data from a client code indicated at order enter will be checked against client details linked to a settlement account during the order verification in the trading system.

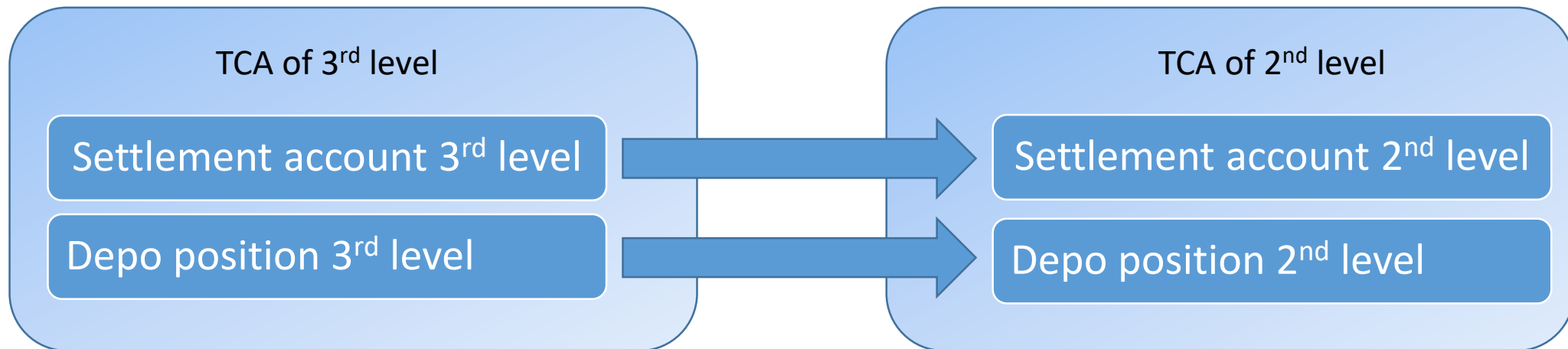
# Examples of linking Settlement account 2<sup>nd</sup> level



- One CM is able to use both models for different settlement accounts. It is also possible for participant to combine the CM and TM roles.

# TCA of 3<sup>rd</sup> level

- TCA of 3<sup>d</sup> level could be opened for a CM who isn't a TM itself as only linked to TCA of 2<sup>nd</sup> level which in turn should be linked to a TCA of 1<sup>st</sup> level. The model of TCA of 1<sup>st</sup> level should be "clearing broker" or "delegation agreement"
- TCA of 3<sup>rd</sup> level could be indicated in order transactions.



- CM may request NCC to change client identification details to be linked to the 3<sup>rd</sup> level settlement account. When client details are linked to a 3<sup>rd</sup> level settlement account then identification data from a client code indicated at order enter will be checked against client details linked to a settlement account during the order verification in the trading system.



