

Chapter 29

Commission Delegated Regulation (EU) 2017/589

Article 25 Due diligence assessments of
prospective clearing clients(Article 17(6) of
Directive 2014/65/EU)

(1) A clearing firm shall make an initial assessment of a prospective clearing client, taking into account the nature, scale and complexity of the prospective clearing client's business. Each prospective clearing client shall be assessed against the following criteria:

- (a) credit strength, including any guarantees given;
- (b) internal risk control systems;
- (c) intended trading strategy;
- (d) payment systems and arrangements that enable the prospective clearing client to ensure a timely transfer of assets or cash as margin, as required by the clearing firm in relation to the clearing services it provides;
- (e) systems settings and access to information that helps the prospective clearing client to respect any maximum trading limit agreed with the clearing firm;
- (f) any collateral provided to the clearing firm by the prospective clearing client;
- (g) operational resources, including technological interfaces and connectivity;
- (h) any involvement of the prospective clearing client in a breach of the rules ensuring the integrity of the financial markets, including involvement in market abuse, financial crime or money laundering activities.

(2) A clearing firm shall annually review the on-going performance of its clearing clients against the criteria listed in paragraph 1. The binding written agreement referred to in Article 17(6) of Directive 2014/65/EU shall contain those criteria and set out the frequency at which the clearing firm shall review its clearing clients' performance against those criteria, where this review is to be conducted more than once a year. The binding written agreement shall set out the consequences for clearing clients that do not comply with those criteria.