

# Regulation Investment Policy

## Contents

1.	Introduction .....	3
2.	Purpose.....	3
3.	Approved investments .....	3
4.	Liquidity providers .....	5
5.	Approved custodians .....	5
6.	Concentration limits .....	6
7.	Legal documentation.....	6
8.	Review procedures and responsibilities .....	6
	Annex 1 – Approved countries .....	7

## 1. Introduction

This Regulation is enacted pursuant to and in accordance with articles 6.2.4, 7.1.2, 8.1.5 and 10.1.1 of the Cboe Clear Clearing Rule Book.

Capitalised terms used in this Regulation, and not otherwise defined herein, shall have the meaning ascribed thereto in the Clearing Rule Book.

This Regulation applies as of 18 July 2022.

Changes to this Regulation will be implemented in accordance with the Changing Cboe Clear Rulebook & Regulations Procedure as published on Cboe Clear's website.

## 2. Purpose

This Regulation records the policies and procedures which Cboe Clear has put in place to safeguard (1) cash provided by Clearing Participants to Cboe Clear held in Collateral Account(s), (2) cash Contributions held in Cboe Clear's Clearing Fund, (3) cash Deposits held in the Interoperability Fund, and (4) cash held as part of Cboe Clear's own capital.

## 3. Approved investments

Cboe Clear may invest into the following transaction types<sup>1</sup>:

- 1) hold cash intraday and overnight in current cash accounts with Central Banks in the countries belonging to the European Economic Area and Switzerland;
- 2) acquire through an outright buy government securities issued by the countries listed in Annex 1 in the currencies listed in the same Annex. These securities may have a (remaining) tenor of up to 12 months;
- 3) hold cash intraday and overnight in current cash accounts with Eligible Institutions<sup>2</sup>, provided that collateral, in the form of securities issued by countries listed in Annex 1, is received by Cboe Clear;

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<sup>1</sup> In case of Cboe Clear being granted access to services offered by Central Banks in the countries belonging to the European Economic Area, Cboe Clear will promptly review the usage of the transaction types listed above. This particularly applies to transaction types like holding cash overnight at a Central Bank and/ or entering into reverse repurchase agreements with a Central Bank.

<sup>2</sup> Eligible Institutions are Credit Institutions or third country financial institutions as referred to in Article 45(1)(b)(ii) of Regulation (EU) No 153/2013 of 19 December 2012 on requirements for central counterparties that have been formally approved by the Management Board of Cboe Clear, after consultation with the Cboe Clear EMIR Risk Committee. All Eligible Institutions are subject to ongoing due diligence procedures and must comply with at least the following criteria at all times: (i) a Standard & Poor's long term credit rating of at least A; and (ii) a Moody's long term credit rating of at least A2.

- 4) place deposits with Eligible Institutions with a tenor of no more than one month for cash belonging to Cboe Clear's Clearing Fund and a tenor of no more than 12 months for all other cash, provided that collateral, in the form of securities issued by the countries listed in Annex 1, is received by Cboe Clear; and
- 5) enter into reverse repurchase agreements with a tenor of no more than 12 months with Eligible Institutions for the purchase and sale of government securities issued by the countries listed in Annex 1.

If Cboe Clear receives collateral in the form of Financial Instruments, a haircut will be applied in line with the perceived risks connected to the Financial Instrument (including foreign exchange risk).

Cboe Clear will unconditionally apply the holding limits as set out in the maturity schedule below with respect to investment transactions.

Maturity	Maximum holding	Minimum holding
Overnight	100 %	10 %
Term up to 1 week	50 %	NA
Term up to 2 weeks	50 %	NA
Term up to 1 month	50 %	NA
Term up to 3 months	50 %	NA
Term up to 6 months	25 %	NA
Term up to 12 months	0 %	NA

Cboe Clear is required to maintain at least one relationship with an Eligible Institution which is not a Clearing participant of Cboe Clear.

The allocation of the total investment portfolio per counterparty, which is not recognised as a central bank, is restricted to 50% per counterparty. Limit restrictions will not be applied in the event Cboe Clear's investment portfolio is held at central bank(s).

