

Clearing Model within ECC

Nancy van 't Hoff
23 April 2018

Agenda

- Introduction
- Membership options
- The DCP model in more detail
- Comparison membership options
- Processes
- Contact details

Introduction

European Commodity Clearing (ECC) is the central clearing house for energy and related products in Europe. Currently, ECC provides clearing services for the Partner Exchanges European Energy Exchange (EEX), EPEX SPOT, EPEX SPOT Belgium, Hungarian Derivative Energy Exchange (HUDEX), Hungarian Power Exchange (HUPX), Norexeco, POWER EXCHANGE CENTRAL EUROPE (PXE), Powernext and SEEPEX.

ECC is a recognised partner of transmission system operators in many European countries and is linked to the relevant national emission and energy certificate registries. Thus, ECC ensures physical settlement of power, natural gas and emission allowances.

Introduction

In its function as a central counterparty, ECC offers its participants a variety of clearing and settlement services. ECC provides you with one clear connection to its whole network of Partner Exchanges and products.

There are three different types of membership in ECC representing three levels of access:

Clearing Members (CM):

- Are financial institutions in an EU member state or in Switzerland.
- Hold either a general clearing license or a direct clearing license.
- Can be trading participants of the exchange.

Non-Clearing Members (NCM):

- Are Trading Participants of the exchange.
- Sign a trilateral agreement between the Non-Clearing Member, Clearing Member and ECC to provide for the necessary infrastructure.

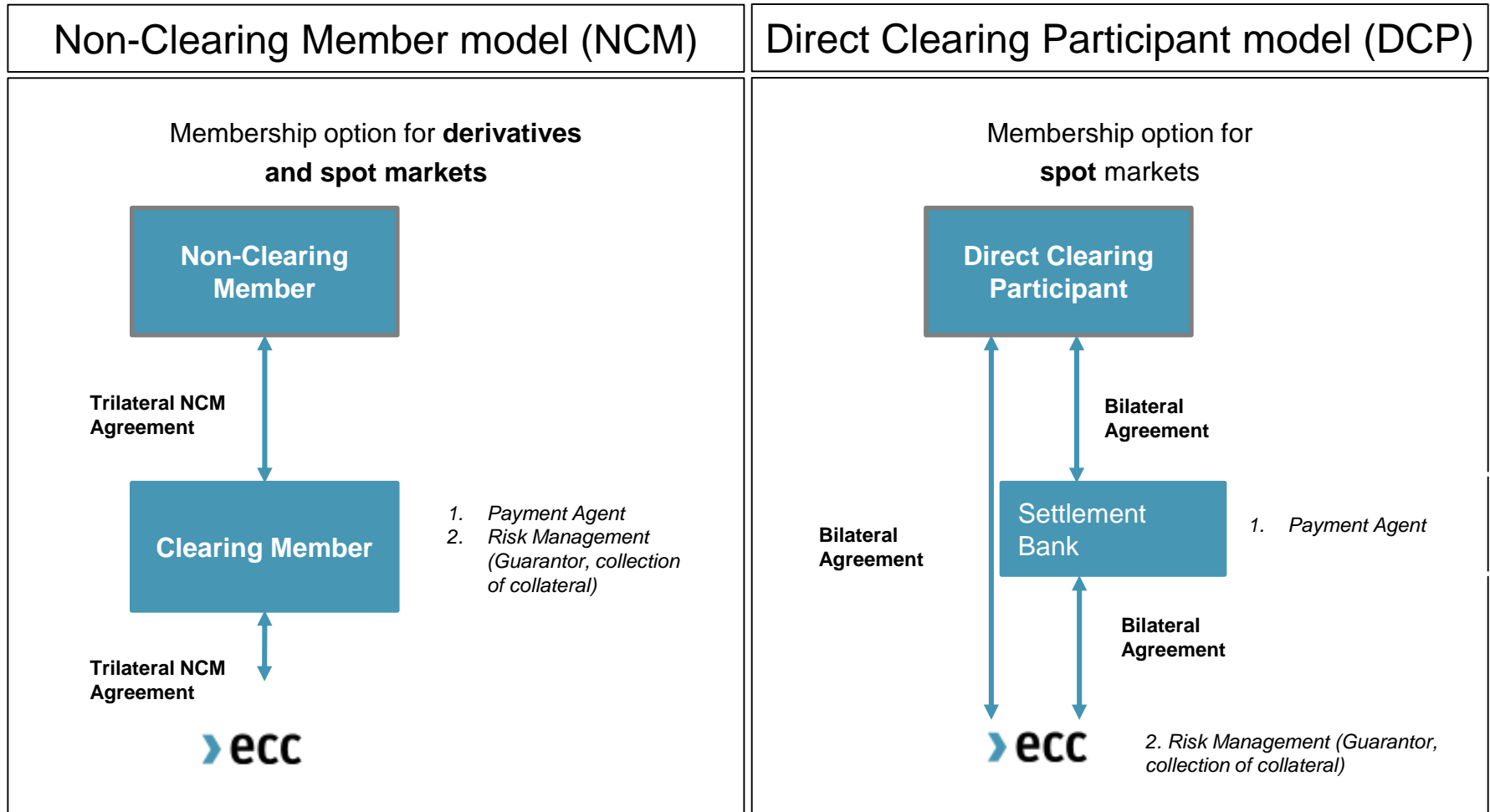
DCP Clearing Members (DCP CM):

