



Guidelines Memorandum for Prospective Clearing Members

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1 General Information

This guide includes instructions for the candidate Clearing Members (Direct of General Clearing Members of ATHEXCLEAR), to draft a Memorandum which shall describe the activities developed by their company.

ATHEXCLEAR may request the candidate Member to submit further information to the ones included herein, while it is stated that all data and information submitted by the company – candidate member shall be exclusively used for its evaluation as a candidate Member.

Such memorandum aims at depicting the way in which each company intends to get organized and get prepared, to be successfully activated as an ATHEXClear Member.

This document aims at helping and guiding candidate Members, by suggesting a structure for the memorandum and presenting the issues a memorandum must cover. Hereinafter, follow the sections of the memorandum, as well as some basic organizational principles that the companies must bear in mind when preparing their internal organization.

2 Structure and contents of Memorandum

2.1 Introduction

- Reference to the strategy and the particular goals approved by the Board of Directors of the candidate company in relation to its activities in the Market (Cash or Derivatives) in which they wish to participate, within the framework of its overall business goals
- Company's organizational structure includes the activities it shall develop in the Market in which they wish to participate

2.2 Company's Objectives in Participating as a Clearing Member

- Company's client base and anticipated activation percentage level in which they wish to participate
- Anticipated traded volumes and time span for their realization
- Revenues and expenses assumptions, as well as quantitative forecast for the next five years from their activation in which they wish to participate

3 Operational Structure

Specifically, among other things, in addition to the overall operational structure of the prospective Clearing Member, this section should include:

- Staffing: Details of Certified Clearing Officers who will be employed by the company to carry out transaction clearing and settlement
- Technical and logistical infrastructure
- Account opening procedures: Informational material provided to clients, contracts, and other related documents

- Description of the organization, responsibilities, and procedures of the Clearing Department and the Risk Management Unit
- Procedures for client transactions cleared up through another Member. Familiarity with trading rules, and prohibited transactions
- Description of the clearing and settlement process. Preparation of an internal manual covering the above. Description of the department's communication with the Trading, Risk Unit, and accounting departments. Provisions for the replacement or temporary substitution of the Certified Clearing Officer(s).
- Monitoring and funding of client and company accounts

4 **Clearing Department**

- Staffing (Names of certified and certifying personnel)
- Technical and logistical infrastructure
- Description of the department's organization, responsibilities, and procedures, including a brief reference to the daily work schedule.
- Procedures and methods for effective monitoring, management, and fulfillment of the obligations of the company and its clients arising from transaction clearing. Description of the department's communication with the Risk Management, Accounting, and Trading departments.
- Monitoring and funding of client and company accounts.

5 **Internal Audit (Compliance Department)**

This section should describe the control mechanisms and procedures that cover the company's activities and contribute to its safe and smooth operation. Reference should be made to document internal audit procedures (internal audit manual) and to the manner in which this independent function will monitor compliance with the procedures for trading, clearing, and settlement activities.

Indicatively, the following procedures should be described:

- Consistent monitoring of the strategy established by the company.
- Compliance with the regulatory framework governing the operations of the departments, the proper implementation of internal trading and clearing procedures, and staff access to confidential information.
- Systematic monitoring of risks undertaken in relation to the clearing of transactions.
- Ensuring the completeness and reliability of data and information required for the accurate and timely assessment of the company's financial position and the preparation of reliable financial statements.
- Regular verification of clearing and settlement documents.

- Procedures to be followed in emergency and contingency situations, including the existence of contingency plans that are communicated to staff and regularly tested in practice for effectiveness.
- A sample schedule of daily control procedures.

6 Risk Management Department

This section covers all clearing activities and all types of risks, both on an individual and consolidated basis, and focuses on the identification, analysis, measurement, and recommendation of measures and tactics for their prompt mitigation.

Information should be provided regarding the organizational structure, the position of the risk management unit within the organizational chart, and the reporting lines.

Indicatively, the following should be described:

- Staffing.
- Description of the department's responsibilities, including the documentation of duties and the methods used for recording and monitoring the various risks. The existence of procedures for the immediate identification of risks, their analysis, monitoring, and effective ongoing management should also be described.
- Credit risks: customer selection procedures, assessment of customers' creditworthiness, establishment of customer limits, and monitoring of those limits.
- Market risks: customer position limits, trader position limits, position limits for cooperating Trading Members, and reference to risk monitoring systems.
- Reporting procedures to the company's management.

7 Accounting Department

- It must be mentioned that the company has an organized, fully computerized accounting department, adequately staffed. Mention the name of the head of the accounting department
- The head of the accounting department is aware of the relevant fees and charges ATHEXClear impose on its members.