

ECC Clearing and Settlement Services for CLTX

Summary

From **9 April 2018** onwards and subject to regulatory approval ECC intends to provide clearing services for Financial Freight Futures and Options registered at Cleartrade Exchange Pte Ltd. (CLTX).

This Clearing Circular contains information regarding the product setup, the clearing and settlement processes as well as the preconditions for participation.

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Contact

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Product Setup

CLTX offers freight contracts for trade registration. The freight futures will be setup as follows within the ECC clearing system:

ISIN Code	Product ID	Name	SMSS Product Group
XC000A2GGJZ8	NC3E	C3 Capesize Freight Future	CLTX_FT_FREIGHT_CS_USD
XC000A2GGJ07	NC4E	C4 Capesize Freight Future	
XC000A2GGJ15	NC5E	C5 Capesize Freight Future	
XC000A2GGJ23	NC7E	C7 Capesize Freight Future	
XC000A2GGJL8	NCTC	Capesize 4TC Freight Future	CLTX_FT_FREIGHT_TC_USD
XC000A2GGJM6	NCPT	Capesize 5TC Freight Future	
XC000A2GGJR5	NHTC	Handysize 6TC Freight Future	
XC000A2GGJN4	NPTC	Panamax 4TC Freight Future	
XC000A2GGJQ7	NSTC	Supramax 6TC Freight Future	
XC000A2GGJS3	NSPT	Supramax 10TC Freight Future	CLTX_FT_FREIGHT_PM_USD
XC000A2GGJT1	NP1A	P1A Panamax Transatlantic Freight Future	
XC000A2GGJW5	NP1E	P1E Panamax Transatlantic Freight Future	
XC000A2GGJU9	NP2A	P2A Panamax Far East Freight Future	
XC000A2GGJX3	NP2E	P2E Panamax Far East Freight Future	
XC000A2GGJV7	NP3A	P3A Panamax Pacific Freight Future	
XC000A2GGJY1	NP3E	P3E Panamax Pacific Freight Future	

The freight options will be setup as follows within the ECC clearing system:

ISIN Code	Product ID	Name	SMSS Product Group
XC000A2GGJ49	ONCT	Capesize 4TC Freight Option	CLTX_OT_FREIGHT_TC_USD
XC000A2GGJ56	ONCP	Capesize 5TC Freight Option	
XC000A2GGJ64	ONPT	Panamax 4TC Freight Option	
XC000A2GGJ80	ONTS	Supramax 6TC Freight Option	
XC000A2GGJ98	ONPS	Supramax 10TC Freight Option	
XC000A2GGKA9	ONHT	Handysize 6TC Freight Option	

Detailed information on the product setup is provided in the ECC Clearing Specification and in the ECC Contract Detail File, which are available for download on the ECC website.

Clearing Process

Registration of transactions for clearing

The transactions registered at CLTX (block trades) will be imported into the EUREX clearing system and integrated into the standard clearing processes for derivative contracts. Transactions registered at CLTX before the opening of the ECC clearing service at 8:00 am CET will be processed upon opening of ECC. 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.

The transactions are processed in the ECC settlement system SMSS for invoicing purposes using the product groups mentioned above.

Settlement

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

For new transactions in options products the buyer is obliged to pay an option premium in USD to the seller on the USD cash settlement business day following the transaction date. At expiry of the option the buyer has the right to exercise the option in order to receive a position on the underlying future contract at the agreed strike level.

Margining

For open positions in all new products initial margin and premium margin for options will be calculated daily according to ECC's standard methodology. Margin parameters are updated and published daily in the SPAN¹ parameter file on the ECC website. The CLTX products will be listed under the exchange complex "EEX – European Energy Exchange" inside the SPAN file.

The initial margin requirements will be reported in the SPAN margin class and premium margin in separate margin classes per product in the EUREX Report CC050 Daily Margin.

Fees

The following fees will be charged:

Transaction	ECC Clearing Fee
Derivative trades in Dry Bulk Time Charter Freight Futures	1.40 \$/day
Derivative trades in Dry Bulk Trip Time Charter Freight Futures	
Derivative trades in Dry Bulk Voyage Routes Freight Futures	0.0014 \$/t
Derivative trades in Options on futures in freight	1.40 \$/day

Emergency Member Stop

ECC offers its CMs the Emergency Member Stop functionality to technically support them in the event one or more of their respective NCMs need to be temporarily excluded from trading as quickly as possible.

¹ 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.

An Emergency Member Stop can be triggered in the EUREX environment, i.e. ECC will not process any further CLTX transaction concerning the stopped member. This particularly applies to transactions concluded outside of ECC operational hours queued on CLTX systems: should a member have been stopped before the opening of ECC, all queued transactions will be rejected upon opening of ECC.

All details regarding the Emergency Member Stop functionality can be found within ECC Risk Management Services document that will be provided at latest two weeks prior the go live of the clearing services for the CLTX market.

Pre-Trade Risk Management

As of market launch there will be no pre-trade limits available which can be maintained at CLTX via ECC. For Clearing Members which are also registered as trading participants at CLTX, the exchange offers a Pre-Trade Risk Management solution. Members interested in accessing this solution are advised to contact their respective CLTX sales contact.

EMIR Reporting

Please note that CLTX Freight Futures and Options have to be reported according to EMIR Article 9. Therefore ECC's EMIR Data Services will automatically be extended to these products.

For CLTX the MIC "CLTD" will be introduced to the EUREX Clearing FIXML trade messages and key reports. This MIC will also be used for EMIR Reporting to report the field "Venue of execution".

Preconditions for Participation

Clearing Member

The ECC clearing licence for Clearing Members already covers the clearing of CLTX Freight Futures and Options if the product specific conditions (e.g. setup of a 6-series account at Clearstream Banking AG for foreign currencies settlement) are fulfilled.

In addition all Clearing Members (CM) who would like to trade at CLTX need to submit an application for recognition as a trading participant in CLTX Financial Freight Futures and Options (TP_CLTX_01) and an authorization for the exchange of information within the EEX Group needs to be signed. Both documents will be available on the ECC website soon.

Non-Clearing Member

All NCMs who would like to be active at CLTX as a Trading Participant are kindly asked to get in contact with their Clearing Member.

Participation in trading requires an application for recognition as a trading participant in CLTX Financial Freight Futures and Options (TP_CLTX_01) and, if required, a current NCM agreement (NCM02/NCM02a) including the "Cleartrade Exchange Pte Ltd. (CLTX)" market or "All Markets".

CLTX Trading Participants who have not been registered with ECC so far have to complete the admission process as a Non-Clearing Member including the ECC KYC process.

The corresponding forms are available for downloading on the ECC website.