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► **ECC Clearing Circular 34/2016 | 2016-07-15**

Amendment of Clearing Conditions – Release 34a

Summary

In order to provide the legal framework for the introduction of a Direct Clearing Participant Model at ECC the Clearing Conditions have been amended. The new release 34a will take effect as of **1st August 2016**. A brief overview of the changes is provided below. A detailed Clearing Circular explaining all operational and technical details of the new clearing model will be published by ECC shortly.

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Overview of the legal structure of the new DCP-Model

Besides the well-established CM-NCM clearing model ECC is planning to introduce a **Direct Clearing Participant Model** for spot market transactions. The amendment of the Clearing Conditions sets out the legal framework to the Direct Clearing Participant Model and therefore provides an essential step stone. The Direct Clearing Participant model allows clients to participate in spot clearing without the need to interpose a Clearing Member. To achieve that goal a new participant, the so-called **Direct Clearing-Participant (DCP)-Clearing Member** will be introduced.

A DCP-Clearing Member

- can solely be active on **spot markets** cleared by ECC which fulfil the requirements of ECC and
- is only allowed to trade for its **own account**
- needs residence in a country where by a legal opinion legal certainty of the respective insolvency statutes has been obtained .

The DCP will have to maintain an **agreement** with a so-called **Settlement Bank** approved by ECC. The content of such agreement will be determined by ECC and the Settlement Bank. Via the Settlement Bank the DCP is integrated into the settlement process at ECC as the Settlement Bank keeps a so-called **Settlement Account** in the name of the DCP and acts as the **paying agent** for the DCP towards ECC. The Settlement Account is used to transfer cash collateral to ECC and to transfer payments resulting from spot market transactions of the DCP.

The DCP can furnish cash collateral directly to ECC via the Settlement Account which will be booked into an internal collateral account at ECC. The amount of the collateral can be adjusted by the DCP in accordance with its intended trading volume. Alternatively the DCP may use bank guarantees as collateral (<https://www.ecc.de/ecc-en/risk-management/collateral-management/guarantee-collateral>).

The total amount of collateral furnished to ECC forms the basis for the calculation of a **Pre-Trading Limit** of the DCP. The Pre-Trading Limit amount is also influenced by the financial strength of the DCP (**Credit Limit**). The DCP is able to trade on the spot markets within the boundaries of this limit. The operation of the limits will be set out in the rulebook of the respective exchange and not in the Clearing Conditions of ECC.

The DCP will also be obliged to contribute to the **Clearing Fund** of ECC. The amount of the contribution will be determined by ECC.

The new version¹ of the Clearing Conditions including a track-changes version is available on ECC's website at <http://www.ecc.de/ecc-en/about-ecc/rules>

¹ The English version of the Clearing Conditions including the track-change version will be available at the beginning of next week at the latest.