

Initial Margin Spot Market – Amendment of Holiday Adjustment

Summary

The Initial Margin Spot Market (IMSM) is designed to cover potential future exposures from spot transactions between two consecutive payment settlement dates which is in general a period up to 3 days due to weekends where no financial settlement takes place. Higher exposures due to extra non-ECC business days between two settlement dates, e.g. Easter holidays, are covered by a specific “Holiday Adjustment”.

ECC is planning to change the approach to calculate the “Holiday Adjustment”.

The change will be considered for the first time in the margin calculation before Easter, (IMSM Calculation Date 13 April 2022 for the margin effective 14 April 2022).

The timing for applying the holiday adjustment and all other spot margin model parameters remain unchanged. No operational changes are required by Clearing Members or Trading Participants.

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IMSM Holiday Adjustment

The Initial Margin Spot Market (IMSM) is designed to cover potential future exposures between two consecutive payment settlement dates from spot transactions in non-storable commodities where no delivery versus payment exists¹. Due to 24/7 trading the time between two settlements usually adds up to 3 days due to weekends where no financial settlement takes place. To cover longer exposure periods due to extra non-settlement days (e.g., Easter or Christmas holidays in which the TARGET2 system for interbank payments is closed), a specific “Holiday Adjustment” is incorporated in the IMSM model.

To improve transparency and model performance, ECC is planning to change the calculation: The IMSM amount calculated under the standard calculation model will be scaled up linearly by the additional number of hours during the extra non-settlement days.

The standard exposure periods contain at most 92 hours (from Thursday 16:00 [booking cut] to Monday 12:00 CET). In case of additional non-ECC business days, the number of hours is increased by 24 per day. The scaling factors are hence as follows:

Number of extra non-settlement days	Hours that need to be covered	Scaling Factor
1	$92 + 1 * 24 = 116$	$1.3 (\approx 116/92)$
2	$92 + 2 * 24 = 140$	$1.6 (\approx 140/92)$

The IMSM minimum component is not scaled up.

The next times the holiday adjustment will be applied are before Easter (13 April 2022 & 14 April 2022) and after that before Christmas (22 Dec 2022 & 23 Dec 2022). A complete list can be found in ECC’s risk parameter file on the [ECC website](#). The new scaling factors will also be listed there and will replace the current factors that are not relevant anymore. A new version of the Initial Margin Spot Market Sample Calculator containing the new holiday adjustment method will be available on [ECC website](#) from now on.

¹ Calculation Details of the Initial Margin Spot Market (IMSM) can be found in the [ECC Spot Market Margining Document](#) available for download on the [ECC website](#).

Information

In case of questions, please contact clearing@ecc.de. Clearing Members are reminded to check whether deposited collaterals are set sufficiently to cover margin requirements over the next holiday adjustment period before Easter.