

Clearing Circular 44/2017

2017-12-04

Transition of Non-MTF to OTF

Summary

From **3 January 2018** onwards ECC will offer clearing services for EEX and PEGAS OTF market venues by transition of Non-MTF related products to OTF products. This Clearing Circular contains information regarding the product setup, the settlement processes and the preconditions for participation.

Trading participants not participating in OTF market venues are asked to actively close all their open positions in the Non-MTF market until the **19th December 2017**.

News

Physical
Settlement

Financial
Settlement

Risk
Management

Information
Technology

Contact

European Commodity Clearing AG
Clearing & Settlement
Phone: +49 341 24680-444
E-mail: clearing@ecc.de

Product Enhancement

With commencement of MiFID2 on January 3rd 2018 so-called Organized Trading Facilities (OTFs) are introduced as new regulatory category at EEX and PEGAS – subject to approval by the competent supervisory authorities. For clients interested in trading products outside a Regulated Market, EEX and PEGAS have introduced the so-called “Non-MTF” markets in 2016 which have been designed as predecessors of OTFs.

The OTF products will have the same short code, ISIN code and MICs as the former Non-MTF products. The existing open interest in the Non-MTF market will be automatically transferred into OTF futures.

The following EEX Non-MTF futures will turn into OTF futures within the clearing system (EUREX):

Non-MTF Product	Product IDs	SMSS Product Group before transition	SMSS Product Group after transition	Classification for Reporting Obligations
Phelix-DE/AT Base Futures	N1BM	EEX_FT_POWER_AMP_NM	EEX_FT_POWER_DE/AT_OTF	financial
	N1BQ			
	N1BY			
Phelix-DE/AT Peak Futures	N1PM			
	N1PQ			
	N1PY			
Phelix-DE Base Futures	N2BM	EEX_FT_POWER_AMP_NM	EEX_FT_POWER_DE_OTF	non-financial
	N2BQ			
	N2BY			
Phelix-DE Peak Futures	N2PM			
	N2PQ			
	N2PY			
Phelix-AT Base Futures	N3BM	EEX_FT_POWER_APG_NM	EEX_FT_POWER_AT_OTF	non-financial
	N3BQ			
	N3BY			
Phelix-AT Peak Futures	N3PM			
	N3PQ			
	N3PY			
French Base Futures	N7BM	EEX_FT_POWER_RTE_NM	EEX_FT_POWER_FR_OTF	non-financial
	N7BQ			
	N7BY			
French Peak Futures	N7PM			
	N7PQ			
	N7PY			

In case the delivery request via ECC member Area for the OTF Phelix DE/AT month futures is matched the following BOM futures which are not tradable will be turned within the ECC clearing system (EUREX) for the EEX OTF market:

Non-MTF Product	Product IDs	SMSS Product Group before transition	SMSS Product Group after transition	Classification for Reporting Obligations
Phelix-DE/AT Phys Base Futures	F0BM	EEX_FE_POWER_AMP	no change	financial
Phelix-DE/AT Phys Peak Futures	F0PM			

The following PEGAS non-MTF futures will be converted into OTF futures within the clearing system (EUREX):

Non-MTF Product	Product IDs	SMSS Product Group before transition	SMSS Product Group after transition	Classification for Reporting Obligations
NCG Natural Gas Futures	H0BM H0BQ H0BS H0BY	PWX_FT_NATGAS_NCG_NM	PWX_FT_NATGAS_NCG_OTF	non-financial
GPL Natural Gas Futures	H2BM H2BQ H2BS H2BY	PWX_FT_NATGAS_GPL_NM	PWX_FT_NATGAS_GPL_OTF	non-financial
TTF Natural Gas Futures	H3BM H3BQ H3BS H3BY	PWX_FT_NATGAS_TTF_NM	PWX_FT_NATGAS_TTF_OTF	non-financial
PEG Nord Natural Gas Futures	H5BM H5BQ H5BS H5BY	PWX_FT_NATGAS_GRTN_NM	PWX_FT_NATGAS_GRTN_OTF	non-financial
PEG Nord Natural Gas Futures	H6BM	PWX_FT_NATGAS_TRS_NM	PWX_FT_NATGAS_TRS_OTF	non-financial
CEGH Natural Gas Futures	H8BM H8BQ H8BS H8BY	PWX_FT_NATGAS_CEGH_NM	PWX_FT_NATGAS_CEGH_OTF	non-financial
NBP Natural Gas Futures	H9BM H9BQ H9BS H9BY	PWX_FT_NATGAS_NBP_NM	PWX_FT_NATGAS_NBP_OTF	non-financial
ZEE Natural Gas Quarter Future	HABM HABQ HABS HABY	PWX_FT_NATGAS_ZEE_NM	PWX_FT_NATGAS_ZEE_OTF	financial

ZTP Natural Gas Season Future	HBBM HBBQ HBBS HBBY	PWX_FT_NATGAS_ZTP_NM	PWX_FT_NATGAS_ZTP_OTF	financial
PSV Natural Gas Month Future	HCBM HCBQ HCBS HCBY	PWX_FT_NATGAS_PSV_NM	PWX_FT_NATGAS_PSV_OTF	non-financial
ETF Natural Gas Quarter Future	HDBM HDBQ HDBS HDBY	PWX_FT_NATGAS ETF_NM	PWX_FT_NATGAS ETF_OTF	non-financial

Detailed information on the product setup is provided in the ECC Clearing Specification¹ and in the ECC Contract Detail File, which will be available for download on the ECC website. The naming convention of the above mentioned futures is based on the existing regulated market product suite.

