



Your guide to Centrally Cleared Trades

Some of our markets are centrally cleared. This means that when you trade these markets, that trade will be “cleared” through a Clearing House. We specify whether a particular market is centrally cleared (and if so details of the applicable Clearing House) in the Market Information area of our trading platform for that particular market.

What is Central Counterparty Clearing?

Central Counterparty Clearing (or simply **clearing**) is a mechanism of reducing your credit exposure to us and replacing it with an exposure to the Clearing House.

Clearing forms one of the European Union’s (and wider G20’s) key tenets in respect to necessary financial reform following the global economic crisis and is aimed at increasing stability in the over-the-counter (OTC) derivatives markets by providing greater transparency and reducing counterparty risk.

How does it work?

In practical terms, when you enter into a trade with us on a centrally cleared market, we will enter into a back-to-back transaction with the Clearing House which mirrors the terms of our trade with you. By doing so, we will then transfer part or all of the money you put up as margin for the trade to the Clearing House to cover the matched trade.

All monies applicable to the amounts paid to and from the Clearing House in respect of these transactions, including the return of your margin, are fully segregated from our own assets, in strict accordance with the Financial Conduct Authority’s rules on client money. In that respect, those amounts will be available to meet our obligations to you under our corresponding trades with you, either as part of the client money pool or in accordance with default arrangements established by the Clearing House to deal with our default. A detailed description of the Clearing process and the benefits and risks associated with clearing is [set out here](#).

Relating to your account

In order to facilitate the clearing of your trades, we will open separate “client” accounts with the Clearing House. Although these accounts are opened for the purpose of clearing your trades, they are our accounts at the Clearing House, and are separate from your trading account with us. References to “Trades” which are booked to these client accounts refer to the back-to-back transactions between us and the Clearing House which correspond to our Trade with you or another client.

There are two types of client accounts which we can open for you at the Clearing House:

- Omnibus Segregated Account (“**OSCA**”): This is a client account into which we will book trades for multiple clients. We may open more than one OSCA, but we will not open a separate OSCA for each client.

- Individual Segregated Account (“**ISCA**”): This is a client account into which we only book trades for you. If you elect to use an ISCA, we will open a separate ISCA at the Clearing House for your trades but this will incur an account **opening charge of £13,000** (plus on-going maintenance and transaction costs).

These two types of account offer different levels of protection for you, with both reducing (and thus improving) your overall credit exposure to us. An ISCA offers a greater level of protection because the Clearing House will pay all amounts payable to us in respect of your trades directly to you. However, please note there are added costs and operational constraints associated with an ISCA, and your margin requirement may be higher. The key differences between OSCA and ISCA accounts are set out in the table below.

Trades in uncleared markets will be booked in the same account in our systems as any trades which are cleared through an OSCA. We will not, however, enter into any back-to-back transactions with the Clearing House in respect of those trades. They will not, therefore, actually be booked in the OSCA which we open at the Clearing House.

Choosing to have trades cleared through an OSCA or ISCA

Under the European Markets and Infrastructure Regulation (“**EMIR**”), you must choose which type of account (that is, an OSCA or ISCA) you wish us to use to clear your trades in centrally cleared markets. If you do not make a choice you will not be able to place any trades in centrally cleared markets, and we may close any existing open positions which you have in centrally cleared markets.

If you choose to have trades cleared through an OSCA, you will also be able to place trades on markets which are not centrally cleared markets in that same account. However please note that you will not benefit from the protections provided by clearing in respect of those uncleared markets.

If you choose to have trades cleared only through an ISCA, you will not be able to place trades on uncleared markets. You can, however, choose to have trades cleared through both an OSCA and an ISCA, which will enable you to continue to trade markets that are uncleared. If you do choose to have trades cleared through both an OSCA and an ISCA, you will be solely responsible for selecting which trade in a centrally cleared market is cleared through your OSCA or ISCA by logging into the applicable account when you place the trade. You cannot transfer a trade or an open position in a centrally cleared market from an OSCA to an ISCA or vice versa other than by closing the existing open position and entering into a trade to establish a new open position in the other account.

Key Features of OSCAs and ISCAs

The following table sets out the key differences between OSCAs and ISCAs. A more detailed explanation of the differences between OSCAs and ISCAs is [set out here](#).

