

June 2021

By-Laws
of
The European Association of Central Counterparty Clearing Houses (EACH) AISBL

The present By-Laws have been approved by the EACH General Assembly's meeting on 21st May 2021 held online, in accordance with the Articles of Association as of 2nd February 2018. The latter have priority in case of conflict.

The EACH By-Laws set out the rules which govern the internal functioning of the Association which is an international non-profit association of unlimited duration. The Association is governed by the provisions of the Belgian Law on Not-For-Profit associations, International Not-For-Profit Associations and Foundations, in accordance with Articles 2:5 and 2:6 of the Companies and Associations Code, which was introduced on 23 March 2019 and became applicable as from 01 January 2020, by assigning to it the patrimony which is necessary for the achievement of its non-profit aim.

The present By-Laws complement both the EACH Articles of Association and the Belgian legislation.

Chapter I
MEMBERS

Article 1. Prescription of the conditions of Admission

Provided that the applicant for EACH membership complies with the requirements set out in Article 6 of the Articles of Association upon applying for admission, it will receive from the Secretary General all the documents related to the association:

- The Articles of Association;
- The By-Laws.

In its application letter, the applicant will formally confirm in writing, before the General Meeting that has to approve its application, that it received all documents and that it accepts the validity of the Articles of Association of EACH, and that it agrees to comply with its By-Laws and with the decisions made by the Board.

Article 1.2. Prescription of the conditions for Observer Members (non -EU CCPs)

In order for an applicant to qualify as an Observer Member, the requirement is set out in Article 6.1 of the EACH Articles of Association, that only non-European CCPs would be considered as Observer Members. European CCPs would not be eligible to become Observer Members.

Governance of 'Observer Member'

In addition to the governance provisions included in the EACH Articles of Association, the following specific provisions for Observer Members shall apply:

1. Each Board member or Observer Member has the right to request the participation of an Observer Member in external events (public or private) organised by the Association. Meeting counterparts shall be informed about the participation of Observer Members.
2. The decision to allow/not allow participation shall be taken unanimously by the Board during the calls/meetings, in line with the quorum provisions included in the EACH Articles of Association and By-Laws.
3. The same process is valid for the attendance in day-to-day discussions and working meetings of the association.
4. For efficiency reasons, the Board may decide in advance a list of subjects for which no request need to be made to allow Observer Members to participate in the relevant committee meetings. The decision about the participation in external events will follow the process described under no 2.

Chapter II

INTERNAL STRUCTURE

Article 3. General Meetings

Industry Specialists can be invited to General Meetings by the Chairman on a case-by-case basis.

Article 4. Board, Chairman and Treasurer

Every member of EACH may submit one nominee for the Board. Nominations for the Chairman, the Treasurer and the Board must be submitted to the Chairman at least two weeks in advance of an Ordinary General Meeting. A list of all candidates will be distributed in advance of the Ordinary General Meeting.

In the first ballot the Chairman will be elected by absolute majority. Hereafter the Treasurer will be elected by absolute majority. In the third ballot the remaining Board Members will be elected.

For all ballots, following election rules have to be complied with:

In the first and second ballot each EACH Member has respectively one vote. In the third ballot each EACH Member has as many votes as remaining Board Members to be elected. A Member can only vote once for any one candidate and not all votes have to be used. In the case a Member uses more votes than available all votes of that Member are invalidated. It is possible that a Member votes for itself. Candidates are elected by receiving absolute majority of all Members who are either present or have provided proxy votes. In the case that not all Officers are elected, the elected candidates and the candidate(s) with the fewest number of votes are eliminated from the nominee list and a consecutive ballot can be held with the remaining candidates.

The Board is, in addition to the powers set out in Article 14 of the Articles of the Association, responsible for the following:

- the strategic guidance of the association
- the preparation of mandates for working committees/task forces
- the approval of the final version of the EACH position papers and other policy documents

The Chairman is, in addition to the powers set out in Article 14 of the Articles of the Association, responsible for the following:

- Approving official correspondence of the Group,
- Drafting the agenda of Meetings,
- Issuing invitations to General Meetings.

