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Introduction of Futures Style Margin Options for EEX Power, Gas and Carbon Emission Futures

Summary

European Commodity Clearing (ECC) will extend its clearing services by introducing Futures Style Margin Options on EEX Power, Gas and Carbon Emissions Futures in December 2020 and February 2021.

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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Product Setup

General Remark

The new Futures Style Margin Options on Futures on Power, Gas and EUA will have the same expiry dates and available maturities as existing Premium Style Options. The main difference towards the existing Premium Style Margin Options will be in relation to the settlement and margining process. For Premium Style Margin Options, changes in the values of the instruments are covered by an increasing or decreasing margin requirement the so-called premium margin. For Futures Style Margin Options the change in value of the contracts will be financially settled via a variation margin.

Options on EEX EUA Futures

The new Futures Style Margin Options on EEX EUA Futures will be technically available* from **December 7th 2020** onwards and will be set up as follows in the ECC clearing system:

Product ID	Name	Underlying	SMSS Product Group
OEUB	EEX EUA Option (Futures Style)	FEUA	EEX_OT_EUA3_DMS

* Availability in the C7 Clearing System. Final product and trading availability subject to ISV and Clearing Member Readiness

Options on EEX Power Futures

The new Futures Style Margin Options on EEX Power Futures will be available from **February 15th 2021** onwards and will be set up as follows in the ECC clearing system:

Product ID	Name	Underlying	SMSS Product Group
O2FM	EEX German Power Base Month Option (Futures Style)	DEBM	EEX_OT_Phelix_D/A
O2FQ	EEX German Power Base Quarter Option (Futures Style)	DEBQ	
O2FY	EEX German Power Base Year Option (Futures Style)	DEBY	
O7FM	EEX French Power Base Month Option (Futures Style)	F7BM	EEX_OT_FEFIDX_RTE
O7FQ	EEX French Power Base Quarter Option (Futures Style)	F7BQ	

O7FY	EEX French Power Base Year Option (Futures Style)	F7BY	
ODFM	EEX Italian Power Base Month Option (Futures Style)	FDBM	EEX_OT_POWER_IT
ODFQ	EEX Italian Power Base Quarter Option (Futures Style)	FDBQ	
ODFY	EEX Italian Power Base Year Option (Futures Style)	FDBY	
OEFM	EEX Spanish Power Base Month Option (Futures Style)	FEBM	EEX_OT_POWER_ES
OEFQ	EEX Spanish Power Base Quarter Option (Futures Style)	FEBQ	
OEFY	EEX Spanish Power Base Year Option (Futures Style)	FEBY	

Options on EEX Natural Gas Future

The new Futures Style Margin Options on EEX Natural Gas Futures will be available from **February 15th 2021** onwards and will be set up as follows in the ECC clearing system:

Product ID	Name	Underlying	SMSS Product Group
O3FM	EEX TTF Natural Gas Month Option (Futures Style)	G3BM	EEX_OT_NATGAS_TTF

Detailed information on the respective product setup is provided in the ECC Clearing Specifications 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 concluded on EEX will be imported into the EUREX C7 clearing system and integrated into the standard clearing processes for derivative contracts. Transactions are included in the EUREX data streams and in the EUREX reports. In addition, the transactions can be retrieved via the ECC Member Area after 9:30 am CET on the next ECC business day.

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

Exercise

The new Futures Style Margin Options will be exercised into the respective underlying Futures and are of European-style exercise, thus the options can only be exercised on the last trading day.

The new Futures Style Margin Options will be exercised automatically if they are in the money in relation to the final settlement price of the respective underlying futures. Manual exercise, partial exercise or non-exercise by the trading participant is inadmissible for the Futures Style Margin Options on EEX EUA Futures and admissible for the Futures Style Margin Options on EEX Power and Gas Futures.

Option Premium and Daily Settlement

In the case of Futures Style Margin Options, the payment of the agreed option premium by the buyer is not made by a one-time payment after the purchase of the option, but only on the day the option expires or is exercised as final premium payment. Additionally, during the holding period, a daily variation margin settlement based on the change in the option premium (price) will take place in accordance with the Clearing Conditions of ECC AG. On the day of the conclusion of the transaction, daily variation margin settlement shall be effected on the basis of the agreed option premium (price) and the daily settlement price, and subsequently on the basis of the daily settlement prices of the Exchange Day and the previous Exchange Day. The daily settlement may also result in an interim payment between the buyer and seller of the Futures Style Margin Option.

When the Futures Style Margin Option is exercised and assigned as well as when it expires, the final premium payment is made on the ECC Business Day following the Last Trading Day. The final premium payment is calculated using the settlement price of the option contract on the exercise or expiration day. The buyer of a Futures Style Margin Option is obliged to pay the final option premium on the settlement day after the exercise and assignment or expiration. The final option premium is credited to the seller of the Futures Style Margin Option on the same day.

Initial Margin

For open positions in Futures Style Margin Options, an initial margin will be calculated according to ECC's standard methodology (SPAN¹). Margin parameters are updated and published daily in the SPAN parameter file on the ECC website.

The initial margin requirements will be reported in the SPAN margin class in the EUREX Report CC750 Daily Margin.

Fees and Invoicing

For the Futures Style Margin Options the same clearing fees apply as for the existing Premium Style Margin Options according to the ECC Price List:

Transaction		ECC Clearing Fee
Transactions in Options on EEX Power Futures		
	With a traded option premium of € 0.15 per MWh or more	€ 0.0025 per MWh
	With a traded option premium of less than € 0.15 per MWh	€ 0.00125 per MWh
Transactions in Options on EEX Natural Gas Futures		€ 0.002 per MWh
Transactions in Options on EEX EUA Futures (subject to Fee Holiday)*		
	With a traded option premium of € 150 per ktCO ₂ or more	€ 0.50 per ktCO ₂
	With a traded option premium of less than € 150 per ktCO ₂	€ 0.25 per ktCO ₂

* The new contracts will be applicable to the current Fee Holiday for EEX EUA Options valid from 1 November 2020 (please refer to page 13 of the ECC Price List for further information).

EMIR Reporting

Please note that all EEX Option contracts have to be reported according to EMIR Article 9. Therefore ECC's EMIR Data Services will automatically be extended to these products.

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.

Preconditions for Participation

Clearing Members

The ECC clearing licence for Clearing Members already covers the clearing of Futures Style Margin Options on EEX Power, Gas and Emissions Futures.

Non-Clearing Member

Exchange participants who are already admitted for EEX EUA Options will be admitted to trade the new Futures Style Margin EUA Options once their Clearing Members declared readiness. Additionally, participants already admitted for Power Options and Natural Gas TTF Options will automatically be admitted for the new Futures Style Margin Options for Power and Natural Gas as well. Trading participants who are not yet admitted to the above mentioned markets, are requested to submit the respective market extension forms.

Clearing Members are requested to check the product assignments and quantity limits for their NCMs accordingly.