



FAQ on Clearing Migration

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1. Merger & Planning

1.1. Why do EPEX SPOT and APX join businesses and what are the benefits for the trading community?

The EPEX SPOT and APX Group power exchanges, including Belpex, intend to integrate their businesses to form a power exchange for Central Western Europe (CWE) and the UK.

The integration of EPEX SPOT and APX will further reduce barriers in power trading in the CWE and UK region. Members of the exchanges will benefit from one harmonised trading system, one single rulebook, centralised clearing and one admission process for the entire region, reducing trading costs and lowering entry barriers. Moreover, members will have access to a wider range of products and benefit from best-of-both standards and reliable customer support in multiple languages. Overall, the integration will lead to more effective governance and further facilitate the creation of a single European power market fully in line with the objectives of the European electricity regulatory framework.

1.2. What does that mean for the clearing process?

In a first step the clearing and settlement of all transactions concluded on APX Commodities Ltd., and APX Power B.V. (further named as APX) as well as BELPEX S.A. are intended to be transferred to European Commodity Clearing (ECC), the clearing house of EEX Group.

1.3. When will the clearing migration take place?

The clearing migration is being prepared at present and it is scheduled for the first quarter of 2016. Further information will be provided to all members in due time.

1.4. When do I need to start the admission process?

The ECC admission process should be started as soon as possible in order to ensure a smooth transition. The process varies depending if your company is already admitted as ECC Non-Clearing Member (NCM) or not. A new member needs to become:

- Non-Clearing Member and approved Trading Participant for APX and/or Belpex

Whereas an existing NCM only requires:

- A Market extension to APX and/or Belpex

All application forms are available under the following link:

<http://www.ecc.de/ecc-en/access-to-ecc/admission-forms>

2. Markets / Products / Nomination

2.1. Which markets are subject to the clearing migration?

APX is operating platforms in the Netherlands, the United Kingdom and Belgium including clearing services. All these markets will be subject to the clearing migration including market coupling activities.

2.2. Which products are subject to the clearing migration Clearing Migration?

All products that are offered by APX Group are subject to the clearing migration. An overview of the products is listed under the following link:

<https://www.apxgroup.com/trading-clearing>

2.3. Will the OTC bilateral give up service in the UK continue?

Yes, this service will continue after the merger.

2.4. Will the 3rd party ECVN service in the UK continue?

Yes, the 3rd party nomination service will be upheld by APX Commodities Ltd. and will not be part of the clearing migration.

2.5. Where do I find additional information on ECC?

Please visit ECC's homepage: <http://www.ecc.de/ecc-en/about-ecc> or contact ECC directly via e-mail at MemberReadiness@ecc.de or phone at +49 341 24680-261 (available from 9:00 a.m. to 6:00 p.m. CET).

2.6. Where do I find additional information on clearing processes?

Further information on the topics physical and financial settlement as well as invoicing is available at:

<http://www.ecc.de/ecc-en/operations/physical-settlement>

<http://www.ecc.de/ecc-en/operations/financial-settlement>

<http://www.ecc.de/ecc-en/operations/invoicing>

2.7. Where do I find ECC's rule book?

The ECC rule book, the so-called Clearing Conditions, can be found on ECC's homepage:

<http://www.ecc.de/ecc-en/about-ecc/rules/clearing-conditions>

2.8. Where do I find the ECC product specifications?

The product specifications can be found on ECC's homepage and are updated regularly:

<http://www.ecc.de/ecc-en/member-section/product-specification-files/73618>

2.9. Is ECC planning changes regarding nomination?

After the clearing migration, the following will apply:

- Dutch market nomination will be performed by ECC as the clearing house and the central counterparty. All trades will be nominated by double-sided nominations, to be sent by ECC and the trading member. Participants are obliged to send their nomination to the Dutch Power grid operator TenneT BV
- UK market nomination will be performed by ECC as the clearing house and the central counterparty. ECC in its role as notification agent will nominate all member positions on their behalf
- Nomination in Belgium is in preparation. Further information will be provided soon.

Further details on ECC delivery accounts will be available at the following link:
<http://www.ecc.de/blob/73738/c78dfdaa0cf0920151cd4d93e830665e/ecc-delivery-accounts-pdf-data.pdf>

3. ECC's business model

3.1. How does the ECC clearing model work?

ECC has established integrated processes and highly efficient operations for clearing and settlement of energy and other commodities. Its range of clearing and settlement services comprises physical and financial settlement as well as invoicing for all transactions concluded on APX and Belpex. Detailed information is available on the ECC's website:

<http://www.ecc.de/ecc-en/operations>

3.2. What is the benefit of being an ECC member for my business?

Members connected to ECC benefit from an international network of partners (Partner Exchanges, Clearing Members, Non-Clearing Members and TSOs) while using standardised procedures and straight-through processes. This setup is suitable for enhancing existing partnerships and potential future relationships. Payment netting, cross margining over different markets and currencies over a wide range of products as well as delivery netting are major benefits of ECC's service offering.

