

part of eex group



Correction Final Settlement Price

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V1

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1. Introduction

For several contracts, the correction of the final settlement price is a standard procedure that results from the technical setup in EUREX. A correction is necessary if a settlement member had positions in

- Financial futures that expire before the final settlement price can be determined, thus the actual final settlement price is unknown on the expiry date and the final account was executed using a provisional settlement price.
- Financial futures where the final settlement price can be determined on the expiry date, however the final settlement price is negative. Negative prices cannot be reproduced by ECC's derivative system EUREX classic, thus EUREX will use the default price EUR 0.01 as final settlement price.

Having a wrong final settlement price naturally implies a wrong final variation margin payment. The process to correct this is described in the following.

The same process applies whenever the respective exchange corrects a final settlement price. ECC reserves the right to itself to amend the process when necessary.

2. Financial Adjustments

2.1. Calculation

ECC will carry out a manual correction entry on a communicated ECC business day. The amount of the correction entry will be established based on the difference between the actual/ correct final settlement price and the provisional/ wrong settlement price.

The calculation is as follows per net position:

Variation Margin Correction Payment = NetPosition x ROUND[(Correct Final Settlement Price – Wrong Final Settlement price) x Contract Size ;2]

- The rounding is only an issue when prices have more than two decimal places, e.g. gas prices as shown in the following example: If the correct settlement price is 17.361EUR/MWh, the provisional final settlement price is 17.458EUR/MWh and the contract size is 744 MWh, there will be the following correction:

Variation Margin Correction Payment = NetPosition x ROUND[(17.361EUR/MWh – 17.458EUR/MWh) x 720MWh ;2] = NetPosition x ROUND[-72.168 EUR ;2]
= NetPosition x -72.17 EUR Correction Final Settlement Price

2.2. Reporting

In order to make the manual accounting entries transparent for all Clearing Members ECC will generate a report containing all the relevant data. The corresponding report will be made available for all Clearing Members via the FTP server as a standard. Clearing Members will furthermore find a booking in the EUREX report CD009.

2.3. Margining

The Initial Margin (SPAN) is released by the system upon the expiry of the futures within the EUREX system. In order to cover all risks ECC will recollect the Additional Margin released automatically via the AMPO (Additional Margin Power) margin class on the last business day of the month and release it upon the conclusion of financial settlement on the following business day. Reporting will be provided through the EUREX system (e.g. CC050) as usual.

3. Example

The following table shows example products with the respective provisional final settlement price and the actual final settlement price.

Product	Wrong price	Correct Price	Delta
F1BM JUN2013	27.76 EUR/MWh	27.82 EUR/MWh	0.06 EUR/MWh
F1OM JUN2013	22.64 EUR/MWh	22.73 EUR/MWh	0.09 EUR/MWh

If a settlement member has F1BM JUN2013 15 lots long and F10M JUN2013 5 lots short, the correction payments are as shown in the table below:

Product	Calculation	Correction Payment
F1BM JUN2013	15 x round(0.06 EUR/MWh x 720 MWh; 2)	648.00 EUR
F1OM JUN2013	-5 x round(0.09 EUR/MWh x 480 MWh; 2)	-216.00 EUR

Thus, the settlement member would have to pay a total of 432.00 EUR.