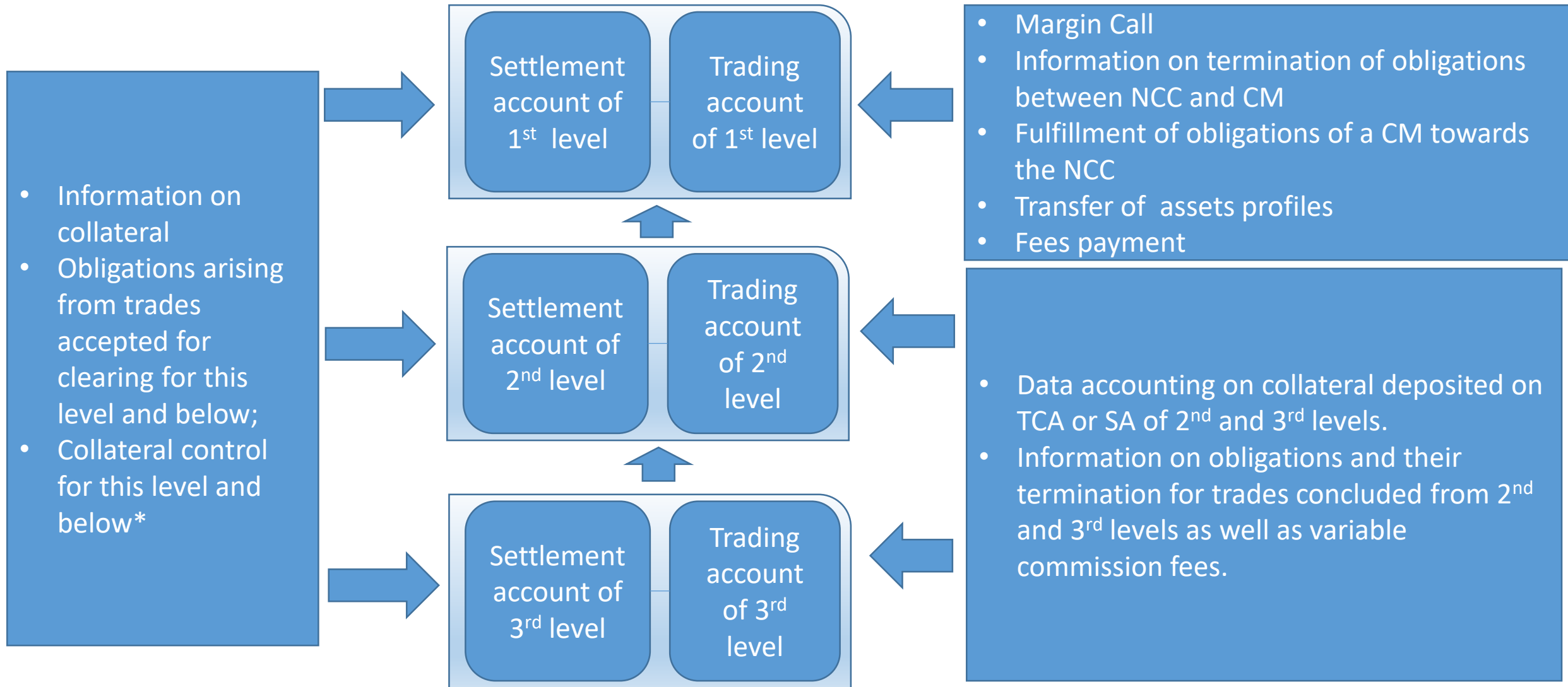
# Details on 3<sup>rd</sup> level TCA accounting

A legal entity that has a 3<sup>rd</sup> level clearing register has access to details for TCS and settlement account of the 3<sup>rd</sup> level as well as to set limits and risk parameters for these accounts

Entity who opened TCA of 3 <sup>rd</sup> level	Entity which is provided with services of clearing register management
CM which is also TM	CM
TM which is not CM	TM
TM which is not CM may request for the provision of clearing register services for a CM	CM

- When a TM provides the 3<sup>rd</sup> level clearing register services, CM does not have access to information about settlement accounts of 3<sup>rd</sup> level.
- In the clearing system interface the CM\_CONTROL\_LEVEL3 field of the BANKACC tables indicates if CM controls level 3 trading account
- TM able to request disclosure information about clients for the CM.
- In the clearing system interface the CM\_DISCLOSE\_CLIENTS field of the BANKACC table indicates disclosure of information.

# Functionality of settlement accounts and trading accounts of different levels



Trading accounts and clearing accounts of levels 2 and 3 do not have types. Technically these accounts have a new type – ‘V’ (clients of 2<sup>nd</sup> and 3<sup>rd</sup> levels)

