



## **RESOLUTION No. 8**

### **“Default & Crisis Management Committee”**

*Codified to include the decisions dated 17.11.2014, 6.2.2015, 18.5.2015, 29.6.2015 and 28.8.2017 of the Board of Directors*

#### **THE BOARD OF DIRECTORS OF ATHENS EXCHANGE CLEARING HOUSE S.A. (ATHEXCLEAR)**

(Meeting 99/7-4-2014)

Having regard to:<sup>1</sup>

a) the provisions of § 2.6 and § 3.3 (1)(c) and 3.4(1) of Section I, of § 2.4.12, § 5.2, § 5.3, § 6.2, § 6.4, § 6.6, § 7.7 and § 7.8 of Section II, of § 2.2 et seq. of Section IV and of § 2.1(1) of Section V of the Rulebook for Clearing Derivatives Transactions (henceforth the “Derivatives Rulebook”) and

b) the provisions of § 2.7 of Section I, of § 2.4.12, § 5.2, § 5.4, § 5.6, § 6.6 and § 6.8 of Section II, of § 2.2 et seq. of Section IV and of § 2.1(1) of Section V of the Rulebook for Clearing Transactions in Book-Entry Securities (henceforth the “Securities Rulebook”)<sup>2</sup>,

henceforth the “Rulebooks”, when both the Securities and Derivatives Rulebooks are meant.

#### **HEREBY RESOLVES AS FOLLOWS**

##### **Article 1. Scope & Definitions**

###### **1.1 Scope**

1. By virtue of this Resolution, a “Default & Crisis Management Committee” is formed, to which the powers set out in Article 2 are delegated.<sup>3</sup>

2. This Resolution determines all matters pertaining to the operation of the Default & Crisis Management Committee (henceforth the “Committee”).

## **1.2 Definitions**

1. The terms and definitions used in this Resolution shall have the same meaning as the corresponding terms and definitions in the Rulebooks, unless otherwise expressly stipulated.
2. In all cases, the provisions of this Resolution shall be construed in accordance with the rules and principles set out in the Scope of Application, as presented in the preamble of the Rulebooks.

## **Article 2. Powers of the Committee**

### **2.1 Decision-making powers**

1. The Committee shall decide on matters within its remit in accordance with the following subparagraphs.
2. <sup>4</sup>The Committee is responsible for taking risk management measures, that is, measures that help limit or avert risk in connection with the clearing of transactions and the operation in general of the Securities System and Derivatives System, as defined in each case in the Rulebooks. The Committee shall carry out the adjustments for which provision is made below, using the methodology applied by ATHEXClear and stipulated by its decision. In particular, the Committee is authorised:
  - a) To adjust the minimum size of the Default Fund of the Securities Market and the Derivatives Market on the basis of the methodology applied by ATHEXClear on a regular basis in accordance with the provisions of § 5.4, Section II of the Securities Rulebook and § 6.4, Section II of the Derivatives Rulebook.
  - b) To increase the Contribution Rate of § 5.4.1, Section II of the Securities Rulebook and § 6.4.1, Section II of the Derivatives Rulebook on the basis of the methodology applied by ATHEXClear in accordance with the Clearing Regulations and the decisions of the Board of Directors of ATHEXClear.
  - c) To adjust, on an extraordinary basis, the size of the Default Fund of the Securities Market and the size of the Default Fund of the Derivatives Market and/or request the payment of extraordinary contributions by Clearing Members in accordance with the provisions of § 5.2, § 5.4.2, § 5.6, Section II of the Securities Rulebook and of § 6.2, § 6.4.2, § 6.6, Section II of the Derivatives Rulebook, particularly in cases of activation of the Default Fund of the Securities Market or the Default Fund of the Derivatives Market, termination of a Clearing Member's membership, adjustment of a share account as a consequence of corporate actions or other events involving Clearing Members, ascertainment of inadequacy of available resources on the basis of tests or in exceptional cases for the purpose of protecting the market in particular on account of extreme fluctuations in market prices and volumes in general.
  - d) To adjust, on a regular or extraordinary basis, the Parameters for the calculation of Margin and the use of Credit Limits, or increase Margin requirements not only for all Clearing Accounts but also for individual Accounts, setting a deadline for this purpose, particularly taking also into account any imminent risks in accordance with the provisions of § 6.6 and §