The Treasurer is, in addition to the powers set out in Article 14 of the Articles of the Association, responsible for the following:

- Managing the financial administration and the accounts of EACH,
- Presenting the annual accounts, the budget and the annual contribution at the Meeting of the Board which prepares the General Meeting where the accounts, the budget and the contribution will be approved.

- Drawing up a statement of accounts every three months. A copy of this quarterly statement will be sent to each Member representative within 6 weeks of the end of each quarterly accounting period. This statement will be considered by the Meeting of the Board after receipt of each statement.
- Ensuring that there is an accounting system which produces on an annual basis a profit and loss account or trading account, the profit/loss for the year, a balance sheet and any relevant notes to the accounts.

Article 5. Committees/working groups

EACH has three standing committees that report to the Board: Legal Committee, Policy Committee and Risk Committee. These three Committees are created with an unlimited duration. There are Chairs and vice-chairs of these committees. If needed the Board can set up as well as terminate working groups with the purpose of conducting specific tasks. Participation will be voluntary upon request for participants by the EACH Secretariat. The working groups are created with a limited duration depending on the issue they deal with. The mandate for any committee (other than the Board) or working group shall be approved by the Board.

In close cooperation with the Committee/Working Group Chairpersons, the Secretary General ensures that Working Group documents and relevant information are communicated outside the Working Group (e.g. to the wider EACH membership or to external stakeholders), as appropriate.

Article 6. Voting System

All decisions, including amendments to these By-Laws, shall require two-thirds of the Members present or represented by proxy to vote in favour on the date of the General Meeting.

Decision-making is also possible outside Meetings via email by a majority of two-thirds of all Members. If the Members vote is not received by a predefined date, it is assumed that the Member agrees with the proposal. Furthermore, it is based on the judgement of Chairman to decide a further procedure.

A secret vote is possible if a Member requires a secret vote.

The voting rules shall apply also to the public positions of EACH and to the public positions produced by the Working Committees.

Article 7. Procedures

7.1. Procedure for drafting responses to consultations

The Secretariat will inform members about the publication of the consultation and ask about members' interest in responding to it. If there is an interest by members to respond to the consultation, the Secretariat will organise a call (or if not possible, ask for written input) in order to gather the first views from members. Based on the input provided during the call (or written info), the Secretariat will create a draft response to the consultation which will be sent to members for comments. The Secretariat will incorporate members' comments (there might be several iterations with members). The Board shall be given at least 24 hours to approve the final version of the response. This approval could happen in parallel to the last round of comments

by the relevant Committee/Working Group. The final response will be created and distributed to members and to the relevant institution that opened the consultation. The response to the consultation will be published on the EACH website.

7.2. Procedure to decide whether to work or take a position on a particular subject

EACH Members may suggest subjects for discussion to the EACH General Assembly, Board, committees or working groups.

EACH shall not discuss or have a position on a subject only in the case that at least 33% of the EACH Members decide to be silent on that subject.

In case there is a need to determine the percentage of Members that agree with remaining silent on a subject, a one-week email consultation of the EACH General Assembly or Policy Committee, each one for its own matters, shall take place. Observer Members shall have no right to vote.

The governance arrangements under this article is subject to a one year, or earlier if the Board considers it does not work, testing period, which runs from the EACH General Assembly in 2018 to the EACH General Assembly in 2019.

7.3. Procedure to appoint the Chairs & Vice-Chair(s) of EACH Committees & Working groups

The Chair and Vice Chair(s) of the Committee/Working group shall be elected for a two-year period following a request for interested candidates to the members of the relevant EACH Committee/Working Group.