# Details on collateral accounting for SA of 2<sup>nd</sup> and 3<sup>rd</sup> levels

- When collateral for SA of 2<sup>nd</sup> and 3<sup>rd</sup> levels is changed via external deposit/withdrawal then there are no validations for a negative single limit value.
- When collateral for SA of 2<sup>nd</sup> and 3<sup>rd</sup> levels is changed through the trading/clearing system then validation for negative single limit value depends on the corresponding validation flag set for an account. A member may also set a corresponding flag in a transfer transaction in order to indicate the necessity of such validation.
- Collateral value for TCAs of 2<sup>nd</sup> and 3<sup>rd</sup> level may be changed disregarding the actual funds availability on the higher level accounts and it is not sent to NCC or NSD systems (i.e. only exists in the clearing engine).
- A new CHECK\_SINGLE\_LIMIT transaction may be used by a CM having a clearing broker model for a TM's settlement account. This transaction checks the single limit value. If it is negative then all active orders entered from this SA will be cancelled.

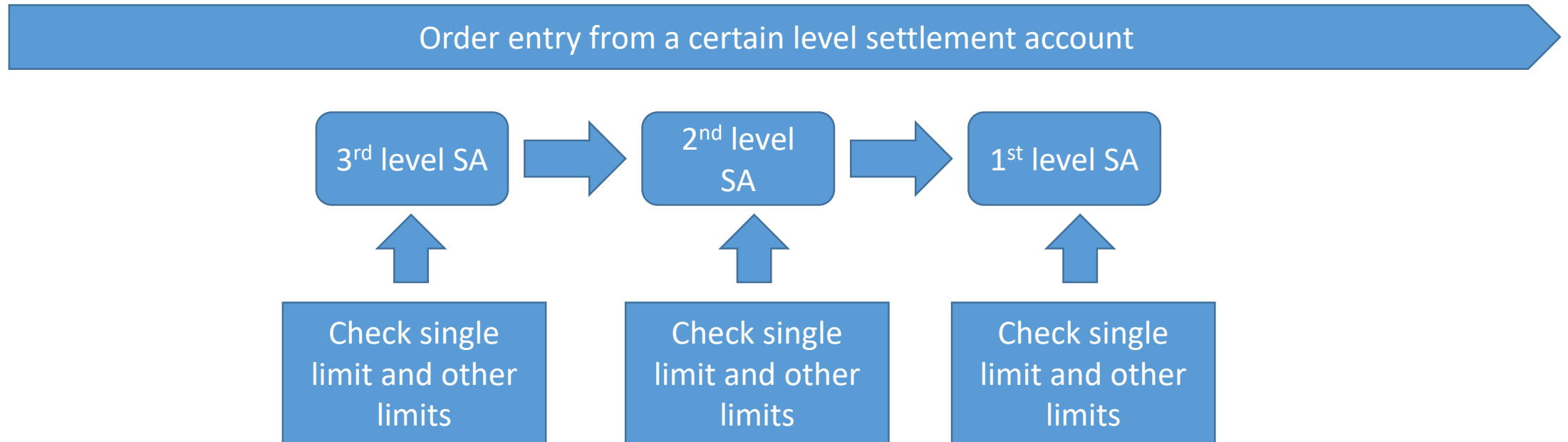
# Collateral for TCAs of 2<sup>nd</sup> and 3<sup>rd</sup> levels

Collateral may be accounted on TCAs of 2<sup>nd</sup> or 3<sup>rd</sup> levels in one of the following ways:

- When 2<sup>nd</sup> or 3<sup>rd</sup> level SA has been indicated in the payment deposit purpose. Then a single transaction from NCC will change collateral information on the indicated account as well as on all the higher level accounts.
- CM may set collateral for the 2<sup>nd</sup> and 3<sup>rd</sup> level TCA/SA by himself using the transfer transaction in the trading system.

# Collateral check at order entry

An order is accepted only when collateral check on all levels has passed successfully



So besides the obligatory check of single limit, short selling limits and any other limits that are performed at level one, the same validation is first performed on the 2<sup>nd</sup> level TCA or 3<sup>rd</sup> and 2<sup>nd</sup> levels TCAs depending on what level has been used at order entry.

# Segregated client

Segregated client is the client whose obligations and collateral may be transferred between clearing members.

