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ECC Clearing Circular 46/2022

2022-12-16

News

## Only relevant for DCP Clearing Members

# Adjustments in set-up and general information for direct clearing participants (DCP) including review of CAP limits

## Summary

This circular informs DCPs about the annual review of CAP Limits, as well as upcoming adjustments regarding the timeline of the O09 and O10 forms. Additional information regarding the dynamic limit process is provided at the end.

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## 1. Annual Review of CAP Limits for DCPs

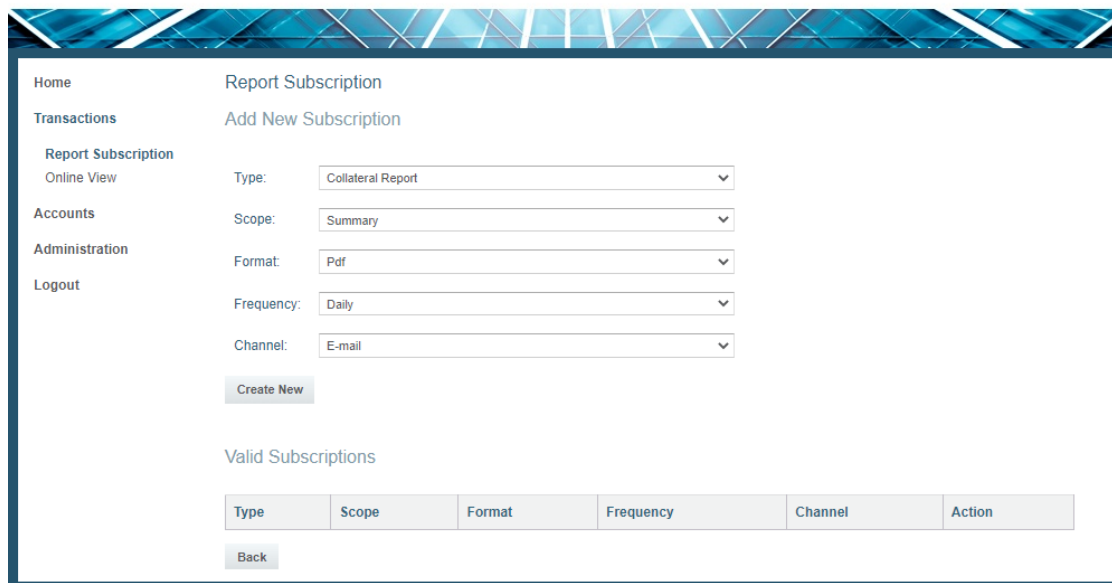
In the course of the annual review of the CAP limits new limits have been set for each DCP.

The updated limits can be viewed in the ECC Member Area and be accessed as follows:

<https://smss.ecc.de/>; Login >Accounts > Internal Accounts

The CAP limits can also be retrieved from the Collateral Reports (summary), which can be subscribed in the ECC Member Area under > Report Subscription.

A detailed user guide for the Member Area can be found under the following link: [ECC Member Area User Guide](#).

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### Report Subscription

#### Add New Subscription

Type: Collateral Report
Scope: Summary
Format: Pdf
Frequency: Daily
Channel: E-mail

Create New

#### Valid Subscriptions

Type	Scope	Format	Frequency	Channel	Action
<div>Back</div>					

## 2. Changes in O09 and O10 form regarding hand in process

Effective as of 1 January the two forms

- O09 for the adjustment of limit distribution preferences, and
- O10 for the increase or decrease collateral

need to be send to [direct.clearing@ecc.de](mailto:direct.clearing@ecc.de) **until 4 pm two business days prior value date** from a registered user of your company to ensure the processing on time. The payout time for collateral release depends on the markets the DCP is set up for. All Capacity only-markets will have the release day d+1, for European continental markets release will be D+2 and for UK markets D+3. This will be reevaluated in regular intervals and the payout time might be reduced accordingly. D+1 means that the collateral release will be netted in the payment run on the next business day. As an example, if the value date for the adjustments is December 21, ECC needs to receive the filled-out form by a registered user by 4 pm (MESZ) on December 19. We cannot except any forms of unregistered users from your company. For a collateral increase (O10) the accounts will be debited with the payment run in the morning of December 21. For a collateral decrease (O10) the accounts will be credited with the next payment run in the morning of December 22 (d+1, capacity market only), the payout is on December 23 (d+2) for continual European markets and the payout will be on December 27 (d+3) for UK markets. The new base limits or limit preferences (O09) will go into effect at 4 pm on December 21.

Summary of O09 & O10 essentials:

- Send to [direct.clearing@ecc.de](mailto:direct.clearing@ecc.de) until 4pm two days before value date
- Send form from a registered user.

### 3. General information regarding limit updates

To address the increase of questions regarding the dynamic limit system, a brief explanation can be found below.

The dynamic limit system calculates twice per business day the maximum possible trading limit by determining the exact outstanding risk exposure and subtracting it from the collateral. The remainder becomes available for trading and the limit will be set according to the distribution preferences given by you in the O09 form.

Instead of simply resetting the limit at the time of the ECC booking cut, namely at 16:00 CET, a pre-defined so-called “base limit” will be active. Each DCP can define this base limit themselves. Trading during the limit reset period (between 16:00 CET until approximately 18:00-19:00 CET on best afford basis) is covered by a base limit.

In the limit reset period, ECC will calculate the remaining trading limit based on the collateral value, actual outstanding exposure, base limit requirement, the member’s distribution preferences and the payment calendar, for maximum collateral efficiency. At approximately 18:00-19:00 (on best afford basis), the result from this trading limit calculation is added to the remaining base limit. The next morning, after a successful financial settlement, the trading limits are increased again where possible by adding the resolved payment exposure.

This gives DCPs a high degree of trading flexibility, making most of the posted collateral available for trading. The collateral value can be determined by the DCP as long as it does not exceed their capped collateral value (CAP limit). As a result, the dynamic trading limit calculation offers DCPs greater capital efficiency as, in most cases, less collateral will be required for obtaining the same trading limits; or higher limits are available with the same collateral.

Summary of the limit runs:

- At 16:00 CET: Base limit allows trading during the limit reset period.
- Limit reset period starts at 16:00 CET and finishes around 18:00-19:00 CET.
- Between 18:00-19:00 CET on best afford basis: The dynamic limit is added to the base limit.
- Latest 10:45 CET on best afford basis: The trading limit is updated by adding resolved payment exposure from the successful settlement.