INSTRUCTION B09/2014

Operational Limits

4.September.2019

Versions Index

14.Jul.2014

Initial Version.

13.May.2016

Modification of the Service provided by OMIClear from “MIBEL Derivatives Market” to “Service on Power Derivatives Contracts”.

24.Nov.2017

Instruction update following the inclusion of the Service on Natural Gas Derivatives Contracts registered in OMIClear through OMIP Derivatives Market. Clarification on the different types of DOLs by a Clearing Member: DOLp, DOLgoc, DOLcis and DOLcos.

17.Apr.2018

Update of the Instruction following the extension of the Service on Natural Gas Derivatives Contracts to MIBGAS Derivatives Market.

4.Sep.2019

Update of the Instruction in order to introduce the OMIClear’s capacity of establishing concentration limits to open Positions by Contract.

This document is available in www.omiclear.eu

Pursuant to articles 64 and 65 of its Rulebook, OMIClear approves this Instruction, which sets the operational limits applicable to the Clearing Members participating in the Service on Power Derivatives Contracts and Service on Natural Gas Derivatives Contracts.

Daily Operational Limit of the Clearing Member

1. OMIClear defines for each Clearing Member (CM) the following daily operational limits (DOL):
   a) Daily Operational Limit for own responsibilities (DOLo);
   b) Daily Operational Limit for responsibilities of clients with general omnibus clearing accounts (DOLgoc);
   c) Daily Operational Limit for responsibilities of clients with individual segregated clearing accounts (DOLcis);
   d) Daily Operational Limit for responsibilities of clients with omnibus segregated clearing accounts (DOLcos).
2. The operational limits DOLo, DOLgoc, DOLcis and DOLcos correspond to the maximum exposure that the CM may assume, respectively, for its own account, on behalf of clients with General Omnibus Clearing Accounts (GOCA), on behalf of clients with Clearing Accounts with Individual Segregation (CAIS) and on behalf of clients with Clearing Accounts with Omnibus Segregation (CAOS).
3. Each operational limit referred in paragraph (1) is based on the responsibilities resulting from the Positions registered by the CM in OMIClear regarding any of the Services on which such CM may participate.
4. The **DOL_o** is calculated according to the formula below:

$$DOL_o = G_o + CF + AG + OG + \text{minimum}\ (0; M_o) + NCR_{is}$$

Where,

G_o = Value of CM's Guarantees recorded in its own Collateral Account which is allocated to own responsibilities;

CF = Responsibility for the contribution to the Clearing Fund applicable to the CM (negative value);

AG = Responsibility referring to Additional Guarantee, if applicable to the Clearing Member (negative value);

OG = Other responsibilities required by OMIClear to be covered with Guarantees, such as the Extraordinary Margin.

M_o = Total of Margins required of the CM for its own positions:

$$M_o = IM_o + VM_o + SM_o + \text{minimum}\ (0;BM_o) + NRGLM_o + PM_o + PDM_o$$

Where,

IM_o = Initial Margin of own Positions of the CM;

VM_o = Variation Margin of own Positions of the CM;

SM_o = Settlement Margin of own Positions of the CM;

BM_o = Billing Margin of own Positions of the CM;

$NRGLM_o$ = Non-Realised Gains and Losses Margin of own Positions of the CM;

PM_o = Premium Margin of own positions of the CM;

PDM_o = Physical Delivery Margin of own positions of the CM.

NCR_{is} = non covered responsibilities by Guarantees in the clients' Clearing Accounts with Individual Segregation (CAIS) or client's Clearing Accounts with Omnibus Segregation (CAOS).

5. The **DOL$_{goc}$** is calculated according to the formula below:

$$DOL_{goc} = G_{goc} + M_{goc}$$

Where,

G_{goc} = Value of CM's Guarantees recorded in its Collateral Account regarding its clients General Omnibus Clearing Accounts (GOCA) which is allocated to Margins of clients with GOCA;

M_{goc} = Total margins required for the total "GOCA" accounts:

$$M_{goc} = IM_{goc} + VM_{goc} + SM_{goc} + minimum\ (0;BM_{goc}) + NRGLM_{goc} + PM_{goc} + PDM_{goc}$$

Where,

IM_{goc} = Initial Margin of Positions of clients with GOCA;

VM_{goc} = Variation Margin of Positions of clients with GOCA;

SM_{goc} = Settlement Margin of Positions of clients with GOCA;

BM_{goc} = Billing Margin of Positions of clients with GOCA;

$NRGLM_{goc}$ = Non-Realised Gains and Losses Margin of Positions of clients with GOCA;

PM_{goc} = Premium Margin of clients Positions with GOCA;

PDM_{goc} = Physical Delivery Margin of clients positions with GOCA.

