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▶ ECC Clearing Circular 24/2017 | 2017-07-25

USD Clearing Solution for LCH Dry Bulk FFA
Position Transfer to ECC

Summary

As announced in an EEX press release on June 30, EEX Group and LCH have agreed on a novation of open position in Dry Bulk Freight FFA and option contracts from LCH to European Commodity Clearing by the end of 2017. The LCH freight transfer window is scheduled for mid of November 2017.

To support the LCH position transfer, ECC would like to introduce **improvements to the existing USD clearing solution** prior to the novation date to offer a complete USD nominated clearing process including margining and collateral provision for Clearing Members and their clients.

These improvements shall be available at the **beginning of November 2017**.

This circular contains initial information on the planned improvements for USD clearing.

Further details of the planned position transfer will follow in further clearing circulars in due time.

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ECC USD Margining

In order to streamline the clearing of USD products the margining solution of ECC will be enhanced to offer different optional levels to ECC's Clearing Members:

1. Provision of Initial Margin requirement in USD in addition to EUR
2. Acceptance of USD cash as eligible collateral

1. Provision of Margin Requirements in USD/ Margin Calls

Variation Margin and Premium Margin

Variation Margin, Option Premium settlement and Premium Margin will remain to be calculated in the product currency.

Initial Margin (SPAN® margin)

At present, ECC uses EUR as base currency; USD and GBP are supported product currencies, but margining is performed in EUR only.

However, ECC will establish the option to change the Initial Margin currency into USD. The replication of the USD margin requirement will be possible by using the public SPAN file provided by ECC.

2. Acceptance of USD Cash Collateral

In addition to the acceptance of eligible USD securities as collateral, ECC will accept USD as cash collateral.

Clearing Members can request the deposit or withdrawal of USD Cash Collateral at ECC according specific settlement cycles that will be further specified by ECC. After the request for deposit is accepted by ECC, ECC will debit the requested amount from the USD account the Clearing Member is connected to with ECC.