

News

Physical
Settlement

Financial
Settlement

Risk
Management

Information
Technology

Reminder: Margining regarding Expiry of EUA March 2020 Futures

In this Clearing Circular, we would like to provide information regarding the delivery processes for the March 2020 expiry of EUA Futures. This does not constitute a change in our procedures but is intended as a reminder.

Contact

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

Overview of the 2020 Expiry and Delivery days

The expiry and delivery days of the MAR20 contracts for Emissions Futures and Options are as follows:

Contract	Last Trading day / Expiry day	Delivery day / Booking Day
OEUA (for FEUA DEC20)	25/03/2020	25/03/2020
FEUA (for EUA)	30/03/2020	01/04/2020

EUA Options will be exercised into the underlying EUA futures contract and booked in the system with the respective strike price of the option.

The change in the EUA Futures position trigger an update of the ECC internal delivery account forecast for EUAs in the ECC Member Area the following day at around 11:00 am CET.

Emissions delivery processes for net short positions

All trading participants with a net short position (i.e. sellers) in the respective contracts have to transfer the EUAs to the ECC registry account **EU-100-5016813-0-69 by 4:00 pm CET on 31st March 2020 at latest.**

The ECC registry account needs to be included in your Trusted Account List in order to ensure the instant transfer of the certificates.

If the ECC registry account is included in your Trusted Account List, this status is set immediately after a transaction has been entered, in all other cases a period of 26 hours applies. Please consider the opening hours of the Union Registry for the transfers. The current holdings of EUAs in the internal delivery account at ECC can be retrieved by every trading participant via the ECC Member Area (<https://www.ecc.de/ecc-en/member-section>).

Emissions Delivery processes for net long positions

The emission allowances of expired futures positions will be delivered to the internal custody accounts of ECC on 1st April 2020 from 8:30 am CET onwards. The emission allowances could be transferred to a registry account of your choice on the delivery day from 11:30 am CET onwards, if required according to your registry transfer requests.

Please remember that Registry Transfer Requests for delivery have to be recorded via the ECC Member Area at least one business day before the desired transaction should

take place in the registry for a free of charge processing, otherwise you have the option to use the fast track delivery service subject to a fee of € 500.00 per transaction.

Furthermore, please consider that transactions in the registry have a processing time of up to 26 hours if your account is not included in the ECC Trusted Account List.

Financial settlement

Financial settlement takes place on the delivery day in line with the daily EUREX cash settlement.

Margining

In case a net short position is not covered with a respective delivery of certificates by 4:00 pm CET one business day prior to delivery of the respective futures contract, ECC collects a Delivery Margin for the short position which is not covered. The calculation is as follows:

$$\text{Delivery Margin} = \text{Determined Spot Price} * (1 + \text{Haircut}) * \\ \text{Uncovered Net Short Position} * \text{Contract Size}$$

The haircut can be found in ECC Risk Parameter file and is currently set at 0.3. The EUA Spot Price used for the margin calculation will be determined by ECC reflecting the current market conditions. The term “Uncovered Net Short Position” refers to the number of missing EUA certificates in ECC’s internal accounts in order to fulfil delivery on the delivery day of the future position. The contract size of one certificate can be found in the Contract Details file and is currently equal to 1000.

This margin will be shown as premium margin in the IMSM margin class in the margin reports, e.g. CC750.

The delivery margin will be released as soon as the missing EUA certificates are received, earliest on 1st April 2020 intraday.

Moreover, ECC will cover the risk of a price change resulting from open deliveries or payments with an Additional Margin to apply after expiry until delivery of the futures. The margin is called for net long positions and uncovered net short positions by multiplying the scanning range of the respective contract as of expiry date with the absolute position. This margin is also reported via standard EUREX reports, e.g. CC750, under the margin class AMEM (Additional Margin Emissions) on the expiry day and will be released once the financial and/or physical settlement has been conducted.

Reporting

Financial Settlement of EEX EUA Contracts with Expiry in March 2020 will be reported in ECC Payment Report Summary (PRS) and Payment Report Detail (PRD). The reports will be distributed at around 6:30 pm CET on 31st March 2020 via ECC FTP or via e-mail. Financial Settlement will be completed at 1st April 2020.

For further details on the reporting technical setup we advise to consult Clearing Circular No. 17/2019 published on 6th May 2019.

Access to the ECC Member Area and functions

Access to the ECC Member Area can be requested by using the T10-form. In this context, at least two users with write access (“TP” function) have to be set up as a matter of necessity since deliveries have to be confirmed in 4-eyes-principle. The fully completed form can be returned to ECC along with the legally binding signatures preferably via fax or e-mail to the Member Readiness (memberreadiness@ecc.de) department of ECC. Please remember that a processing time of at least one business day is necessary for setting up the access. In addition to retrieving your holdings and requesting deliveries, the ECC Member Area also enables you to subscribe to Delivery Reports. More details regarding the ECC Member Area are provided in the User Guide on ECC’s website.