In accordance with the requirements of EMIR, Cboe Clear shall hold cash overnight with Eligible Institutions and shall ensure that such holdings are collateralised for not less than 95 percent, calculated over an average period of one calendar month. Consequently, a maximum of 5 percent of cash held with Eligible Institutions, calculated over an average period of one calendar month, can be held on an uncollateralised basis with Eligible Institutions.

Where securities have been received by Cboe Clear as collateral for an approved investment the following is applicable:

- Cboe Clear will ensure that collateral is provided to Cboe Clear with a market value of at least 102% of the cash placements.

- Cboe Clear will mark-to-market the collateral valuation on a daily basis and will usually demand a same-day collateral top-up if the collateral value falls short of the agreed percentage of the cash placements. Cboe Clear will agree to call collateral top-ups while taking into account a minimum transfer amount as may be agreed with the counterparty. The following minimum transfer amounts have been agreed with the counterparties:

Counterparty	Minimum transfer amount
ABN AMRO Clearing Bank N.V.	EUR 0
Citibank, National Association	USD 0
ING Bank N.V.	EUR 500,000
Skandinaviska Enskilda Banken AB (publ)	USD 250,000

#### 4. Liquidity providers<sup>3</sup>

Subject to and in accordance with provisions of EMIR, Cboe Clear may obtain short term financing from Eligible Institutions or from Central Banks in the countries belonging to the European Economic Area and Switzerland (Liquidity Providers) for the purposes of obtaining liquidity. Cboe Clear may for this purpose use collateral provided by Clearing Participants as collateral with the Liquidity Providers. Additionally, Cboe Clear may use cash provided as collateral by Clearing Participants for the purposes of making payments in accordance with the provisions as set in EMIR.

#### 5. Approved custodians

Cboe Clear may hold the securities resulting from approved investments with:

- 1) regulated Central Securities Depositories domiciled in one of the European Economic Area countries, the United Kingdom and Switzerland;
- 2) International Securities Depositories “ICSDs” (limited to Euroclear Bank Brussels and Clearstream Banking Luxembourg);
- 3) Central Banks in the countries belonging to the European Economic Area, the United Kingdom and Switzerland;
- 4) Eligible Institutions, under the condition that Cboe Clear has received legal advice to the effect that custody assets are protected against insolvency of the respective custodian(s) and its sub-custodian(s) in question.

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<sup>3</sup> Section to be moved to the Clearing Rule Book in due course.

## 6. Concentration limits

Collateral holdings are required to be diversified at all times across permitted securities and diversified across approved issuing countries, in order to prevent inappropriate concentrations of investments.

As such Cboe Clear is required to comply with the concentration limits set out in the table below.

Category	Concentration limit
<b>Maximum value of total collateral value per respective security:</b> The maximum value of collateral held in one unique security may not exceed 25 % of the total collateral value.	25 %
<b>Maximum value of total collateral value per issuing country:</b> The maximum value of all securities held as collateral issued by one country excluding France, Germany, USA, and Netherlands may not exceed 50 % of the total collateral value.	50 %
<b>Maximum value of total collateral value per issuing country being France, Germany, USA, or Netherlands:</b> The maximum value of all securities held as collateral issued by France, Germany, USA, or Netherlands may be the full amount of the collateral value.	100 %

## 7. Legal documentation

Cboe Clear shall not enter into transactions, maintain cash or custody accounts without legal agreements governing these transactions and accounts.

Market standard agreements will be used to the extent possible.

## 8. Review procedures and responsibilities

This document is reviewed annually by the Cboe Clear Management Board and the Cboe Clear EMIR Risk Committee.

## Annex 1 – Approved countries

Approved countries
Austria
Belgium
Denmark
Finland
France
Germany
Norway
Sweden
The Netherlands
United States of America

Treasury securities issued by the above listed national treasuries can be accepted.

Cboe Clear's Management Board, after consultation with the Cboe Clear EMIR Risk Committee, shall formally approve an addition or removal of an approved country to the list of approved countries.