To ensure a balance representation of EACH Members in the positions of Chairs/Vice-Chair(s) of EACH Committees/Working groups, the EACH Board shall officially appoint the Chair and Vice-Chair(s) considering the suggestions of the Committee/Working groups.

Chapter III FINANCIAL ASPECTS

Article 8. Funding/Finance

Each year the amount of Members' annual contributions will be decided at a General Meeting. The Association's operations shall be financed by an obligatory annual contribution paid by all Members

During the EACH General Assembly on the 17th May 2019 in Madrid the EACH General Assembly agreed to the following Membership categories and to using Initial Margin as the metric to define the Membership Categories as agreed to by the members of the EACH Board:

- Three Membership categories with different fees and governance
- Voluntary category move upwards – Members in a particular category have the possibility to voluntarily move upwards to the next category (i.e. from category 3 to category 2 or from category 2 to category 1).
- All categories represented on the EACH Board - Each and every membership category has to be represented on the EACH Board.

- For the calculations, the initial margin figures are taken from the CPMI-IOSCO PQD (Field 6.1) or from the data provided by the CCP if the CPMI-IOSCO PQD is not available.

There may a penalty for late payers of 10% of the amount payable. It is in the discretion of the Board if the penalty rule is applied to a late payer.

The Members of the EACH General Assembly may award discounts (exact amount to be determined by the EACH General Assembly every year) on the Full EACH Membership fee as follows:

- EACH Full Members have the right to request a discount on the Full EACH Membership fee.
- Discounts may be awarded by the EACH General Assembly if justified in writing prior to the EACH General Assembly according on the initial margin criteria.
- The initial margin criteria is as follows: A Full Member of EACH may request a discount on the Full EACH Membership fee if the size of its initial margin is lower than EUR 250 million measured by the average initial margin figure at the end of:
 - Q1, Q2 and Q3 of the year prior to the EACH General Assembly where the budget is set; and
 - Q4 of two years prior to the EACH General Assembly where the budget is set
- For the calculations above, the initial margin figures shall be taken from the CPMI-IOSCO PQD (Field 6.1) or from the data provided by the CCP if the CPMI-IOSCO PQD is not available.

Article 9. Authorisation of letters, contracts and other acts of the Association

Letters dealing with the day-to-day administration of EACH and not financially binding the Association:

- Either the Chairman, Secretary General, Vice Secretary or Treasurer may sign on his own.

Documents (contracts, ...) which commit the Association financially:

- Up to 3,500.00 €: the Secretary General or Vice Secretary may sign minor contracts (power, water supply, etc.), to keep the daily business running.
- Over 3,500.00 €: the Chairman or Treasurer together with another Board Member may sign jointly, with the prior approval of the Board.

Payments:

- Up to 3,500.00 €: the Secretary General or Vice Secretary may sign on his/her own.
- Over 3,500.00 €: the Treasurer together with another Board Member may sign jointly, with the prior approval of the Board.

Financial acts:

- A new bank account may be opened by the Treasurer, with the prior approval of the other Officers.

- The Treasurer will organise the proxies for him and the Secretary General on the bank account.
- Financial investments can only be authorised by the Treasurer, whatever the amount. These must be without any speculative nature.

The Board shall be allowed to make decisions on their own amounting to a maximum of 30% of the entire EACH budget. If this cap is exceeded, the confirmation of the General Meeting is needed.

Article 10. General principles on payments and the monitoring of expenses

Payments from the EACH budget are made by bank payment instructions (direct debit, bank transfer or credit/debit card payment) upon due documentation and based on the authorisation process described in Article 20 of the Statutes of the Association. The due documentation is kept by the Secretary General. The Secretary General also may maintain petty cash (in EUR and a few foreign currencies) for small office cash expenditures which are duly registered.

Article 11. Travel expenses

As a general rule, when travelling for business, EACH employees should aim to travel via the lowest cost alternative, consistent with good business practices. Neither luxury, nor sub-standard modes of transportation and accommodations should be used.