- Are trading participants with direct access to trading and clearing of specific spot markets without the requirement of a Clearing Member.
- Have an agreement with a co-operating Settlement Bank.

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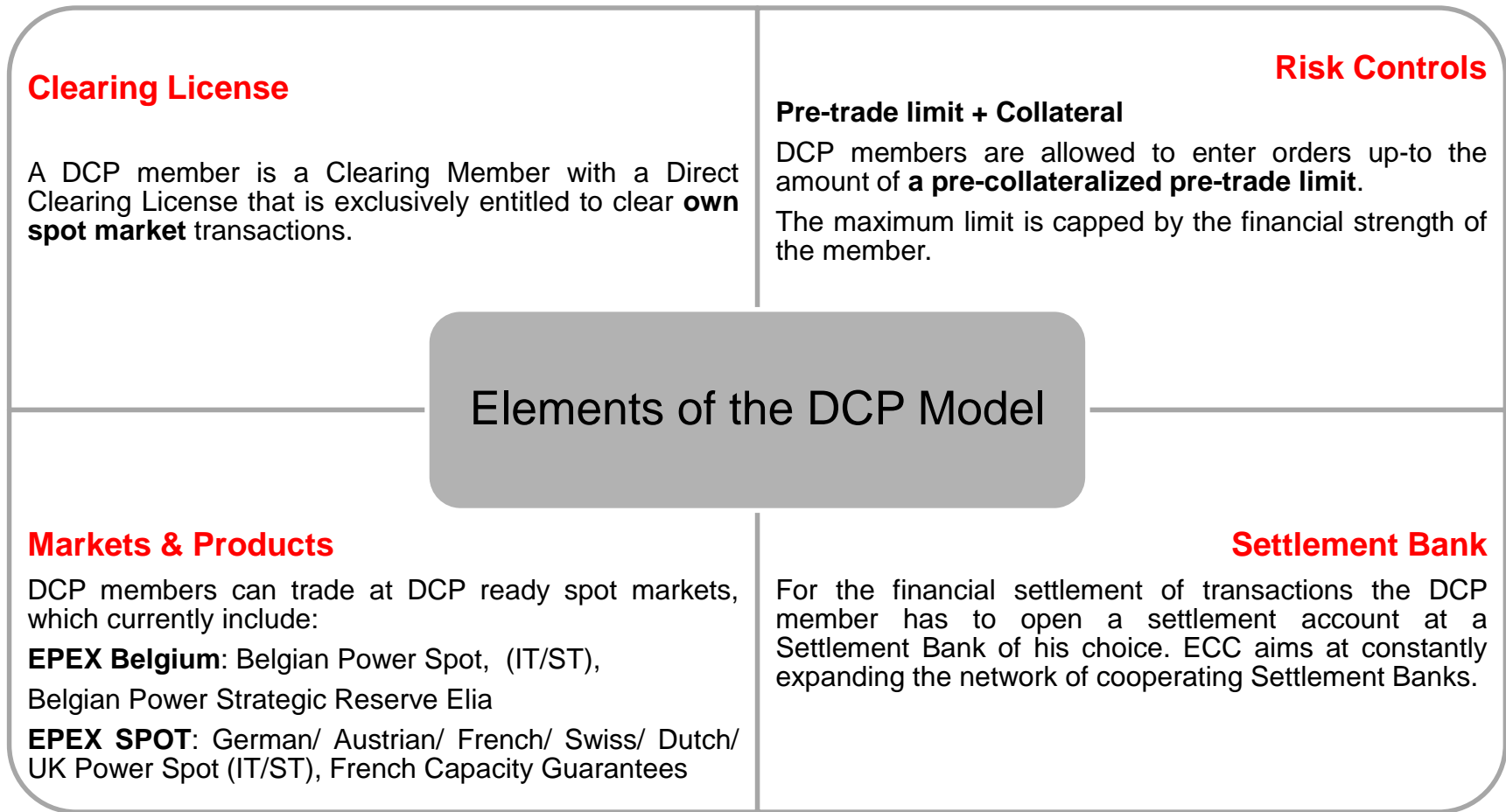
ECC offers two membership options for trading participants of ECC partner exchanges