ECC has a strong footprint in settlement of physically delivered energy contracts and, therefore, it cooperates with a broad network of transmission system operators (TSOs), market area managers and registries. ECC develops solutions for the energy markets' physical needs. The close relationship with the stakeholders of the physical market confirms the unique market role which ECC has in the market and which enables us to offer single-sided or priority nomination for most of the delivery hubs.

3.3. What is a Non-Clearing Member (NCM)?

- A Non-Clearing Member is a trading participant of the exchange with a clearing access using a Clearing Member,
- needs to sign a trilateral agreement between the Non-Clearing Member, Clearing Member and ECC to provide for the necessary infrastructure.

Further information can be found on ECC's homepage:

<http://www.ecc.de/ecc-en/access-to-ecc>

3.4. What is a Clearing Member (CM)?

- A Clearing Member is a financial institution in an EU member state, Norway or in Switzerland,
- holds either a general clearing license or a direct clearing license,
- can be a trading participant of the exchange

Further information can be found on ECC's homepage:

<http://www.ecc.de/ecc-en/access-to-ecc>

3.5. What effect does the clearing migration have on margining and collaterals?

The following methods and rules will apply after the clearing migration:

Margining:

The standard ECC methods described in the margin methodology document will apply to margining. The documentation can be found on the ECC website: <http://www.ecc.de/blob/82586/794fe610e17a98d3a793fa1b4289230e/margining-data.pdf>

In case of members with a trading history on the APX markets, their historical exposures will be included in the calculation of the Initial Margin Spot Market (IMSM) to permit cross-margining from the start of the clearing by ECC. This might lead to reductions in the total spot margin requirement, i.e. the requirement is likely to be lower than the combined gross margin requirement of APX and ECC calculated separately.

Collateral:

ECC accepts Euro and certain bonds as collateral. However, the Clearing Members are allowed to offer collateral transformation. The actual list of accepted collateral therefore depends on the offering of the Clearing Member. It is recommended that you contact the Clearing Members for their offering.

3.6. Where do I find additional information on margining?

Additional information can be found on ECC's homepage:

<http://www.ecc.de/ecc-en/risk-management/margining>

3.7. How can I calculate ECC's Spot Margin?

Please enter you daily spot parameters in the following IMSM sample calculation:

<http://www.ecc.de/ecc-en/risk-management/margining>

4. Membership and Fees

4.1. How does the clearing migration affect my standard membership with APX/Belpex?

The standard membership terms will be changed to reflect the fact that clearing will take place through ECC rather than APX. The membership fees will be adjusted accordingly and a complete fee schedule will be published before the clearing migration.

4.2. How does the clearing migration affect my light membership with APX/Belpex?

Light membership will still be available with the light members joining ECC. Specific Clearing Member arrangements are being negotiated to accommodate the light members and your account manager will be in contact to discuss this.

4.3. How does the clearing migration affect my view-only membership with APX/Belpex?

The migration will not affect the view-only membership at APX and no ECC membership will be required.

4.4. Where do I find a list of Clearing Members?

The current Clearing Member list is available at:

<http://www.ecc.de/ecc-en/about-ecc/partners-products/clearing-members>

4.5. Who can support me in the on-boarding process?

The colleagues from the Member Readiness Department are pleased to help you throughout the admission process. Please contact them via email at MemberReadiness@ecc.de or phone at +49 341 24680-261 (available from 9:00 a.m. to 6:00 p.m. CET).

4.6. How do I become a Non-Clearing Member?

In order to become a Non-Clearing Member, you have to complete the ECC admission process. All process details can be found on ECC's homepage:

<http://www.ecc.de/ecc-en/access-to-ecc/non-clearing-members/admission-process>

4.7. What is the fee level of clearing members?

In order to receive detailed information, please contact our Clearing Members directly:
<http://www.ecc.de/ecc-en/about-ecc/partners-products/clearing-members>

5. IT Systems

5.1. Will the trading systems change for Belpex market?

Intraday and day ahead trading are to be migrated from the APX systems to the EPEX systems. The migration is currently planned for 2016 and members will be updated on the go-live date as the project progresses.

5.2. Will the trading systems change for the UK market?

It is planned to continue on the APX Eurolight system in the UK as this is believed to be the preferred option for our UK members. However, EPEX SPOT will continue to consult with members through the APX Market Development Advisory Board (MDAB) and will react accordingly should member's requirements change.

5.3. Will the trading systems change for the NL market?

Intraday and day ahead trading are to be migrated from the APX systems to the EPEX systems. The migration is currently planned for 2016 and members will be updated on the go-live date as the project progresses.

5.4. Will there be a testing phase?

In order to secure a stable trading and clearing System there will be a dedicated testing phase including member testing. Member testing is likely to take place in January 2016. We will keep you updated on the testing phase.