The clearing house between every buyer and seller

> **CENTRAL CLEARING**
>
> The exchange's clearing house substituting itself into every trade - buyer to every seller, seller to every buyer - the moment it executes. Neither side ever faces the other again: positions net freely, defaults are the clearing house's problem, and the counterparty question that haunted every wrapper on this platform is answered by architecture rather than trust.

Four tracks asked whose promise you were actually holding: the broker's, the venue's, the fund's. Futures answer with a structure - and the structure is the asset class's quiet masterpiece.

Novation: the substitution

When a trade prints, the clearing house steps between: the original pair are unhooked from each other and hooked to it. The consequences cascade: any position can be closed against anyone - the market, not the original counterparty, since the clearing house nets it all; a default touches the defaulter's clearing member and the waterfall behind it, not the stranger on the other side of the original trade; and a futures position carries no counterparty homework at all - the same question that cost a whole lesson in every other track.

What pays for the guarantee

Margin, from everyone: the performance bond the commodities track introduced - posted by both sides, sized to plausible moves, the first line of the guarantee. Lesson 5 shows the daily machinery.The waterfall behind it: defaulting member's margin, then their clearing member's capital, then the mutualised default fund - layers of other people's money between a failure and your position.Discipline as a fee: the price of the guarantee is the machinery's strictness - margin calls that do not negotiate and daily settlement that realises every loss immediately. The safety and the strictness are the same design.

Why this matters to a retail trader

Because it inverts the platform's standing hierarchy of worries. In CFDs, the counterparty lesson mattered more than most price lessons; in futures, the clearing house makes counterparty risk the one thing not worth your attention - and moves all of that attention to the machinery's demands on you: the margin, the daily mark, the expiry calendar. The next lessons are those demands. The trade-off, stated once and honestly: futures give you the market's own promise instead of a broker's - and the market's promise collects, every single day.

Check your understanding

1. After novation, who is the counterparty to a futures position?

a. The trader who took the other side

b. The clearing house - buyer to every seller and seller to every buyer, with the original pair unhooked from each other entirely

c. The exchange member who routed the order

Answer: b. The substitution is total: positions net against the market, defaults meet the waterfall, and the counterparty homework of every other track's wrappers disappears by architecture.

2. What is the price of the clearing guarantee?

a. A per-trade insurance premium

b. The machinery's strictness: both-sided margin, non-negotiable calls and daily settlement that realises every loss immediately

c. Higher spreads than CFDs

Answer: b. The safety and the discipline are one design. Futures replace counterparty risk with daily, mechanical demands on the holder - the trade this track spends its next lessons pricing.