Agenda

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The DCP model in more detail



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NCM and DCP in comparison

		Non-Clearing Member (NCM)	Direct Clearing Participant (DCP)
General differentiation		The NCM is in a business relationship with a Clearing Member . ECC's risk exposure resulting from an NCM's trading activities is covered through margins (Post-Trade Approach).	A DCP has direct access to ECC without a Clearing Member. ECC's risk exposure resulting from a DCP's trading activities is covered through collateralized pre-trade limits (Pre-Trade Approach).
Markets		All markets – Spot & Derivatives	Spot only
Bank		Clearing Member (CM) Guarantee & payment function	Settlement Bank (SB) Payment function only, no guarantee
Risk Management	Margining	Yes, IMSM and CESM	No, neither IMSM nor CESM
	Limit	Voluntary , set by CM (or NCM)	Mandatory , set by ECC*
	Prefunding	No collateralization towards ECC but potentially towards CM	Collateralization of pre-trade limit in advance with collateral accepted by ECC
	Collateral	Collected by CM , CM accepted collateral	Deposited by DCP , only ECC-accepted collateral
	Default Fund Contribution	CM obligation	DCP obligation

CESM: Current Exposure Spot Market

IMSM: Initial Margin Spot Market

* Limit is restricted by the lower of provided collateral or the credit limit (set by ECC on the basis of credit rating of the DCP).

Admission requirements

NCM	DCP
Passing ECC's KYC assessment	
Approved as a Trading Participant at the Exchange(s)	
Balancing Agreement with respective TSO(s)	
Agreement with Clearing Member and ECC	Agreement with Settlement Bank
Defined by Clearing Member	Country of origin approved by ECC for DCP
	Contribution to Clearing Fund depending on trading limit
	Deposit of Collateral
	Minimum equity of 50k€ or support by guarantee of parent company

DCP approved countries as of 06/2017



Recently approved country are Switzerland and Hungary.

Interested customers stated in a country which is not DCP eligible yet can contact Direct Clearing Team for further information on status.

Membership requirements ECC DCP approved markets

Exchange	Product Name
EPEX Belgium	Belgian Power Spot Belgian Power Strategic Reserve Elia
EPEX SPOT	German Power Spot Austrian Power Spot French Power Spot French Capacity Guarantees Swiss Power Spot Dutch Power Spot UK Power Spot
HUPX	To be confirmed soon

Membership Options

Comparison of Application Forms

		Non-Clearing Member	Direct Clearing Participant
KYC	Scan	“KNOW YOUR CUSTOMER” QUESTIONNAIRE	
Specific Forms	Original	NCM01 <i>ADMISSION AS NON-CLEARING MEMBER</i> NCM02 <i>NCM AGREEMENT</i>	DCP 01 <i>ADMISSION AS DCP- CLEARING MEMBER</i> CM 02 <i>CLEARING AGREEMENT</i> O09 <i>LIMIT ADJUSTMENT FORM</i> O10 <i>CASH COLLATERAL FORM AGREEMENT WITH SETTLEMENT BANK</i>
TP Forms	Scan	TP_[MARKET]_01a POSSIBILITY TO FULFILL TRADES PHYSICALLY <i>or</i> TP_[MARKET]_01b POSSIBILITY TO FULFILL TRADES PHYSICALLY WHILE USING A THIRD PARTY	
Technical forms		T07 <i>VAT DETAILS</i> T10 <i>SETUP/ MODIFICATION / DELETION OF USER-IDs – not mandatory</i>	
Supplementary forms		<i>CERTIFICATE OF COMPANY REGISTER</i> <i>PROOF OF SIGNATURES</i> <i>ANNUAL REPORT</i>	

