

Investment Policy

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Public

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V 5.0	04.07.2014	Adaptions regarding highly secure arrangements for deposits according to EMIR Art. 47 and Reg. (EU) 153 Art. 45.
V 5.1	11.07.2014	Details regarding internal assessment of eligible issuers
V 5.2	15.11.2016	Review, minor editorial changes, change of CSD company name due to spin-off of OeKB CSD GmbH from OeKB AG
V 5.3	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
V 5.4	27.11.2018	Annual review: No changes
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V 6.0	07.04.2020	Changes regarding investments of equity capital
V 7.0	28.10.2021	Changes due to extension of services to clearing of electricity spot market products

V 7.1	02.05.2022	Annual review: No changes
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Introduction

In this document, CCPA defines its *Investment Policy* in accordance with Article 47 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.

CCPA 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 CCPA's investment portfolio

All financial resources managed by CCPA are invested either in cash or in highly liquid financial instruments with minimal market and credit risk. Following assets are in the scope of CCPA'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 CCPA 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 for clearing of transactions in ccp-eligible securities posted by way of transfer of ownership to CCPA in accordance with Article 42 EMIR.
- c) Cash collateral and default fund contributions of clearing members for clearing of electricity spot market transactions posted by way of transfer of ownership to CCPA

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

- ◆ Cost minimisation
- ◆ Current income
- ◆ Preservation in value
- ◆ Lowest possible price fluctuations caused by changes in interest rates and by market fluctuations
- ◆ To avoid negative interest rates

2 Eligible assets

According to annex II of Regulation (EU) No 153/2013, CCPA 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
 - (i) Cash in EUR or, if applicable, any other settlement currency of CCPA
 - (ii) Government bonds which fulfil the following criteria
 - ◆ Issued by a EU member state formally approved by CCPA's General Management as eligible issuer after internal assessment and consultation with Risk Committee
 - ◆ Maximum maturity of 3 years
 - ◆ Freely transferable, neither subject to regulatory restrictions nor to third-party demands that could prohibit the liquidation
 - ◆ Listed on a regulated European stock exchange
 - ◆ Quoted in EUR or any other settlement currency of CCPA
 - ◆ Low credit and market risk after internal assessment by CCPA (see lit. c)
- b) Requirements regarding the portfolio
 - ◆ Average maturity of the portfolio amounts to max 2 years
 - ◆ The portfolio has an average minimum rating in accordance with the provisions of CCPA (see lit. c)
 - ◆ In case of single issuers (states), the concentration limit amounts to 20% of the total financial resources of CCPA
- c) Requirements regarding the credit and market risk

CCPA performs an internal assessment of the eligible assets using the following methodology:

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

CCPA sets the following criteria for the evaluation of the credit and market risk:

- ◆ 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.
- ◆ The entire investment portfolio must have a minimum rating of "A-" / "A3", the weighted average will be used.
- ◆ 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.
- ◆ 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 CCPA and in addition, macroeconomic indicators of the respective country are taken into consideration, such as:

- ◆ Economic development

- ◆ Public debt
- ◆ Inflation
- ◆ Political stability, etc.

CCPA 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 CCPA after consultation with the Risk Committee, will be published on CCPA's website www.ccpa.at.¹

¹ Currently CCPA invests all funds in cash only (March 2023).

3 Arrangements for deposits

3.1 Highly secure arrangements for financial instruments

In order to ensure the full protection of its investments, CCPA deposits all financial instruments according to section 2 exclusively at the Central Securities Depository (OeKB CSD GmbH) or at the Austrian National Bank (OeNB).

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 CCPA'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 CCPA's *Schedule of Fees*.²

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) as well as cash collateral and default fund contributions of clearing members provided for clearing of electricity spot market transactions by way of transfer of ownership to CCPA 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 CCPA is maintaining its accounts on a yearly basis.

3.4 Credit assessment

The General Management performs a due diligence of OeKB AG as settlement bank and collateral custodian of CCPA on a regular basis.

² Currently no interest is paid on cash deposits held by CCPA on its account with OeNB.

3.5 Reporting and inspection

Account-holding and/or custodian banks are under the obligation to provide CCPA 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.

4 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.

If products or criteria other than those set out in this *Investment Policy* shall be used, the CRO shall propose corresponding 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.

5 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.

6 Review of criteria

The internal audit shall review the compliance with the criteria set out in section 2 of the *Investment Policy* annually and prepare a report for the General Management.