

Investment Policy

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Investment Policy	47	Chapter XI, 43-46	Policy approved by General Management; regularly reviewed by the Risk Committee

*EMIR = Regulation (EU) 648/2012; ** RTS = del. Regulation (EU) 153/2013

Document Information

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Change Log¹

Version	Effective 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
V5.5	06.12.2019	Annual review – no changes
V6.0	07.04.2020	Changes regarding investments of equity capital
V6.1	22.04.2021	Annual review – new layout

¹ The change log is only kept for finally valid versions; CCP.A internal coordination in the creation or change process are not contained.

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1. Investment Policy

In this document, CCP.A defines its investment policy in accordance with Article 47, Investment Policy, Regulation (EU) No 648/2012 “EMIR” and pursuant to the supplementing Regulation No 153 / 2013, “Regulatory technical standards on requirements for central counterparties”, Chapter XI Articles 43 to 46.

CCP.A assigns the highest priority to the principles of capital preservation and liquidity maximisation. Therefore, 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 Investment Portfolio

All financial resources managed by CCP.A are invested either in cash or in highly liquid financial instruments with minimal market and credit risk. Following assets are in the scope of CCP.A’s Investment Policy

- a) Equity capital
 - i. own equity capital according to Article 16 (2) EMIR

held to ensure an orderly winding-down or restructuring of the activities over an appropriate time span and an adequate protection of CCP.A against credit, counterparty, market, operational, legal and business risks;

- ii. own dedicated resources according to Article 45 (4) EMIR, “skin-in-the-game”

to be used before using the default fund contributions of non-defaulting clearing members in case of a member default;

- iii. own equity capital, including retained earnings and other reserves as well as the current excess liquidity from operations which is not taken into account for the purposes of Articles 16 (2) or 45 (4) EMIR.
- b) Default Fund contributions of Clearing Members posted by way of transfer of ownership to CCP.A in accordance with Article 42 EMIR.

The objective of investing activities is a highly secure investment and, if possible, a contribution to the annual financial result through

- i. Cost minimisation
- ii. Current income
- iii. Preservation in value
- iv. Lowest possible price fluctuations caused by changes in interest rates and by market fluctuations

1.2. Eligible Assets

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, assets that fulfil the following requirements are eligible for investments:

a) Requirements regarding the products

- Cash in EUR or, if applicable, any other settlement currency of CCP.A
- Government bonds which fulfil 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 regulated 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 assets 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 a rating 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 level, 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

1.3. 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 at the Central Securities Depository (OeKB CSD GmbH) or at the Austrian National Bank (OeNB).

1.3.2. Highly Secure Arrangements for Cash Deposits

Investments in cash held for the purposes of Articles 16 (2), 42 or 45 (4) EMIR shall be deposited only within 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 collateralised with highly liquid financial instruments meeting the requirements in Annex II of Regulation (EU) No 153/2013.

Optionally, all other cash assets can be invested through a highly secure arrangement within the Clearing Facilities.

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 Clearing Members according to CCP.A's Schedule of Fees.³

1.3.3. Secure Arrangements for Cash Deposits

Investments in cash of equity capital which is not held for the purposes of Articles 16 (2), or 45 (4) can be deposited with licensed credit institutions with upper medium investment grade rating, e.g. S&P "AAA" to "A-" or Moody's "Aaa" to "A3". In case of several available ratings, the worst rating will be used.

Where licensed financial institutions do not have a rating, the credit assessment by OeKB AG will be used. Credit rating up to level 4 is accepted. The CRO monitors the credit rating of the commercial banks, with which CCP.A is maintaining its accounts on a yearly basis.

1.3.4. 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.

1.3.5. 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 Currently CCP.A invests all funds in cash only (March 2021).

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

2. Investment Needs

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

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

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 be reviewed by the Risk Committee and requires a separate resolution by the General Management.

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

3. Review of Terms and Conditions

The used terms and conditions of the bank accounts (interest on credit/debit balances), 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-making.

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.