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| Reference Number  (to be filled out by Secretariat) | MCF\_07 (Version 2 – 03/04/2017 based on consultation feedback) | | |
| Change Title | Clearing House Actions to Minimise Exposures | | |
| Proposer | Date | Phone | Email |
| Nigel Thomson | 05/03/2018 |  |  |
| Document section to change | B.2.3.2, B.2.9 | | |
| Changes explained | | | |
| As one of a number of mitigation measures to minimise the financial implications to the Clearing House and Exchange Members in the case of:   1. An Exchange Member breaching the SEMOpx Rules or Clearing House Clearing Conditions, or; 2. As a result of invalid Contracted Quantities;   the Clearing House needs the ability to trade out of imbalance positions it may become exposed to.  This requires that, under the SEMOpx Rules, the Clearing House is able to be registered as an Exchange Member and be able to trade, in the above specific circumstances only, using its Central Counterparty Balancing Market Unit.  The proposal is to incorporate amendments under clauses B.2.3.2 and B.2.9 of the SEMOpx Rules to cater for this requirement.  Note: baseline text below is taken on the assumption that the proposed Market Coupling Facilitator changes have already been applied to the SEMOpx Rules and that the proposed Invalid Contracted Quantities changes to the TSC, are approved.  Note 2: Legal drafting in yellow are amendments made post-consultation based on feedback from respondents to the consultation. | | | |
| Text changes (tracked) | | | |
| ***Amendment to clause B.2.3.2as follows:***  B.2.3 Exchange Committee composition  B.2.3.1 The composition of the Exchange Committee shall reflect the diversity of Exchange Members.  B.2.3.2 The Exchange Committee shall consist of no more than 15 members appointed by Exchange Members and two members appointed by SEMOpx, one of whom shall be the chairperson. Market Coupling Facilitators or the Clearing House shall not be members of the Exchange Committee, nor permitted to appoint members of the Exchange Committee.B.2.3.3 For so long as the NEMO Licence Conditions remain in place in the Market Operator Licences, each Regulatory Authority may nominate an observer who is entitled to attend Exchange Committee meetings.  B.2.3.4 Exchange Committee members shall be elected or appointed (as the case may be) for a two-year period.  ***Amendment to clause B.2.3.9 as follows:***  B.2.9 Exchange members  B.2.9.1 An Exchange Member is a legal entity that:   * + - * 1. is an Original Exchange Member listed in the Schedule to the Exchange Membership Agreement; or         2. satisfies both of the following criteria:   it has been admitted by SEMOpx to the Exchange in accordance with Chapter C; and  it becomes a Party to the Exchange Membership Agreement by executing an Accession Agreement in accordance with section C.1,  and is thereby authorised to trade directly in the day-ahead and intraday markets.  B.2.9.2 Subject to paragraph B.2.9.3, SEMOpx may not limit the number of Exchange Members.  B.2.9.3 There may only be one Market Coupling Facilitator for each Interconnector.  B.2.9.4 A Market Coupling Facilitator may not submit Orders for any Product, and an Exchange Member (other than a Market Coupling Facilitator) may not trade or deal in PTRs or Market Coupling Contracts, on the Exchange.  B.2.9.5 If the Clearing House is an Exchange Member, it may only trade on the Exchange in order to seek to minimise its exposure when:   * + - * 1. an Exchange Member breaches these Rules or the Clearing Conditions; or         2. when a Contracted Quantity submitted by the Clearing House under paragraph F.2.2.1 of the Trading and Settlement Code is invalid within the meaning of section G.2.10.1 of that Code.   B.2.9.6 The following sections and paragraphs do not apply to the Clearing House (in its capacity as an Exchange Member): B.2.11.3, B.2.11.4, C.1.1.1, C.1.3.1(a), C.1.3.1(c), C.1.6, C.2.4, C.2.5, C.2.7, D.2 and G.2.1.3.”  B.2.9.7 SEMOpx may not refuse to enter an Accession Agreement with an Applicant who satisfies the requirements set out in Chapter C, and if all applicable requirements in the Trading and Settlement Code are satisfied. | | | |
| Justification for Proposal | | | |
| This proposal furthers the SEMOpx Rules Objectives and Principles, Namely   1. A 1.2.2 (d) the principle of “promoting market integrity and confidence”, by ensuring mechanisms for the Clearing House to minimise exposures that could impact on the stability and confidence in the clearing process. 2. A 1.2.2. (e), the principle to “reflect the service provider arrangements”, with SEMOpx using a Clearing House for settlement of trades and being balance responsible under the TSC. | | | |
| Consultation Activities | | | |
| Consulted on in NEMO BLG 14th March 2018  Comments received, reviewed and incorporated 28th March 2018 | | | |
| Exchange Committee views  Comments received from Exchange Members are provided [here](http://www.sem-o.com/ISEM/General/MCF_07%20Comments%20and%20Responses.xls). | SEMOpx Views  Response to Exchange Member comments are provided [here](http://www.sem-o.com/ISEM/General/MCF_07%20Comments%20and%20Responses.xls).  SEMOpx believe the change is warranted ensure the stability of the market by allowing the Clearing House to trade out of imbalance exposure that may result from an Exchange Members trading. | | Final Decision  (Rules only RAs, Operating Procedures only SEMOpx) |
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