

Announcement: Initial margin model transition to a portfolio-based approach

Summary

ECC is planning to replace the current SPAN¹ initial margin model for derivatives with a portfolio-based initial margin model. ECC's target model is the Prisma methodology, initially developed and deployed by Eurex Clearing AG. The technical platform including member interfaces will be the state-of-the-art Risk Management Platform R7, developed within Deutsche Boerse Group.

The roll-out of the Risk Management Platform and the initial margin methodology for commodity derivatives cleared by ECC is planned for 2026, subject to the successful completion of the regulatory approval processes and member readiness.

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New initial margin model for derivatives clearing

A key strategic priority for ECC is to further improve risk-adequate margin efficiency whilst increasing transparency & predictability. ECC will replace its current initial margin model for derivatives with the Prisma methodology, a Value-at-Risk (VaR) based approach. This transition will allow for a comprehensive recognition of hedging effects specially in larger portfolios and reflect risk more precisely. Revised margin simulation tools with comprehensive margin replication and calculation functionality will ensure the required transparency for clients and clearing members.

The initial margin model for commodity derivatives cleared by ECC as well as the underlying system infrastructure are developed within Deutsche Boerse Group

What is the expected impact on methodological side

The target initial margin model is based on the model currently in use at Eurex Clearing AG, with certain adaptations to reflect specifics of the commodities cleared by ECC.

What is the expected impact on technological side

ECC will use the interfaces as used by Eurex Clearing AG. This includes the theoretical price files as well as member reports, that are applicable to the product suite of ECC. Margin calculators and what-if-simulations as currently offered by Eurex Clearing AG will include ECC's product suite. Through this initiative, members can leverage already existing interfaces.

Timeline

ECC intends to achieve a technical go-live in 2025. The member migration is planned for 2026². ECC will allow for sufficient time for a preparation phase to achieve member readiness.

Additional information

Detailed information regarding methodology, technology and timeline will be provided in further circulars and dedicated events. In case of questions, please get in contact with your Key Account Manager at ECC.

² Actual timeline is subject to regulatory approvals.