Travel by members of the staff is approved by the Secretary General and the Chairman.

For train travel (to be privileged in particular for journeys that do not exceed 3 hours), a second-class flexible ticket should be seen as the standard, although cheaper, non-refundable tickets should be used whenever the cancelling/re-scheduling of the trip is considered unlikely.

For travel by plane, economy tickets are the rule for short-distance flights. Business class travel is only authorised for long-haul flights (as defined by the air carriers or whenever the flight time exceeds 6 hours).

For any other modes of transportation, a similar approach should be adopted.

The Secretary General is responsible for ensuring that all employee travel and the expenses associated with it have been duly authorised and are compliant with these principles. In authorising an expense, he or she should consider whether it is reasonable and consistent with EACH's mission. Decisions for non-European travel are made by the Secretary General after consultation with the Chairman or the Board.

Any travel expense which deviates from the general principles has to be sent for prior approval to the Chairman or the Board. Such approval is normally requested by email and should include a clear overview of the total expense and business rationale for the trip.

Accommodation and meals while on business trips are reimbursed based on original invoices provided that they are deemed reasonable. The chosen hotels should meet with industry accepted business travel standards with reference to comfort, convenience and cost.

In certain cases, a lump sum allowance might be considered instead (e.g. if invoices cannot be produced). Such lump sum payments must be authorised by the Chairman or the Board.

Article 12. Staff benefits and related expenses

The Board is responsible for assessing the performance of the Secretary General on a regular basis, including by conducting an annual appraisal discussion with the Secretary General and by

deciding on the attribution of a performance bonus, whenever appropriate. In the exercise of their duties, the Board will take due account of the discussions held with and the feedback received from the other members of the Board.

The Board is also responsible for overseeing the staff remuneration policy. The Secretary General submits any proposed changes in staff remuneration and benefits to the approval of the Board. The Secretary General is responsible for the appraisal of other EACH staff members and for reporting to the Board on the allocation of the training budget and staff incentives (if appropriate), in the limits of the amounts budgeted for and approved by the Board for this purpose.

Article 13. Investment policy and reserves

The Directors in conjunction with the General Assembly shall ensure that EACH has sufficient funds to meet current and future requirements. Furthermore, reserves shall be deposited with major banks.

Financial investments can only be authorised by the Treasurer, whatever the amount. These must be without any speculative nature. The interest income is added to the annual income.

Article 14. Independent certification of the accounts by the External Auditor

The Controller of Accounts shall be an external agent and shall supervise and audit all the Association's transactions during the year. To this end he/she may view but not remove all documents (registers, minutes, correspondence) and all written material of the Association. The Controller of Accounts shall submit the results of his/her work, together with any recommendations he/she judges appropriate, to the General Meeting following the end of the financial year in question.

The financial records are kept for 10 years by the Secretariat.

Chapter III PROFESSIONAL LIABILITIES

Article 15. Liability Insurance

As international non-profit association ("association internationale sans but lucratif" or aisbl under Belgian law), EACH is liable in Court. EACH therefore provides an insurance policy to protect the Secretariat against liability arising from potential litigations.

Chapter IV MISCELLANEOUS

Article 16. Language

The official language of EACH and its Working Groups and Committees is English.

Appendix A – EACH Membership application

The Company, _____, hereby applies to become a Member of EACH.

Company name and address

NAME:	_____
ADDRESS:	_____
REGISTRATION NO:	_____

Contact persons

NAME:	_____
JOB TITLE:	_____
TELEPHONE:	_____
E-MAIL:	_____

Place: _____ Date: _____

Signature

Please enclose the following in English:

- Certificate or other evidence of authorisations by local regulatory or supervisory authority
- Description of the company, specifically the CCP's services, procedures and operations with reference to all applicable global or European Recommendations or Principles or CCPs and the EACH Supplementary Risk Recommendations.

