

Clearing Appendix 8

Membership Requirements

Commodity Derivatives

Issued by ~~NASDAQ OMX Stockholm~~ [Nasdaq Clearing AB](#)

Effective Date: ~~10 June 2013~~ [30 September 2019](#)

MEMBERSHIP REQUIREMENTS

1 APPLICATION PROCESS

- 1.1 Applicants shall send a written application for membership to the Clearinghouse in such format as prescribed by the Clearinghouse from time to time. [Each Applicant shall also provide reasonable evidence to show compliance with the requirements set out in Section 2 below as applicable to the type of membership for which the applicant is making its application.](#) All information shall be provided in English unless the Clearinghouse approves the use of another language.
- 1.2 ~~Applicants~~ [Each applicant](#) shall ensure that all applicable information that is furnished by or on behalf of it in connection with the application process is true, accurate and complete in every material respect as of the date it is furnished to the Clearinghouse. Applicants shall additionally endeavour to inform the Clearinghouse about all other circumstances relevant to the Clearinghouse's assessment of the information furnished, unless such information is of a general nature and it can be reasonably assumed that the Clearinghouse is already aware of the relevant issues.
- 1.3 Except as otherwise agreed in writing or as set out in the Clearing Rules, the applicant and the Clearinghouse shall cover their own incurred costs relating to the application process, including costs for external services as procured by either party. Refused membership shall not entitle the applicant to make any claim for indemnification or compensation for any reason whatsoever, nor shall any cost or loss arising from any delay or error in the application procedures result in any liability for the Clearinghouse.
- 1.4 Applicants shall provide the Clearinghouse with copies of audited versions of any annual reports issued by the applicant for the previous two (2) years, any interim reports for the current year, as well as any consolidated accounts when so requested. If [an applicant is unable to produce an interim report or consolidated accounts upon a request being made by the Clearinghouse, it should at least provide the Clearinghouse with an English, Norwegian, Danish or Swedish language version of its quarterly balance sheet and profit and loss statement, signed by two authorised signatories and accompanied by evidence of the relevant signing authorities and specimen signatures.](#) If, for special reasons, the ~~Account Holder~~ [applicant](#) is unable to provide the above information, the Clearinghouse may in its own discretion approve that the ~~Account Holder~~ [applicant](#) instead discloses a selection of audited key figures, as required by the Clearinghouse from time to time. Such key figures must be accompanied by a parent company guarantee and financial information regarding such parent company, as required by the Clearinghouse from time to time. The Clearinghouse may require further information on the applicant's legal status, financial soundness, organisation, level of competence and other matters as the Clearinghouse deems relevant and appropriate to consider its fitness for membership, including further evidence for the Clearinghouse to verify the authenticity or correctness of any information submitted. All such information requested from the applicant shall be provided free of charge to the Clearinghouse.
- 1.5 ~~Applicants~~ [Each applicant](#) shall, if so requested by the Clearinghouse and without cost to the Clearinghouse, provide a legal opinion satisfactory to the Clearinghouse on such issues as the Clearinghouse considers appropriate to consider its fitness for membership, including that the applicant is legally entitled to undertake the relevant Clearing Transactions under ~~Applicable~~ [applicable](#) law, signatory powers and signing procedures relating to the applicant, and generally that the Clearing Agreements and all other legal arrangements with the Clearinghouse will be valid and legally binding on the applicant if accepted as a member.
- ~~1.6 The Clearinghouse may in its sole discretion decide to waive any of the requirements of these Clearing Membership Application Procedures towards individual applicants. The Clearinghouse may furthermore set additional terms and conditions for membership for individual applicants where the Clearinghouse deems that it has just cause for doing so, including any terms and conditions that may follow from legislation in the jurisdictions where the applicant is domiciled and/or operates or from extraordinary properties of the individual applicant.~~

~~1.7~~1.6 The Clearinghouse will inform applicants about the outcome of the application process in writing. If approved, ~~the~~each applicant and the Clearinghouse shall then sign and execute the relevant Clearing Agreements (together with applicable third parties if mandated by the individual arrangements).

~~1.8~~1.7 Following the due execution of the applicable Clearing Agreements, the Clearinghouse will establish Clearing Accounts and the applicant will get access to Clearing subject to its compliance with the applicable terms and conditions of the Clearing Rules.

