

Articles of Association of The European Association of Central Counterparty Clearing Houses

Article I – Name

Name: European Association of Central Counterparty Clearing Houses (EACH).

Type of organisation: EACH is a not-for-profit organisation with no legal identity.

Article II – Objectives of the Association

1. To discuss and analyse techniques and developments in central counterparty clearing operations, systems, position-keeping, risk management tools (initial margining, re-valuation, membership requirements, default procedures and resources, money settlement arrangements, etc.) and legal and regulatory issues related to central counterparty clearing.
2. To develop, as appropriate, frames of references of central counterparty clearing and risk management, and to publish those standards.
3. To develop, with appropriate co-ordination (for example, with other associations such as ECSDA¹ and FESE²), positions on proposed European and global regulatory initiatives relative to central counterparty clearing.
4. To provide a forum for the development of the personal contacts necessary to ensure the exchange of risk-related information in times of potential difficulty.
5. To monitor developments in payments, settlement and custody, as they have a bearing on central counterparty clearing, ensuring as appropriate a constructive working relationship with other infrastructure and user associations.
6. To influence policymakers and be the central counterparties' voice in Europe, and the voice of European central counterparties globally ensuring as appropriate a constructive working relationship with supra-national European and global public authorities and global associations of central counterparty clearing houses.

Article III – Members

Only corporate bodies are eligible for Membership. There is one category of Membership. All Members shall fulfil the following requirements:

a) **Economic function**

The Member must either interpose itself legally as a central counterparty (CCP) to financial, equity or commodity contracts (whether cash or derivatives; whether traded on- or off-exchange) or assume equivalent responsibility for ensuring performance of traded contracts without legal inter-position.

¹ European Central Securities Depositories Association

² Federation of European Securities Exchanges

This definition excludes central securities depositories/securities settlement systems that arrange delivery versus payment settlement but do not act as central counterparties. Any other functions or activities should typically be secondary but eligibility will be determined by whether the central counterparty function or equivalent responsibility is undertaken.

This definition also excludes exchanges or other entities that provide clearing functions.

b) **Authorisation and regulatory status**

The Member must be authorised by the regulatory or supervisory authority of one or more countries in Europe to undertake central counterparty clearing activities (as defined above) regardless of whether there is a specific central counterparty regulatory status defined. An approval from another regulatory or supervisory authority can also be accepted, subject to approval by EACH at a Plenary meeting, if the company has a significant activity within Europe. For the purpose of these Articles “Europe” means the geographic continent of Europe and is not limited to the EU or EEA.

Where more than one CCP operates as a separate legal entity within the same economic group, each CCP shall normally have a separate Membership. However, subject to decision at a Plenary meeting, if more than one Member or applicant is a member of the same economic group as, and its management, operations, procedures and policies are substantially integrated with those of, another Member, that Member or applicant may be deemed to share the same Membership as the related Member.

c) **Applicable law and geographical scope**

The Member must provide CCP clearing services within, but not necessarily restricted to, Europe. The core clearing services of the member provided in Europe must operate under the laws of one or more of the countries of Europe. The CCP must be incorporated in Europe.

d) **Activity**

The Member need not have begun its clearing activities, provided that it meets the other requirements. However, prolonged inactivity will prompt re-consideration by EACH of the mutual benefits of participation in the group.

e) **The European Code of Conduct for Clearing and Settlement**

Where it is relevant to the specific services provided by the Member, the Member shall sign the Code of Conduct and the Access & Interoperability Guideline or explain to EACH in written form why it cannot sign them.

Application and approval for Membership

An applicant seeking Membership in EACH shall send a written application in the form shown in Appendix A to the Chairman of EACH.

The applicant should make a presentation to a Plenary meeting describing its services, procedures and operations with reference to

- i. either the CPSS/IOSCO Recommendations for CCPs or the ESCB/CESR Recommendations for CCPs,
- ii. the EACH Supplementary Risk Recommendations and
- iii. designation under the Settlement Finality Directive, if applicable.

The application will be put on the agenda for decision at the following Ordinary Plenary meeting. The applicant will be approved if there is a vote in favour. Reasons should be given for a rejection or for a request for further information but EACH's decision will be final.

