



Societe Generale SA, Societe Generale International Limited and SG Americas Securities, LLC (collectively “Societe Generale” or “SG”)

## **FRANDT<sup>1</sup> Onboarding Disclosure Document for OTC Clearing Services**

**March 2022**

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<sup>1</sup> Fair, Reasonable, Non-Discriminatory and Transparent

## Introduction

The FRANDT regulation requires Clearing Service Providers to provide prospective EEA customers who are looking to utilise SG OTC Clearing Services with an onboarding process disclosure. This disclosure has been designed to aid prospective EEA customers to understand Societe Generale's onboarding process in accordance with the FRANDT requirements<sup>2</sup>.

## The OTC Clearing Services Onboarding Process – An Overview

SG's Cleared OTC onboarding process has been designed to meet the FRANDT requirements and enhance the customer experience, following a standardised process whilst recognising that no customer onboarding is the same.

SG's Cleared OTC onboarding process consists in three stages, namely (1) customer engagement stage, (2) proposal stage and (3) onboarding stage.

### **1 - Customer Engagement stage**

Every onboarding process will begin with an initial customer engagement. A discussion will take place to review the prospective customer's needs and strategy as well as the Clearing Service Provider's (CSP) services and capabilities.

At this engagement stage, whether initiated by the prospective customer or the CSP, the prospective customer will be required to complete a Request For Proposal (**RFP**<sup>3</sup>) in order to comply with FRANDT requirements and become a customer of SG.

Based on the RFP form provided by the prospective customer (together with key documents) SG will assess the prospective customer's needs and make a well-informed and detailed proposal including clear pricing and terms.

Customers can complete the form provided by SG or submit their own. SG's RFP can be found [here](#).

If the customer is providing their own version, we need to have the following key information:

- Full Legal Entity name
- LEI (Legal Entity Identifier) of Customer
- Country of Incorporation
- Counterparty Size (NAV / TNW / Equity)
- Counterparty Status under EMIR
- Sector of Activity

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<sup>2</sup> As set out in Commission Delegated Regulation (EU) 2021/1456 of 2 June 2021 supplementing Regulation (EU) No 648/2012 ("EMIR") of the European Parliament and of the Council

<sup>3</sup> The form for RFP provided by SG has been prepared for use in the context of over-the-counter derivatives subject to mandatory clearing under Article 4 of EMIR, in keeping with the obligation under FRANDT being applicable to such derivatives and is not intended to be used in the context of exchange traded derivatives.

- List of the products and portfolio to be cleared, volumes and any specific requirements (legal, credit, collateral, etc.)
- In order to assess the risk of the portfolio, at a minimum, we will need:
  - Products to be cleared (IRS / CDS / FX)
  - CCPs where these are to be cleared
  - Notional of positions by direction, tenor and currency/index or name
  - Volume
  - Average trade size per tenor
  - Any other business in other asset classes that could be part of the new relationship
- Financials for the Legal Entity
- Specific customer requirements relating to contractual terms, e.g. clearing limits, pricing or credit provisions, etc.

## **2 - The proposal stage**

SG will review the risk and capital impacts of the portfolio(s) to be cleared, along with other contractual requirements and take into account any existing or potential commercial arrangements with SG, as applicable. A full credit review will not be completed at this stage.

SG will then supply customers with a completed Proposal detailing fees, scope of service, any non-standard contractual terms, collateral and haircuts, etc. Indicative clearing limits may be supplied at this stage but could require more due diligence in order to be officially confirmed.

If the customer accepts SG's Proposal, this will be submitted for internal business approval before proceeding to onboarding.

Please note that as part of the internal review mentioned above, SG may reject a customer before issuing a Proposal. In this instance, a rejection notification will be sent, without undue delay.

## **3 – Onboarding stage**

If the customer agrees to the Proposal, SG will proceed to the onboarding stage. Depending on the customer's needs and their familiarity of the clearing service, this may include a presentation on the OTC clearing process, operational characteristics and points to consider as a new customer. This will be presented in the form of a customer-tailored onboarding workshop.

A dedicated onboarding specialist (Transition Manager) will be assigned to each and every prospective customer, who will serve as a single point of contact for all matters including, but not limited to, legal documentation and operational integration.

Customers can expect KYC and tax reviews, as well as legal negotiations, to start at this point. Customers may also need to complete a Customer Additional Information Form which contains most of the requirements in order to carry out the onboarding.

Information required, which is not captured in the RFP can include, but not limited to, SSIs, authorised signatory lists, audited financial statements, operational contacts, clearing service scope, FATCA self-certification, etc.

Onboarding and legal negotiation can lead to amended or new customer requirements during this process, and for this reason, final credit review is not completed until clearing documentation is ready to be executed and all final credit terms and provisions are understood.

The final stage of onboarding will be to set-up execution platform connectivity, open accounts both within SG, and externally, and to advise customers on set-ups that they will need to perform themselves.

There may also be an element of testing, either in a test environment or in production, to ensure the system set-up and connectivity is working – the extent of testing required will differ from customer to customer.

### **Required Documentation**

The documentation required to complete the onboarding will differ between customers based on their legal structure, nature of business and entity type. SG's Transition Management team will advise customers of the documentation required to be provided at the time that onboarding begins.

### **Estimated Timing**

The time taken to onboard a customer, from the beginning of legal negotiations to final set-up cannot be standardised for all customers – there is no one example of how long the process can take.

Customers will have different levels of complexity in relation to operational needs and due diligence that has to be carried out on SG's side.

Similarly, the customer implementation requirements can differ from customer to customer depending on their existing knowledge, familiarity with clearing, complexity of internal systems, operational practices and resource capacity available.

The main driver of timing to onboard a customer will be the clearing document negotiation, impacted by the number of amendments required by the customer and availability of their legal team to review and edit documents.

Therefore, the below estimated timelines for the different stages of onboarding Cleared OTC are:

- Customer engagement stage can be as little as one week, but up to three weeks
- Proposal stage can be as little as one week, but up to two weeks
- Onboarding stage can be as little as six weeks, but up to 12 weeks (or longer)

Please note that time estimations will depend on the diligence and prompt action of the customer in dealing with the different stages.

## Next Steps

If you would like to discuss SG's OTC Clearing services or enquire about our onboarding process, please contact:

London Sales: [list.lon-mark-egd-psc-sls@sgcib.com](mailto:list.lon-mark-egd-psc-sls@sgcib.com)

Paris Sales: [list.par-mark-egd-psc-sls@sgcib.com](mailto:list.par-mark-egd-psc-sls@sgcib.com)

US Onboarding: Jill Altman – [Jill.altman@sgcib.com](mailto:Jill.altman@sgcib.com) & Noah Pinzur – [Noah.pinzur@sgcib.com](mailto:Noah.pinzur@sgcib.com)

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Societe Generale Corporate and Investment Banking. One Bank Street, Canary Wharf, E14 4SG London, UNITED KINGDOM. Website: [www.sgcib.com](http://www.sgcib.com) – Tel: +44 (0)20 7676 6000