

# ECC Default Management Simulation

## Summary

On 25 November 2020, ECC will perform a default simulation including external stakeholders. It will be used to practice close-out and related risk-mitigation procedures in the event of a Clearing Member default. This simulation is required under EU Regulation 648/2012 (EMIR).

This clearing circular contains information about the default simulation and is relevant for all ECC members. ECC encourages all members to actively take part in the simulation.

### Contact

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

## Default Simulation 2020

On 25 November 2020, ECC will conduct a test of the default of a hypothetical Clearing Member in its simulation environment. The main purpose of this event is the simulation and practice of ECC's procedures and systems for the managing a Clearing Member default.

### How can members participate?

All Clearing Members (CMs) and Non-Clearing Members (NCMs) admitted for trading futures products at EEX, HUDEX, NOREXECO and EEX Asia that wish to take part in the simulation are invited to send an e-mail including their contact details to your sales representative or to [defaulttest@ecc.de](mailto:defaulttest@ecc.de) until latest Friday 6 November 2020.

Non-Clearing Members:

- NCMs that participate in the simulation ("simulation participants") will be invited to at least one and possibly more (simulated) default auctions in various ECC-cleared derivatives products on the day of the test.
- Participation is only possible in products the NCM is admitted to.

Clearing Members:

- CMs are expected to participate in the default auction as a trading participant for products in which they hold positions. In this case the same rules apply as for NCMs.
- According to ECC's clearing conditions a CM can restrict their NCMs from participating in the voluntary default auction. ECC will send a list of NCMs that are participating in the auction to the respective CM.

### Procedure

The simulation will consist of different stages conducted throughout the day. After the default has been declared by ECC and the transfer period for NCMs has been completed the auction stage will be carried out. ECC might execute multiple auctions during the simulation. For reasons of certainty and simplicity, ECC will restrict the number of auctions to a maximum of two consecutive auctions in a single day.

Sequence of actions for the default auction:

ECC will inform simulation participants about the start time of the default auction via our encrypted communications system.

Item	Action
#1	During the trading day simulation participants will receive a bidding sheet in the form of an excel document to the registered mail address.
#2	A deadline with valid response times is communicated within this mail.
#3	The simulation participant will return the completed bidding sheet back to ECC via return e-mail within the communicated time frame.
#4	ECC will simulate an order matching process based on its internal auction matching algorithm. Responses from the simulation participants after the deadline will not be considered.
#5	In case the auction was successful, ECC will book trades in the simulation environment.
#6	ECC may decide to start a successive auction simulation (→ Step #1). During the simulation only a limited amount of auctions will be executed.

ECC will contact all CMs concerned with a list of their NCMs participating in the auction. With respect to the voluntary auction, CMs can object to the participation of certain members in accordance with chapter 3.12.1 (2) of ECC's clearing conditions. If ECC does not receive feedback to the contrary, all listed members will be deemed able to participate in the auction.

Details on the simulation implementation will be sent directly to the simulation participants in advance.

Please don't hesitate to contact us should you have further questions.