~~1.9~~1.8 The Clearinghouse will inform the Exchange ~~on~~of the identity of an approved applicant, for the purpose of the Exchange's surveillance of the market in accordance with the Market Conduct Rules. The Clearinghouse may make available a copy of the relevant Clearing Agreement to the Exchange for this purpose.

2 MEMBERSHIP REQUIREMENTS

2.1.1 An Account Holder must at all times have adequate financial resources, a suitable organisation, an adequate level of competence, necessary risk management routines, secure and sound technical systems, and such other financial, legal, organisational and technical means as in the Clearinghouse's reasonable opinion are appropriate for its applicable membership category. The organisation, risk management routines and technical systems of each Account Holder must correspond to the operations conducted, or to be conducted, by such Account Holder at the Clearinghouse.

2.1.2 Each General Clearing Member must at all times satisfy the following criteria:

- a. be a credit institution licensed in accordance with legislation implementing the Directive 2013/36/EU (Capital Requirements Directive);
- b. be an investment firm licensed in accordance with legislation implementing the Directive 2014/65/EU (re-cast Markets in Financial Instruments Directive); or
- c. be an entity holding a similar license from another jurisdiction approved by the Clearinghouse.

2.1.3 The requirement in Section 2.1.2 shall also apply in relation to a Clearing Member and Direct Clearing Client to the extent that it intends to register Clearing Transactions on behalf of its Clients, unless the relevant Clearing Member or Direct Clearing Client can provide evidence in writing, to the satisfaction of the Clearinghouse, that the performance of any activities on behalf of a Client does not require such licence.

2.1.4 Each Direct Clearing Client must also satisfy the following criteria:

- a. have its home state within the EEA; and
- b. be a legal entity, investment firm, credit institution, insurance company, investment fund, management company of an investment fund, foundation, pension fund, government institution or municipality.

Investment firms, credit institutions, insurance companies, investment funds and/or their management companies, foundations and pension funds shall be licensed and subject to supervision by the relevant public authorities in their jurisdiction of domicile (if legally required). A Direct Clearing Client must maintain such legal status until such time as it is no longer a Direct Clearing Client.

When a Direct Clearing Client acts on behalf of a Client, it shall have the same rights and obligations as a Clearing Member under the Clearing Rules. The Direct Clearing Client's Client shall enter into the appropriate agreement with the Direct Clearing Client (acting as a Clearing Member).

Financial Requirements

2.1.5 Except as otherwise set out herein, an Account Holder's Capital may not in any event be less than:

- a. in respect of a General Clearing Member, EUR 20 million;

b. in respect of a Clearing Member, EUR 5 million¹; and

c. in respect of a Direct Clearing Client, EUR 5 million²,

(in each case, the “**Minimum Capital Requirement**”).

Government institutions and municipalities are exempted from such financial requirements, but their membership shall be contingent on them being deemed by the Clearinghouse to be fit and proper to conduct clearing operations.

An applicant or Account Holder may, in lieu of satisfying the Minimum Capital Requirement, obtain a guarantee from its parent company in accordance with the Capital Requirements Guideline. Such applicant or Account Holder shall however, be required to have a minimum Capital of EUR 1 million at all times and its membership will be contingent on the Clearinghouse deeming it to be fit and proper to conduct clearing operations. Additionally, the parent company providing the guarantee shall satisfy the requirements set out in the Capital Requirements Guidelines at all times.

In addition, Account Holders must at all times comply with any additional requirements in relation to financial resources that have been made available by the Clearinghouse on its website from time to time, including as set out in the Credit Scoring Guidelines and Exposure Limit Guidelines (and in particular, any restrictions on exposures based on such Account Holder’s Credit Score, Capital and Liquid Assets).

Credit Requirements

2.1.6 An applicant or Account Holder must at all times satisfy a minimum internal Credit Score which is determined by the Clearinghouse based on analysis of a range of quantitative and qualitative inputs and may be updated from time to time. The analysis is performed using a predetermined methodology applicable to all applicants and/or Account Holders and includes financial analysis, behavioural information, external market data, as well as consideration of any implicit or explicit support available to the applicant and/or Account Holder.

A credit assessment process is performed by the Clearinghouse prior to the admission of an Account Holder and on an ongoing basis.