Termination of Membership

The Membership will be terminated one month after a written letter of resignation has been received by the Chairman of EACH. In case of serious breach of the Membership requirements, a Membership can be terminated by decision in a Plenary meeting. Such a decision will take effect one month after the date of notification to the Member.

Any Member which resigns or has its Membership terminated shall not be entitled to any assets of EACH.

Article IV – FUNDING/FINANCE

There is no application fee or annual fee for Membership. If needed for specified projects a fee can be collected. Any proposal to set up a project that needs funding and the specific division of any fee shall be discussed on a case-by-case basis and a proposal shall be given by the Chairman to the Plenary meeting for decision. All Members shall commit to their best endeavors to accept an appropriate part of any project fee.

No Member can be compelled to pay more than an equal share pro-rata to the total number of Members.

Article V – INTERNAL STRUCTURE OF EACH

Plenary meetings

EACH shall have at least two Ordinary Plenary meetings each year, which is considered the minimum necessary to ensure the necessary level of contact. One month's notice must be given of an Ordinary Plenary meeting. Extraordinary Plenary meetings can be organized as appropriate, if needed in order to consider matters of particular importance, at one week's notice. Meetings may be held in person or via teleconference.

Participation is open to senior executives nominated by the Members. Where the organisations are part of an exchange or CSD, the senior executives must specialise in CCP clearing and/or risk management.

Industry Specialists can be invited to Plenary meetings by the Chairman on a case by case basis.

Decisions require a vote in favour of two-thirds of all Members. Proxy votes are allowed.

Executive Committee and officers

The work of the Association shall be directed by an executive committee. It shall consist of the Chairman, Secretary and up to three others.

Executive Committee members will be elected for a period of two years and may be re-elected. If a member resigns during his or her term of office, an election shall take place in respect only of the remaining part of the original two-year term.

The Chairman for EACH shall be elected by all Members from among the Executive Committee members at a Plenary meeting, and shall normally serve for a period of two years and may be re-

elected for a second consecutive term. The Chairman is responsible for approving official correspondence of the Group, the agenda of meetings, issuing invitations to Plenary meetings, and will also be the Chairman of the Executive Committee.

A Secretary shall be elected by the Executive Committee. The Secretary's period of office shall not be fixed but the Executive Committee may elect a new Secretary whenever it sees fit. The Secretary shall be responsible for the preparation of minutes of Plenary meetings, meetings of the Executive Committee (if required by the Chairman), technical papers and official correspondence of the group and maintaining Membership records.

Elections for the Chairman and Executive Committee will take place at least every two years. Nominations for the Executive Committee may be submitted to the Chairman at least one month in advance of an Ordinary Plenary meeting and the Chairman will make proposals for appointments at that meeting.

The Executive Committee will be responsible for deciding the agendas for Plenary meetings and mandates for working committees/task forces.

Working committees/task forces

If needed the Executive Committee can set up working committees with the purpose of conducting specific tasks. Participation will be voluntary and approved by the Executive Committee or at a Plenary meeting. The mandate for any working committee or task force shall be approved by the Executive Committee.

Article VI – ACCOUNTS

EACH will appoint an Honorary Treasurer who will be responsible for holding any funds contributed by EACH and preparing a set of accounts for annual review at a Plenary meeting.

Article VII - MISCELLANEOUS

Amendments of Articles of Association

These Articles are subject to change by decision at a Plenary meeting.

Appendix A – EACH membership application

The Company, _____, hereby applies to become a member of EACH.

Company name and address

NAME:	_____
ADDRESS:	_____
REGISTRATION NO:	_____

Contact persons

NAME:	_____
JOB TITLE:	_____
TELEPHONE:	_____
E-MAIL:	_____

Place: _____ Date: _____

Signature

Please enclose the following:

- Certificate or other evidence of authorisations by local regulatory or supervisory authority
- Copies of signed Code of Conduct and Guideline or explanation of reason for non-signature
- Description of the company, specifically the CCP activity, with reference to the CPSS/IOSCO or ESCB/CESR Recommendations for CCPs, the EACH Standards of Risk Management Control and designation under the Settlement Finality Directive, if applicable.