Clearing Process

Processing of transactions for clearing

The transactions will be imported into the EUREX clearing system and integrated into the standard clearing processes for derivative contracts. Transactions are included in the EUREX data streams and in the EUREX reports as usual. In addition, the transactions can be retrieved via ECC Member Area after 9:30 am CET on the next ECC business day.

Financial Settlement

The futures are settled financially in their respective currency. For open future positions and new transactions in futures a variation margin is calculated on every ECC business day. The settlement prices required to this end are determined by EEX and PEGAS and published in the EUREX system at approximately 7:00 pm CET.

Physical Settlement and Nomination

EEX Power Futures

The physical settlement of physical OTF Power Futures (all OTF products except of the Phelix-DE/AT Base- and the Phelix-DE/AT Peak OTF Futures) is carried out via the physical fulfilment process offered by EEX by creating a market order in the EPEX SPOT Day-Ahead Auction of the underlying market area.

¹ for information only, legally binding are the rules and regulations of the respective market

Optional physical fulfilment for Phelix-DE/AT Base- and the Phelix-DE/AT Peak OTF Futures can be triggered by the member, as fulfilment via EEX Market Supervision or by using a fulfilment request within the Limit Maintenance section of the ECC Member Area for the respective product and maturity of the respective contract. Alternatively ECC can trigger the physical fulfilment, based on a third party request, which will be matched by means of a random selection procedure. Following such selection for physical fulfilment, the position is transferred in a Phelix-DE/AT Physical Future. Details of the procedure can be found on the ECC website as well as in the Clearing Specification.

Please note: A split of the German/Austrian pricing zone entails the risk that, upon exercising of the delivery request, effective delivery of the Phelix-DE/AT futures might become impossible for ECC since it might not be able to fulfil the request in, at that time, two market areas and, as a result, the delivery request becomes de facto irrelevant.

PEGAS – Natural Gas Futures

The fulfilment procedure of PEGAS contracts remains unchanged. Please note, that trading without the capability of physical fulfilment is prohibited for instruments which are classified as non-financial products.

Margining

ECC calculates an initial margin for all open positions in OTF futures which is updated near to real time. The initial margin is calculated using SPAN®² and the OTF futures will be included in ECC's Cross Margining using the same combined commodity as the respective Regulated Market Futures allowing a 100% offset between regulated market and OTF products. Margin parameters are updated and published daily in the SPAN parameter file on ECC's website.

Spot transaction resulting from the market order at EPEX Day Ahead Auction will be included in the initial Margin Spot Market (IMSM) details of calculation methodology can be found on ECC website.

The margin requirements will be reported in the SPAN and IMSM margin class in the EUREX Report CC050 Daily Margin.

² SPAN® is a registered trademark of Chicago Mercantile Exchange Inc., used herein under license. Chicago Mercantile Exchange Inc. assumes no liability in connection with the use of SPAN by any person or entity.

Reporting

Non-Financial Instruments

Physical OTF contracts are subject to the MiFID2 C6 carve out³ and thereby are neither classified as financial instruments under MiFID2 nor as derivatives under EMIR. They therefore do not fall under the EMIR and MiFID2 reporting obligations and do not count towards MiFID2 or EMIR thresholds. Please note that information related to these contracts still need to be reported under REMIT.

Financial instruments

Contracts are classified as financial instruments under MiFID2 and as derivatives under EMIR and will therefore fall under the same reporting obligations as contracts on the regulated markets. Trading in financial instruments on the OTF will also count towards the MiFID2 and EMIR thresholds.

Precondition for Participation

Clearing Member

The ECC clearing license for Clearing Members already covers the clearing of EEX and PEGAS OTF markets.

Non-Clearing Member

All trading participants currently admitted for Non-MTF will be automatically admitted to the OTF Markets as of 3rd January 2018 whilst the following preconditions are fulfilled:

Participation in trading at EEX OTF market requires a valid own or third-party balancing agreement for the offered balancing area. In addition trading participants need to be admitted at EPEX SPOT for the Day-Ahead Auction of the equivalent TSO zones. Participation in trading in financial OTF power futures (Phelix-DE/AT futures) at EEX OTF requires a balancing agreement only, if a delivery request is intended to be exercised.

Participation in trading at PEGAS OTF market requires a valid own or third-party balancing agreement in the offered trading hubs except for Zeebrugge Trading Point (ZTP) and Zeebrugge Beach (ZEE) which can be traded with a so-called close-out agreement as before. For further exchange-related preconditions please contact POWERNEXT Membership (membership@powernext.com) directly.

³ C6 carve out: Wholesale energy products traded on an OTF that must be physically settled are not classified as financial instruments. Annex I Section C (6) MiFID2.

Suspension-Procedure

All trading participants of the EEX and PEGAS Non-MTF markets who don't fulfil the above mentioned preconditions for participation get suspended from the EEX and/or PEGAS Non-MTF market. Trading participants not participating in OTF market venues are asked to actively close all their open positions in the Non-MTF market until the **19th December 2017** (the latest). All open positions that have not been closed until that due date will be transferred to the regulated market. The transfer will be performed at the expense of the trading participant.