6. The **DOL$_{cis}$** is calculated according to the formula below:

$$DOL_{cis} = G_{cis} + M_{cis}$$

Where,

G_{cis} = Value of CM's Guarantees recorded in its Collateral Account regarding its clients with Clearing Accounts with Individual Segregation (CAIS), which is allocated to the Margins of clients with CAIS;

M_{cis} = Total margins required for the total "CAIS" accounts:

$$M_{cis} = IM_{cis} + VM_{cis} + SM_{cis} + minimum\ (0;BM_{cis}) + NRGLM_{cis} + PM_{cis} + PDM_{cis}$$

Where,

IM_{cis} = Initial Margin of Positions of clients with CAIS;

VM_{cis} = Variation Margin of Positions of clients with CAIS;

SM_{cis} = Settlement Margin of Positions of clients with CAIS;

BM_{cis} = Billing Margin of Positions of clients with CAIS;

$NRGLM_{cis}$ = Non-Realised Gains and Losses Margin of Positions of clients with CAIS;

PM_{cis} = Premium Margin of clients Positions with CAIS;

PDM_{cis} = Physical Delivery Margin of clients positions with CAIS.

7. The **DOL$_{cos}$** is calculated according to the formula below:

$$DOL_{cos} = G_{cos} + M_{cos}$$

Where,

G_{cos} = Value of CM's Guarantees recorded in its Collateral Account regarding its clients with Clearing Accounts with Omnibus Segregation (CAOS), which is allocated to the Margins of clients with CAOS;

M_{cos} = Total margins required for the total "CAOS" accounts:

$$M_{cos} = IM_{cos} + VM_{cos} + SM_{cos} + minimum\ (0;BM_{cos}) + NRGLM_{cos} + PM_{cos} + PDM_{cos}$$

Where,

IM_{cos} = Initial Margin of Positions of clients with CAOS;

VM_{cos} = Variation Margin of Positions of clients with CAOS;

SM_{cos} = Settlement Margin of Positions of clients with CAOS;

BM_{cos} = Billing Margin of Positions of clients with CAOS;

$NRGLM_{cos}$ = Non-Realised Gains and Losses Margin of Positions of clients with CAOS;

PM_{cos} = Premium Margin of clients Positions with CAOS;

PDM_{cos} = Physical Delivery Margin of clients positions with CAOS.

8. The values of the DOL_o, DOL_{goc}, DOL_{cis} and DOL_{cos} may not be higher than the values of the Guarantees allocated, respectively, to their own responsibilities, responsibilities of clients with GOCA, responsibilities of clients with CAIS and responsibilities of clients with CAOS.
9. The formula for calculating the DOL_o implies that responsibilities regarding the Additional Guarantee and the contribution to the Clearing Fund are always covered by Guarantees.
10. The DOLs of each Clearing Member are calculated in real time throughout the Clearing Session.
11. Throughout the Open Phase of the Clearing Session, a CM may not allow the registration or closing of Positions that entail an increase of responsibilities higher than its DOL.
12. Without prejudice to the responsibility of the CM in controlling its Positions and Guarantees, OMIClear may require the Clearing Member to reinforce or reallocate its Guarantees whenever one of its DOL, expressed as a percentage of the respective related Guarantees, reaches an amount less than 10%, and, in addition, an absolute minimum value may be defined.
13. If the CM uses up one of its DOL, OMIClear may:
    a) Prevent the CM concerned from registering new Positions;
    b) Determine the Positions close-out for which the CM is responsible;
    c) Prohibit the opening of Positions that imply an increase of the risk taken by that CM.
14. The procedures stated in the preceding paragraph are carried out in articulation with the Market Operators.

Concentration Limits of open Positions by Contract

15. OMIClear can set concentration limits of open Positions by Contract to one or more levels defined below:
    a) At the CCP level, the limit being expressed as the maximum number of contracts that OMIClear may assume in a given Contract;
    b) At the level of the Clearing Member (CM), the limit being expressed as a maximum number of contracts that an CM can assume in a given Contract, considering the sum of the net Positions of all the Clearing Accounts concerned;
    c) At the level of the Registration Agent (RA), the limit being expressed in the maximum number of contracts that an AR can take on a given Contract, considering the sum of the net Positions of all the Registration Accounts concerned.
16. In the definition of the limit referred to in subparagraph a) of the preceding paragraph, OMIClear considers the information concerning the liquidity of the Contracts in question and that of other

Contracts with the same characteristics traded and/or registered in the Markets connected to OMIClear or other markets.

17. In the definition of the limit referred to in subparagraph b) of the paragraph 15, besides the information concerning the liquidity of the Contracts or equivalent Contracts, OMIClear also considers the information provided by the CM, according to the rules laid down in Instruction B02/2014 - Requirements for Clearing Members, as well as the amount of Guarantees deposited by the CM and its composition by asset type.
18. In the definition of the limit referred to in subparagraph c) of the paragraph 15, besides the information concerning the liquidity of the Contracts or equivalent Contracts, OMIClear also considers the limit eventually applied to the Clearing Member of the RA concerned.

Global Risk Exposure Limit

19. OMIClear may also determine for a Clearing Member a global risk exposure limit, which will be expressed in terms of the maximum Initial Margin that the Member may assume.
20. To define the limit referred to in the preceding paragraph, OMIClear takes into consideration the information provided by the CM, in accordance with the Instruction regarding the capital requirements of CMs, the type of guarantees set up and their value.
21. For the purpose of the preceding paragraph, considering the date when the global risk exposure limit is communicated, OMIClear grants the CM a period of 15 (fifteen) Clearing Days to comply with its limit or, should the circumstances justify it, another suitable deadline.

Entry into Effect

22. This Instruction has been registered with CMVM on August, 22nd 2019 and enters into effect on September, 4th 2019.

The Board of Directors