6.8, Section II of the Securities Rulebook as well as of § 7.7 and § 7.8, Section II of the Derivatives Rulebook. For this purpose, account is taken, inter alia, of the results of the Margin backtesting and sensitivity analysis performed by ATHEXClear in accordance with the decisions of its Board of Directors and procedures. Adjustments of coefficients for securities lending products as a consequence of corporate actions, as well as the adjustment of the “fixed volatility” parameter for rights and of the risk coefficients for warrants shall be carried out by the competent department in accordance with the methodologies and decisions of the Board of Directors of ATHEXClear.

- e) To adjust the Intraday Risk Variation Limit and the Intraday Risk Variation Recovery Limit in accordance with the provisions of § 7.8.1, Section II of the Derivatives Rulebook.
- f) To adjust, on a regular or extraordinary basis, the Haircut values in accordance with the provisions of § 4.3, Section II of the Securities Rulebook and § 5.3, Section II of the Derivatives Rulebook. For this purpose, account is taken, inter alia, of the results of the backtesting to ascertain the adequacy of haircuts which is performed by ATHEXClear in accordance with the decisions of its Board of Directors and procedures, as well as the testing of the haircut value of the collateralised security relative to the 3-month average daily trading value of the security and the time frame for its liquidation, in accordance with the decisions of the Board of Directors<sup>5</sup>.
- g) To adjust the limit used to check the liquidity of a stock or ETF which is acceptable as collateral in relation to the 3-month average daily trading value, in accordance with the relevant decision of the Board of Directors of ATHEXClear. The adjustment of the list of acceptable collateral in implementation of the respective limit and the setting of a deadline for its application shall be carried out by the competent department in accordance with the decisions of the Board of Directors of ATHEXClear.
- h) To take a decision demanding the replacement of the collateral for a Clearing Account as a consequence of the testing of the haircut value of the collateralised security relative to the 3-month average daily trading value of the security and the time frame for its liquidation, in accordance with the decisions of the Board of Directors.
- i) To adjust and apply the Collateral Concentration Limits, in accordance with the provisions of § 4.2(4), Section II of the Securities Rulebook and § 5.2(4), Section II of the Derivatives Rulebook, as well as to decide on imposing the release of collateral that does not meet Margin requirement in the event of the exceeding of the limit set by decision of the Board of Directors of ATHEXClear in respect of the percentage of coverage of the total final haircut value of Collateral by an issuer of Collateral which belongs to a banking group, setting also a deadline for this purpose<sup>6</sup>.
- j) To impose or adjust Position Limits in accordance with the provisions of § 6.8.2, Section II of the Securities Rulebook and § 7.8.2, Section II of the Derivatives Rulebook.
- k) To decide on the provision by a Clearing Member of additional information to enable the identification, control and management of related risk concentrations in implementation of

§ 2.4.12, Section II of the Securities Rulebook and § 2.4.12, Section II of the Derivatives Rulebook.