The Clearinghouse may vary the exposure limits set out in the Exposure Limit Guidelines and apply additional margin requirements based on the applicant or Account Holder’s Credit Score, which an applicant or Account Holder would be required to comply with in order to gain or retain its membership.

Operational and Risk Management Requirements

2.1.7 An applicant or Account Holder shall have an independent risk management department or risk management officer responsible for assessing the level of risk in relation to clearing activities, and for monitoring the applicant’s or Account Holder’s financial capacity and risk limits. This department or officer should have the authority to take appropriate actions in case of limit or margin requirement breaches.

2.1.8 An applicant or Account Holder shall have appropriate processes in place for managing and controlling material financial (including market and counterparty) and non-financial risks (including operational risks) that the relevant applicant or Account Holder is exposed to. Such processes shall be appropriately documented and approved by the relevant senior bodies within the applicant’s or Account Holder’s organisation.

2.1.9 An applicant or Account Holder shall maintain current written risk management policies and procedures which address the risks that the relevant applicant or Account Holder may pose to the Clearinghouse, including any policies and procedures that the Clearinghouse may reasonably request to be incorporated therein. Upon the request of the Clearinghouse, an Account Holder shall promptly provide the Clearinghouse with a copy of its current policies and procedures for review by the Clearinghouse.

¹ Increase from EUR 1 million to EUR 5 million will be effective as of 31st of December, 2019.

² Increase from EUR 1 million to EUR 5 million will be effective as of 31st of December, 2019.

2.1.10 An applicant or Account Holder shall have the appropriate systems in place to support their clearing activities and the risks associated with these activities. The systems shall include appropriate links to the Clearinghouse, allow timely and accurate margin calculations and reconciliations and be commensurate with the complexity of the applicant's or Account Holder's operations.

2.1.11 An applicant or Account Holder shall maintain a back office:

- a. with adequate systems (including but not limited to computer and communications systems) and records;
- b. with an adequate number of administrative staff fully conversant with procedures for the management of business transacted in the markets and contracts cleared by the Clearinghouse and in which the applicant or Account Holder participates or intends to participate; and
- c. with such equipment (including technology and connectivity) as may be stipulated by the Clearinghouse or by the exchange(s).

An applicant or Account Holder shall be responsible for ensuring that its back office personnel are appropriately qualified and otherwise suitable for their duties including that such personnel:

- a. have studied and understood the back office self-study material provided by the Clearinghouse and possess knowledge of the systems, including any application used to access it;
- b. promptly review any updated back office self-study material provided by the Clearinghouse; and
- c. possess general knowledge of the derivative products of the Clearinghouse and are able to perform all the required functions in relation to clearing, including reconciliations, settlements and actioning margin calls.

In addition, Account Holders must at all times comply with any additional operational requirements that have been made available by the Clearinghouse on its website from time to time, including as set out in the Operational Requirements Guidelines.

Other Requirements

2.1.12 The Clearinghouse may at its discretion set additional objective and non-discriminatory requirements for each membership category proportional to the perceived riskiness of such membership category. Any such additional requirements shall be published on the Clearinghouse's webpage.

2.1.13 General Clearing Members, Clearing Members and/or Direct Clearing Clients (including the Direct Clearing Agents associated with them) (as applicable) shall at all times appoint a person as administrator to the Nasdaq Member Portal. The Clearinghouse may require that any information or data to be submitted or certifications to be made by the General Clearing Members, Clearing Members, Direct Clearing Agents and/or Direct Clearing Clients under these Rules shall be submitted or made, through the Nasdaq Member Portal.

2.1.14 Applicants and Account Holders must at all times respond promptly to enquiries or requests for information made by the Clearinghouse. Such enquiries may require applicants and Account Holders to demonstrate compliance with the applicable membership criteria and/or applicable law.

3 BREACH OF MEMBERSHIP REQUIREMENTS

3.1 Each Account Holder shall at all times continue to comply with the qualifications and requirements set forth in these Membership Requirements and shall promptly notify the Clearinghouse if it has at any point breached or reasonably expects to breach any such qualifications or requirements.

3.2 Any breach of the membership criteria set out in Section 2 may result in:

- a. a Default Event under the Clearing Rules; or

b. the Clearinghouse imposing on the relevant Account Holder one or more of the sanctions provided for in Section 3.12 of the General Terms.

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