Membership Options

Comparison of fee Models

		Non-Clearing Member	Direct Clearing Participant
Exchange	Exchange EPEX/HUPX	Annual Fee & Variable Transaction Fee Same fees for both models	
	Variable Fees	ECC Clearing Fees for spot market	
ECC	Annual Fee	None but variable fees of at least 1,000 EUR	12,500€ for all spot markets 9,000€ / 6,000£ for single market
	Expenses for cash	Respective negative interest rate on cash collateral and collateral management fees	
	Limit Adjustment Fee	Depending on CM	100€ / 70£ per limit /collateral adjustment
Bank	Bank Fees	Individual Bank fees depending on bank and model	

Membership Options Settlement Bank Fees

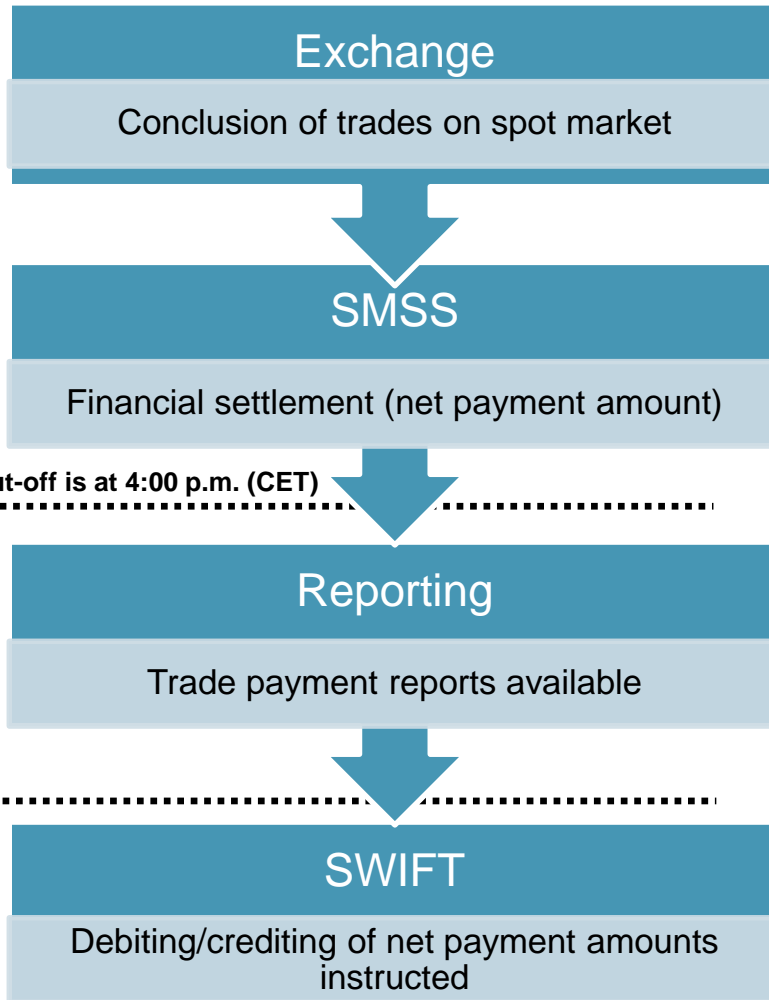


Item		Pricing	Remarks
ABN AMRO ESCROW & SETTLEMENT	Account Maintenance Fee	EUR 50.00	Per account / monthly
	SWIFT delivery of payment instruction	Free of charge	For initiation of payments within ABN AMRO NL
	Intercompany	Free of charge	Between ABN AMRO Escrow Accounts
	SEPA payments & receipts	EUR 0.07	
	Surcharge target payment	+ EUR 5.00	On top of international payment fee
	International payments same day Intra ABN AMRO Bank network	EUR 5.00 / GBP 4.50	Only on debtors side
	International payments & receipts same day external	EUR 5.00 / GBP 4.50	
	Negative interest	Eonia minus10 BP	
	Optional: Overnight statement information via SWIFT MT940	EUR 100	Set-up fee, 1st account
		EUR 10	Adding subsequent accounts
	EUR 40	Per account/currency/BIC/monthly	

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Financial Settlement



As a Central Counterparty, ECC guarantees financial fulfilment and carries out cash clearing for all transactions concluded on ECC's Partner Exchanges.