- A segregated client can be only linked to a 1<sup>st</sup> level SA. 2<sup>nd</sup> and 3<sup>rd</sup> level accounts may be also opened for that 1<sup>st</sup> level account.
- One segregated client may have several settlement accounts.
- Registration of a segregated client is performed on application.

# Data access for TM

TM who is not a CM has access to the following data:

- orders/trades entered/concluded by this TM
- 2<sup>nd</sup> and 3<sup>rd</sup> level SAs and TCAs registered for this TM
- positions, collateral, single limit for 2<sup>nd</sup> level accounts
- positions, collateral, single limit for 3<sup>rd</sup> level accounts opened by this TM (3<sup>rd</sup> level clearing register services are provided by TM)
- numbers of 1<sup>st</sup> level SAs and TCAs that his 2<sup>nd</sup> level accounts are linked to

TM who is not a CM does not have access to the following data:

- positions, collateral, single limit for the 1<sup>st</sup> level SA and TCA
- Unsettled trades table

# Data access for CM

CM who is not a TM has access to the following data:

- trades to be settled from the 1<sup>st</sup> level account, except for the following fields in the following tables: trades (counterparty, client code, remarks, user id), ustrades (client code, remarks, user id).
- collateral, positions, single limit for 2<sup>nd</sup> level accounts opened by application from this CM



CM who is not a TM does not have access to the following data:

- TM's clients, their codes and details, except for the following cases:
  - if a 2<sup>nd</sup> level account has the "disclose clients" flag set (BANKACC->CM\_DISCLOSE\_CLIENTS)
  - CM is the TM's client («delegation agreement» model)
- positions, collateral, single limit for the 3<sup>rd</sup> level accounts;
- transfer transactions between the 3<sup>rd</sup> level accounts opened by TM (collateral transfer)





# Commissions

**Clearing member** pays the following commission fees:

- **Technical access (as payment for user IDs)**
- **NCC clearing services**
- **Opening of a 3<sup>rd</sup> level clearing register (if CM=TM)** – 120 Rubles. Charged not later than the next business day after opening and account. Accounted on the main SA assigned for commission fees
- **Support of 3<sup>rd</sup> level clearing register** – 120 Rubles. Charged on the 1<sup>st</sup> business day of a month for every 3<sup>rd</sup> level TCA. Accounted on the main SA assigned for commission fees

Value of the fixed and variable commission fees are determined by the fee model chosen by a CM

**Trading member** pays the following commission fees

- **Technical access (as payment for user IDs)**
- **MOEX trading services**
- **Opening of a 3<sup>rd</sup> level clearing register (if CM=TM)** – 120 Rubles. Charged not later than the next business day after opening and account. Accounted on the main SA assigned for commission fees
- **Support of 3<sup>rd</sup> level clearing register** – 120 Rubles. Charged on the 1<sup>st</sup> business day of a month for every 3<sup>rd</sup> level TCA. Accounted on the main SA assigned for commission fees

Value of the fixed and variable commission fees are determined by the fee model chosen by a TM

# Unified collateral pool

1. When opening 1<sup>st</sup>, 2<sup>nd</sup>, 3<sup>rd</sup> level accounts for a unified collateral pool then these accounts will be available both in Securities and FX clearing systems:
  - a) if these settlement accounts have been already marked for the inclusion of FX market
  - b) when these accounts are marked to include the FX market
2. 1<sup>st</sup>, 2<sup>nd</sup>, 3<sup>rd</sup> accounts already opened in the FX market clearing system for a unified collateral pool account by this project implementation date will not be reopened or transferred to the Securities market clearing system.
3. When an FX market account that has 2<sup>nd</sup> and 3<sup>rd</sup> level accounts linked is linked to a UCP account, those account will not be reopened on the Securities market.
4. Clearing member may replace old 2<sup>nd</sup> and 3<sup>rd</sup> level accounts in FX market trades with new ones.