	Trades cleared through an OSCA	Trades cleared through an ISCA
What trades can be booked to the account?	Trades in centrally cleared markets entered into with multiple clients. Only transactions that relate to client trades i.e. no "house" trades.	Your trades in centrally cleared markets only. No transactions which relate to other clients or which do not relate to client trades.
Can trades in uncleared markets be booked to the account?	Yes, although these trades will not be cleared through the Clearing House.	No. However, if you choose both an OSCA and an ISCA, you will be able to place trades in uncleared markets through the account to which your trades that are cleared through an OSCA are booked.
What happens in the unlikely event of our default or insolvency?	The Clearing House will terminate all trades in cleared markets which are booked to the OSCA account and net any termination payments and margin we have posted to the Clearing House in connection with those trades against each other to calculate a single amount owed to or by us in respect of all those client trades. If this net claim is owed by the Clearing House to us, it will then form part of the assets available to the relevant clients to meet our obligations to those clients in respect of those trades. However, because the claim will relate to multiple clients, some of whom may be out-of-the-money on their trades, the amount available may not be sufficient to meet our obligations to you in full. This does not mean we are not liable to you for the full amount. But to extent the amount available from the Clearing House, together with the funds in the client money pool is insufficient to meet our obligations to you in full, you will remain exposed to us for any shortfall.	The Clearing House will terminate all trades which are booked to the ISCA account and net any termination payments and margin we have posted to the Clearing House in connection with your trades to calculate a single amount owed to or by us in respect of your trades. If this net claim is owed by the Clearing House to us, it will then form part of the assets available to meet our obligations to you in respect of those trades and the Clearing House will pay that amount directly to you. The position will not be affected by any trades with other clients. The position will be the same as if we default (see above).
What happens if the Clearing House defaults or becomes insolvent?	The position will be the same as if we default (see above).	The position will be the same as if we default (see above).
What happens if you default or become insolvent?	The clearing process has no impact on what happens following your default.	The clearing process has no impact on what happens following your default.
Calculation of margin multipliers	In setting the margin requirement for trades, we may take into account the fact that the Clearing House will margin across all trades in centrally cleared markets for all clients which are booked to the OSCA.	Because margin which we post to the Clearing House in respect of your trades cannot be used by the Clearing House to offset the margin requirement for other clients' trades, we may impose a higher margin multiplier for your trades.
Changes to margin requirements	In respect to open positions, we will generally give you at least 24 hours' notice of any increase in any margin factors, margin multipliers or margin requirements.	In respect to open positions, we may increase any margin factors, margin multipliers or margin requirements at any time with immediate effect.
Fees and charges	We do not currently anticipate charging any additional fees for trades cleared through an OSCA.	Due to the complexity and additional requirements for an ISCA, the following additional charges will apply: <ul style="list-style-type: none"> Initial set-up fee (once only): £13,000 for an individual and £200,000 for a business account Account maintenance fee (monthly): £2,000 for an individual and £5,000 for a business account

	Trades cleared through an OSCA	Trades cleared through an ISCA
Changes to fees and charges	We may change the fees and charges applicable to an OSCA from time to time.	We may change the fees and charges applicable to an ISCA from time to time. If the Clearing House increases any charges in respect of an ISCA, we will pass those charges on to you with immediate effect.
How long does it take to open the account?	No additional time is required to open an OSCA.	It will take 30 business days to open an ISCA. You will not be able to place trades until the ISCA is open.
Trading features	Not applicable	Some trading features are not available for trades cleared through an ISCA, such as orders aware margining, stop loss orders, guaranteed stop loss orders, or orders aware margining.

What happens if we default? A technical explanation

If we become insolvent or default in respect of any of our obligations to the Clearing House, the Clearing House may terminate all the trades booked to our OSCA and ISCA accounts.

In these circumstances, the Clearing House will net the termination values of all trades booked in each OSCA or ISCA against all margin which we have posted to the Clearing House in relation to those trades and will calculate a single amount owed to or by us in respect of that OSCA or ISCA (the “**CCP Termination Amount**”). The Clearing House will not, however, net the termination values of trades or margin in respect of one account against the termination values of trades or margin in respect of any other account.

Where this happens, we will also terminate our trades with you, and calculate the termination value of those trades using the same valuations as those ascribed to the back-to-back trades between us and the Clearing House, and then net those termination values, together with any settlement payments previously paid by us or the Clearing House in respect of your trades (and which represent the unrealised profit or unrealised losses in respect of those trades), against any other amounts owing between you and us to determine the net amount owed by us to you or by you to us (the “**Client Termination Amount**”).

If there is a net sum owed by the Clearing House to us, the Clearing House will attempt to pay the CCP Termination Amount relating to your trades to you directly in satisfaction of any Client Termination Amount owed by us to you. This is most likely to be possible where you have chosen to have your trades cleared through an ISCA. If the Clearing House cannot return the CCP Termination Amount relating to your trades directly to you (which is more likely to be the case where you have chosen to clear your trades through an OSCA), the CCP Termination Amount will instead be returned to us (or our insolvency practitioner) on your behalf and, to the extent that we treat cash you transfer to us as client money, we will follow the Financial Conduct Authority client money rules. You will, however, remain exposed to us for any shortfall.

Please note, however, that, even where you have elected to clear your trades through an ISCA account, the CCP Termination Amount paid directly to you by the Clearing House or returned to us (or our insolvency practitioner) on your behalf may not be equal to the Client Termination Amount which you may have against us. It is also possible that even though we may owe you a Client Termination Amount, we may owe the Clearing House a CCP Termination Amount in respect of the OSCA or ISCA to which your trades are booked. This is because the CCP Termination Amount will not take into account previous settlement payments made by us or the Clearing House in connection with those trades, while those settlement payments comprising your unrealised profits and unrealised losses will be taken into account in calculating the value of your Client Termination Amount as described above. These settlement payments will, however, be held by us as client money pursuant to the Financial Conduct Authority’s client money rules and will, therefore, be segregated from our proprietary assets. In such case, you will remain exposed to us for any difference between your net claim against us and the balance directly paid to you by the Clearing House.

What happens if the Clearing House defaults? A technical explanation

The termination process described above will also apply if the Clearing House defaults or becomes insolvent.

Your claims against us in respect of trades in centrally cleared markets are limited recourse. Accordingly, you will only receive from us amounts that we have previously received from the Clearing House in respect of the corresponding back-to-back trades. Should the Clearing House fail to make any payment in respect of such trades, we will not be obliged to make such payments to you.

More information

We detail more information on centrally cleared trades in our [Terms and Policies section](#). If you have any further questions, please do not hesitate to [contact us](#).