The values of the transactions concluded and requested cash collateral adjustments are netted into one net payment amount per DCP CM.

Financial settlement takes place on every ECC business day (Monday to Friday, except TARGET2 holidays) via a settlement account which the DCP CM has to open at a Settlement Bank approved by ECC.

Limit

DCP Clearing Members can execute trades as long as their exposures stay below imposed trading limits (Pre-trade limit)

Limits are communicated by ECC to the Exchange. In case a DCP tries to conduct a trade that increases its potential financial obligations above the granted limit, the pre-trade limit system steps in. Due to the pre-trade limiting it is always assured that the financial obligations from past but yet unsettled trades and open trades of the DCP can be fully covered by the posted collateral.

Limits are set for a 16h-16h booking period and mostly reset on a daily basis, depending on the market specifications. Limits are set for each DCP CM for each market individually. Limit definitions can be re-defined, but must always be pre-collateralised.

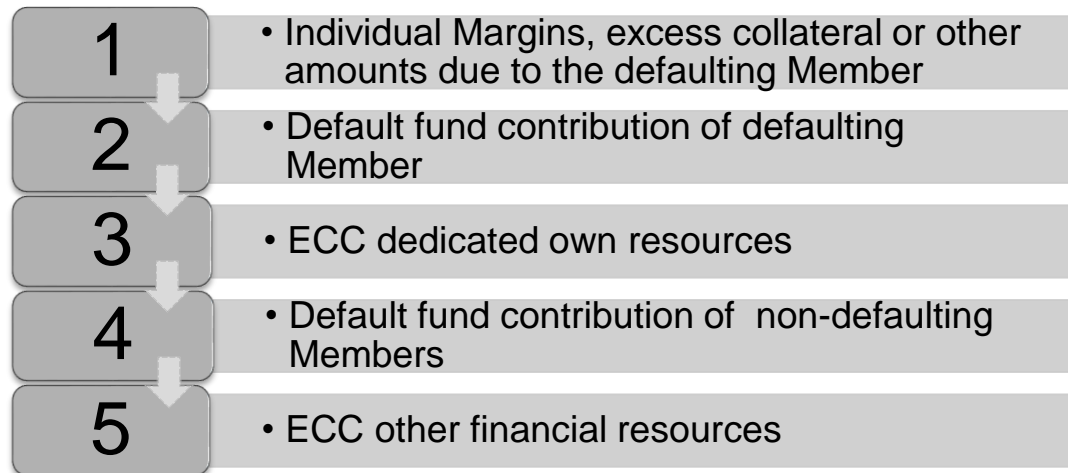
Collateral

- Trade access requires the pre-deposit of collaterals with ECC to collateralise the preferenced limits
- Collateralization of each limit is depending on the market specifications and the payment calendar.
- ECC accepts cash and bank guarantees as collateral for DCP CM. Cash Collateral is held at ECC's Deutsche Bundesbank account (Or Clearstream for GBP).

Default Fund Contribution

ECCs default fund is intended to cover losses that exceed the margin collateral and individual default fund contribution in the case of a Member's default.

According to the default waterfall ECC contributes its dedicated own resources before the contributions of non-defaulting Members are used.



In case of a DCP CM's default, its collateral and clearing fund contribution are used to cover the resulting shortfall. If that is not sufficient, ECC's dedicated own resources of currently 10 million EUR and subsequently the default fund contribution of all other DCP CM's are used. Finally the remaining clearing fund is used.

For DCP the default fund contribution is set as a % of the collateral.

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Contact details

Direct Clearing Team Hotline:

 +31 20 305 4071

 direct.clearing@ECC.DE

Samir Allilti

 samir.allilti@ext.ecc.de

 +31 20 305 4049

Head of Clearing & Settlement

Dima Al Sayasneh


 dima.alsayasneh@ext.ecc.de

 +31 20 305 5058

Settlement Officer

Nancy van 't Hoff


 nancy.vantHoff@ext.ecc.de

 +31 20 305 4082

Clearing & Settlement Officer

Alwin Bosch

 alwin.bosch@ext.ecc.de

 +31 20 305 4073

Clearing & Settlement Officer

Thank you