

## Clearing Circular 51/2021

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### Amendment of Clearing Conditions – Release 56a

#### Summary

A new release 56a of the Clearing Conditions has been published today containing a number of changes to the rulebook of ECC.

The amendments will take effect as of **30 December, 2021**.

An overview of the changes is provided below.

The new version of the Clearing Conditions is available under <https://www.ecc.de/ecc-en/about-ecc/rules>.

#### Contact

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

Overview of the changes in the new release of the Clearing Conditions:

The changes to chapter 3.7 and section 3.4.6.2 are based on respective consultation that took place in October 2021. Additional changes were introduced to provide for a portfolio style liquidation in a default auction.

## **1. Capped Liability for Default Fund Cash Calls, chapter 3.7 Clearing Conditions**

With this new release ECC amends its rules for cash calls (assessment (“additional contribution”)) and replenishment calls) following a Clearing Member default to limit the liability for non-defaulting Clearing Members within a defined period of time (“cool down period”) in case of default events. This will mainly be ensured by the following elements:

- A default event initiates a rolling cool-down period of 30 days. The cool-down period will be extended with each new default by 30 days up to maximum of 90 days.
- During a cool-down period, the sum of the volume of assessment and replenishment cash calls is limited to three times the default fund contribution at the start of the cool-down period (cool down cap).
- If Clearing Members hand in a termination notice within 10 days after the start of a cool-down period and fulfill all conditions for termination before the end of the cool-down period (e.g. all proprietary positions closed, all NCM transferred), they are released from the cash call obligations. Until the end of the cool-down period, they remain full members of ECC.

## **2. Allocation of Foreign Currency Commercial Bank Losses, section 3.4.6.2 Clearing Conditions**

ECC also introduces a loss distribution mechanism for cash collateral posted in a foreign currency where ECC has no central bank access (currently all non-EUR currencies) with the following core elements:

- Clearing Members that provided such cash collateral shall bear losses pro-rata in case of default of a commercial bank. ECC takes over a pro-rata share based on a dedicated amount of 5 Mn. EUR maximum.
- Losses will be allocated to Clearing Members and additional collateral will be called by ECC on the next ECC business day.

## **3. Portfolio Style Liquidation, chapter 3.11 Clearing Conditions**

Additionally, ECC introduces a second format for default auctions. Besides the known unit wise auction, the combination of several units is now possible in a portfolio style liquidation. Therefore, new definitions for “Auction Unit” and “Auction Format” were introduced. Consequently, the new terms were applied in chapter 3.11.