- l) To carry out alternative procedures for the depositing of collateral as well as for the fulfilment of transaction settlement obligations, particularly on account of the inability to communicate data and technical malfunctions in general or other situations involving failure or insolvency on the part of the banks participating in clearing, to take all necessary measures as appropriate in exceptional cases of emergency, by way of indication in the event of a sharp fluctuation in prices or other market trading conditions, substantial technical problems, inability of banks or other participants in settlement to communicate data, disruption of the smooth functioning of the market or suspension of operation of the underlying market or for any other serious reason that increases the risk of transactions, whenever appropriate in the context of the System.
  - m) To perform the clearing of transactions using alternative methods, particularly in cases of System malfunction.
  - n) To verify the implementation of terms for the admission of new securities lending products to the Securities Lending Mechanism of ATHEX, as stipulated in accordance with a relevant decision of ATHEX, following the relevant approval of ATHEXClear, and in compliance with the provisions of Decisions 17/2014 and 20/2014 of ATHEX, as well as to grant approval for the aforesaid admission on a case-by-case basis pursuant to the aforesaid terms, also taking into consideration any other clearing issue which such admission may involve.<sup>7</sup>
  - o) To take any other measure deemed necessary, depending on market circumstances and conditions, in order to protect the Systems against credit and other inherent risks.
3. <sup>8</sup>The Committee is also authorised to take any necessary measure to address the default of a Member (Clearing Member or ATHEXClear Member) in accordance with the provisions of the Rulebooks, particularly when this is due to a Member's permanent failure and entails the closure of Open Positions also in respect of obligations not yet due. More specifically, such measures include in particular:
- a) The taking of a decision for the performance of hedging transactions or the realization of securities collateral on the instructions of ATHEXClear in order to secure fulfilment of any outstanding settlement obligations that arise as a consequence of the default. By virtue of the same decision, one or more Market Members are selected, depending on the instance of default and its extent in the market, to carry out the respective hedging transactions or realize the securities collateral. The specific selection method is stipulated by the decision issued by the Committee in the event of default in order to deal with it. The aforesaid decision of the Committee includes a written justification of the criteria that were taken into consideration for the selection of the Market Member. By way of indication, such criteria may include the level of trading activity of the Market Member with respect to the relevant products on ATHEX, the frequency of the Market Member's participation in the annual simulation exercises to test the procedures applied by ATHEXClear in the event of a Member's breach of obligations, and the exposure to risk of the Market Member itself in connection with the default that has occurred.<sup>9</sup>

- b) The implementation of the close-out netting clauses in accordance with the provisions of the Securities Rulebook and the Derivatives Rulebook.
  - c) The taking of a decision for the use of Collateral provided by members, of the available resources of the Default Fund, of credit lines, of Special Own Resources or equity of ATHEXClear in order to secure fulfilment of outstanding cash obligations in the settlement process which arise as a consequence of the default as well as of the liquidity risks arising in general therefrom in the market, in accordance with the provisions of the Securities Rulebook and the Derivatives Rulebook.
  - d) The taking of the necessary decisions to cover any loss arising as a consequence of the default, namely:
    - the use or sale of collateral that has been provided by or through the Member in default, in accordance with the provisions of the Securities Rulebook and Derivatives Rulebook,
    - the use of the share account of the Member in default in the Securities System and Derivatives System,
    - the use of Special Own Resources,
    - the use, for the purpose of covering the remaining part of the loss, of the other share accounts in the Default Fund of the Securities System and of the other share accounts in the Default Fund of the Derivatives System, in accordance with the provisions of the Securities Rulebook and Derivatives Rulebook.
  - e) The determination of the period and specific transfer procedures for the replacement of the member in default by another Member with respect to the responsibility for managing clientele clearing accounts or client clearing accounts, in accordance with the provisions of the Securities Rulebook and Derivatives Rulebook.
  - f) The performance of any other necessary act to deal with instances of default and avert relevant risks in the market.
4. <sup>10</sup>The Committee is also authorised to take one or more of the following measures with respect to a Member, for which provision is made in the Rulebooks:
- a) written reprimand
  - b) imposition of terms or restrictions on the participation of a Clearing Member in the clearing or settlement of transactions, by way of indication the imposition of obligations for the forced closure of Positions on the part of Clearing Members or the undertaking solely of hedging transactions, where applicable depending on the System.<sup>11</sup>
  - c) prohibition of participation of a Certified Clearer in the clearing of transactions.

5. The Committee may be assisted in its task by working groups whose composition, responsibilities and general functioning shall be determined by virtue of its decision.
6. The Committee performs its duties as set out above on its own motion. It may also take up particular issues at the request of the Board of Directors of ATHEXClear.
7. Immediately after taking a decision in accordance with the above provisions, the Committee shall notify in writing the Board of Directors accordingly.
8. The conferral of powers on the Committee, in accordance with the terms hereof, does not prejudice the authority of the Board of Directors of ATHEXClear to take up issues within its purview whenever it deems this necessary, and to decide differently.
9. The decisions of the Committee as well as of the Board of Directors, on issues within its purview, are immediately communicated to the Hellenic Capital Market Commission.

