

Investment Policy

Document Title	EMIR* Article	RTS** Article	Document Class
Investment Policy	47	Chapter XI, 43- 46	Policy <i>approved by General Management; regularly reviewed by the Risk Committee</i>

* EMIR = Regulation (EU) 648/2012, **RTS 153/2013 = Commission Delegated Regulation (EU) 153/2013

Document Information

Document Owner	Chief Risk Officer (CRO)
Document Approver	General Management

Document Review Cycle: yearly / on occasion

Change Log¹

Version	Date	Change Description
V4.1	09.06.2014	Asset Distribution adapted
V5.0	04.07.2014	Adaptions regarding highly secure arrangements for deposits according to EMIR Art. 47 and Reg. (EU) 153 Art. 45.
V5.1	11.07.2014	Details regarding internal assessment of eligible issuers
V5.2	15.11.2016	Review, minor editorial changes, change of CSD company name due to spin-off of OeKB CSD GmbH from OeKB AG
V5.3	20.10.2017	Annual review Passing on of expenses such as negative interest rate for margin and default fund contributions in the form of cash deposits (EUR) to Clearing Members included
V5.4	27.11.2018	Annual review – no changes

¹ The Change log is only used for final versions.

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1 Investment Policy

CCP.A invests its financial resources only in cash or in highly-liquid financial instruments with minimal market and credit risk. All investments shall be made according to this policy and be capable of being liquidated rapidly with minimum adverse price effect.

1.1 CCP.A's Own Portfolio

- a) Following assets are in the scope of CCP.A's Investment Policy:
 - i. own equity capital, including retained earnings and other reserves as well as the current excess liquidity from operations
 - ii. Default fund contributions of Clearing Members

- b) The objective is a highly secure investment and if possible a contribution to net profit for the year
 - i. Current income
 - ii. Increases in value
 - iii. Lowest possible price fluctuations caused by changes in interest rates and by market fluctuations

1.2 Allowed Products

According to Annex II of Regulation (EU) No. 153 / 2013, CCP.A invests its equity capital including reserves and the contributions of Clearing Members to the default fund exclusively in cash or highly liquid financial instruments, which have a low credit and market risk.

Therefore, products which fulfill the following requirements are permitted:

- a) Requirements regarding the products
 - Cash in EUR or any other settlement currency of CCP.A
 - Government bonds with the following criteria
 - i. Issued by a EU member state formally approved by CCP.A's General Management as eligible issuer after internal assessment and consultation with Risk Committee
 - ii. Maximum maturity of 3 years
 - iii. Freely transferable, neither subject to regulatory restrictions nor to third-party demands that could prohibit the liquidation
 - iv. Listed on a European stock exchange
 - v. Quoted in EUR or any other settlement currency of CCP.A
 - vi. Low credit and market risk after internal assessment by CCP.A (see lit. c)

- b) Requirements regarding the portfolio
 - i. Average maturity of the portfolio amounts to max 2 years

- ii. The portfolio has an average minimum rating in accordance with the provisions of CCP.A (see lit. c)
- iii. In case of single issuers (states), the concentration limit amounts to 20% of the total financial resources of CCP.A

c) Requirements regarding the credit and market risk

CCP.A performs an internal assessment of the eligible products using the following methodology:

- i. Analysis of external ratings
- ii. Determination of average ratings (at least by Standard & Poor's or Moody's or Fitch)
- iii. Determination of the worst rating (at least by Standard & Poor's or Moody's or Fitch)
- iv. Continuous monitoring of rating changes

CCP.A sets the following criteria for the evaluation of the credit and market risk:

- i. At time of purchase, an instrument must have an investment grade between "AAA" to "AA-" or "Aaa" to "Aa3". In case of several available ratings, the worst rating will be used.
- ii. The entire investment portfolio must have a minimum rating of "A-" / "A3", the weighted average will be used.
- iii. During the life of the product, changes in its rating are continuously monitored and measures depending on maturity and degree of downgrading are set. In general, an instrument is held until redemption if possible.
- iv. If the average rating of an instrument deteriorates by 2 degrees within a month or if it falls out of the investment grade, it shall be sold.

The criteria for the evaluation of the credit and market risk are internally evaluated by CCP.A and in addition, macroeconomic indicators of the respective country are taken into consideration, such as

- Economic development
- Public debt
- Inflation
- Political stability etc.

CCP.A uses media reports as well as indicators published by the National Bank of the respective country, ECB, OECD and the International Monetary Fund for assessment.

The list of eligible issuers, which is approved by CCP.A after consultation with the Risk Committee, will be published on CCP.A's website www.ccpa.at.²

² Currently CCP.A invests all funds in cash only (Oct 2017).

1.3 Highly Secure Arrangements for Deposits

1.3.1 Highly Secure Arrangements for Financial Instruments

In order to ensure the full protection of its investments, CCP.A deposits all financial instruments according to section 1.2 exclusively with the Central Securities Depository (OeKB CSD GmbH) or with the Austrian National Bank (OeNB).

1.3.2 Highly Secure Arrangements for Cash Deposits

Investments in cash shall be deposited only with the Clearing Facilities (Collateral Custodian and Settlement Banks) according to CCP.A's GTC, which currently are the Austrian National Bank (OeNB) or OeKB AG.

In case of investments with OeKB AG, not less than 95% of the cash funds, calculated over an average period of one calendar month shall be collateralized with highly liquid financial instruments meeting the requirements in Annex II of Regulation (EU) 153/2013.

Expenses such as negative interest rates, penalty fees, commission fees and other payments, which have a comparable effect and are charged by the Clearing Facilities keeping the account with regard to the cash deposits shall be passed on to the Clearing Members according to CCP.A's Price List.³

1.3.3 Credit Assessment

The General Management performs a due diligence of OeKB AG as Settlement Bank and Collateral Custodian of CCP.A on a regular basis (at least annually).

1.3.4 Reporting and Inspection

Account-holding and/or Custodian Banks are under the obligation to provide CCP.A with written reports (securities account statements, cash account statements) at least on a monthly basis. The valuation of securities shall always be timely and commensurate with market prices.

2 Investment Needs

Ongoing liquidity planning also involves the ongoing evaluation of investment needs and medium-term planning reports are presented to the General Management. Based on the facts presented, the General Management decides on:

- what amount to invest
- for what term
- in what products
- pursuant to the criteria above.

³ Since 01 Aug 2017 OeNB is charging a negative interest on cash deposits held by CCP.A on its account with OeNB.

Where products or criteria other than those set out in this Investment Policy shall be used, the CRO shall propose according changes of the Investment Policy to the General Management. Any amendment to the Investment Policy shall require a separate resolution by the General Management.

The General Management reports during the regular meetings of the Supervisory Board about the investment portfolio, the earned profits and the related market and credit risks.

3 Review of Terms and Conditions

The terms and conditions of the bank accounts (interest on credit/debit balances) used, shall be reviewed with the account-holding banks at least every six months and alternative offers shall be obtained where necessary. Such alternative offers shall be submitted to the General Management for decision.

4 Review of the Criteria

The Internal Audit shall review the compliance with the criteria set out in section 1.2 of the Investment Policy annually and prepare a report for the General Management.