

Introduction of Weighting Factors for Margining of Freight Contracts in Delivery

Summary

ECC will introduce weighting factors for freight contracts in delivery in the calculation of Single Margin Parameters (SMPs) which are used to determine the SPAN® Initial Margin for derivatives as of 13 December 2021.

The weighting factors will be published in the risk parameter file on the ECC website.

There are no process changes and no technical adjustments required.

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Weighting Factor for Margining of Freight Contracts in Delivery

For the freight contracts in delivery, the single margin parameter to determine the SPAN® Initial Margin will be adjusted by an additional weighting factor to cover the intra-month risk profile. The objective of the factor is to recognize that such contracts are already partially settled throughout the month in delivery. The factor successively reduces the single margin parameter throughout the month in delivery – in line with decreasing exposure to market risk. The weighting factor will already be considered in the single margin parameter results published on the website.

For information purposes ECC will publish the weighting factor for each trading day and each freight contract in delivery in the risk parameter file on the website.

The weights will be updated on a monthly basis.

The weighting factors will be applied starting 13 December 2021. No significant margin change is expected on the go-live date.

A general description of the methodology to calculate the weighting factors can be found after the introduction date in ECC's Derivative Margining document on the website. Additional details can be provided upon request.