## **2.2 Advisory and recommendatory powers**

1. The Committee may also give its opinion to the Board of Directors of ATHEXClear or, whenever it deems this necessary, recommend to the Board the taking of decisions on the issues within its purview as set out in § 2.1 as well as on issues falling within the scope of the Securities Rulebook in accordance with § 2.7 of Section I and within the scope of the Derivatives Rulebook in accordance with § 2.6 of Section I.<sup>12</sup>

## **Article 3. Committee Composition**

### **3.1 Members**

1. The Committee shall consist of five members. The following members are hereby appointed:
  - a) The Chief Executive Officer of ATHEXClear
  - b) The Chief Operating Officer
  - c) The Director of Risk Management and Clearing
  - d) The Director of Market Operation and Member Support
  - e) The Head of the Risk Management Department
2. with Alternate Members:
  - a) The Deputy Chief Operating Officer
  - b) The Head of the Clearing Department

## **Article 4. Decision-making process**

#### **4.1 Quorum**

1. The Committee shall have a quorum and validly convene when at least three (3) of its members are present.

#### **4.2 Majority**

1. The Committee shall take decisions by majority vote.

#### **4.3 Minutes**

1. Minutes shall be kept to record the discussions and decisions of the Committee.

#### **Article 5. Effect**

1. This Resolution shall have effect as of the date of commencement of operation of ATHEXClear as System administrator.
2. This Resolution is to be posted on ATHEXClear's website.

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<sup>1</sup> The Preamble of the resolution was replaced as above by virtue of Decision 109/17.11.2014 of the Board of Directors and is effective as of 1.12.2014.

<sup>2</sup> Par. b) of the Preamble was replaced as above by virtue of Decision 113/6.2.2015 of the Board of Directors and is effective as of 16.2.2015.

<sup>3</sup> Subpar. 1, par. 1.1 of article 1 was replaced as above by virtue of Decision 109/17.11.2014 of the Board of Directors and is effective as of 1.12.2014.

<sup>4</sup> Subpar. 2, par. 2.1 of article 2 was replaced as above by virtue of Decision 113/6.2.2015 of the Board of Directors and is effective as of 16.2.2015.

<sup>5</sup> Instance f) was amended as above by virtue of Decision 117/18.5.2015 of the Board of Directors and is effective as of 2.6.2015.

<sup>6</sup> Instance i) was amended as above by virtue of Decision 117/18.5.2015 of the Board of Directors and is effective as of 2.6.2015.

<sup>7</sup> A new instance (n) was added to par. 2, article 2.1 of Resolution No. 8, with the renumbering of the (former) instance (n) to (o) as above by virtue of Decision 120/29.6.2015 of the Board of Directors and is effective as of 29.6.2015.

<sup>8</sup> Subpar. 3, par. 2.1 of article 2 was replaced as above by virtue of Decision 113/6.2.2015 of the Board of Directors and is effective as of 16.2.2015.

<sup>9</sup> Item 3.a of paragraph 2.1, article 2 was amended as above by virtue of Decision 150/28.8.2017 of the Board of Directors and is effective as of its posting on the website of ATHEXClear.

<sup>10</sup> Subpar. 4, par. 2.1 of article 2 was replaced as above by virtue of Decision 109/17.11.2014 of the Board of Directors and is effective as of 1.12.2014.

<sup>11</sup> Instance b), subpar. 4, par. 2.1 of article 2 was replaced as above by virtue of Decision 113/6.2.2015 of the Board of Directors and is effective as of 16.2.2015.

<sup>12</sup> Subpar. 1, par. 2.2 of article 2 was replaced as above by virtue of Decision 113/6.2.2015 of the Board of Directors and is effective as of 16.2.2015.