

Enhancement of EEX Freight Products / Changes to SPAN Parameter File

Summary

From **7 November 2017** onwards ECC will enhance the clearing services for EEX Freight Products. The new services will pave the way for the upcoming novation of the freight open interest from LCH to ECC.

In this context ECC is planning amendments to the SPAN Parameter File and the technical processes to make this file available to clients and vendors.

This Clearing Circular contains information regarding the product setup, the settlement processes and the preconditions for participation.

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Product Setup

The following additional EEX Freight Futures offered at EEX for order book trading and trade registration will be setup as follows within the ECC clearing system:

ISIN Code	Product ID	Name	SMSS Product Group
DE000A2GGJB7	SPTM	Supramax 10TC Freight Future	EEX_FT_FREIGHT_TC_USD
DE000A2GGJC5	P1EM	P1E Panamax Transatlantic Freight Future	EEX_FT_FREIGHT_PM_USD
DE000A2GGJD3	P2EM	P2E Panamax Far East Freight Future	
DE000A2GGJE1	P3EM	P3E Panamax Pacific Freight Future	

In addition the product portfolio at EEX will be enhanced by the following Option product, which will be available for order book trading and trade registration:

ISIN Code	Product ID	Name	SMSS Product Group
DE000A2GGJF8	OPSM	Supramax 10TC Freight Option	EEX_OT_FREIGHT_TC_USD

Detailed information on the product setup is provided in the ECC Clearing Specification and in the ECC Contract Detail File, which are available for download on the ECC website.

Clearing Process

Registration of transactions for clearing

The transactions concluded on EEX will be imported into the EUREX clearing system and integrated into the standard clearing processes for derivative contracts. Transactions are included in the EUREX data streams and in the EUREX reports as usual. In addition, the transactions can be retrieved via ECC Member Area after 9:30 am CET on the next ECC business day.

The transactions are processed in the ECC settlement system SMSS for invoicing purposes using the product groups mentioned above.

Settlement

The future products are settled financially in USD. For open future positions and new transactions in futures a variation margin is calculated on every ECC business day. The settlement prices required to this end are determined by EEX in the product currency USD and published in the EUREX system at approximately 7:00 pm CET.

For new transactions in options products the buyer is obliged to pay an option premium to the seller on the business day following the transaction date. At expiry the buyer has the right to exercise the option in order to receive a position on the underlying future contract.

Margining

For open positions in all new products initial margin and premium margin for options will be calculated daily according to ECC's standard methodology. Margin parameters are updated and published daily in

the SPAN¹ parameter file on the ECC website.

The initial margin requirements will be reported in the SPAN margin class and premium margin in separate margin classes per product in the EUREX Report CC050 Daily Margin.

With the introduction of the new products the SPAN File will be amended as follows: Scanning Ranges (Risk Arrays) will be quoted in product currency (currently they are converted to EUR). The following product currencies are currently used:

- Euro (EUR)
- US Dollar (USD)
- Great Britain Pound (GBP)

Settlement Prices in the SPAN file will also be quoted in product currency. FX Rates used by ECC for currency conversion will be provided in the SPAN file. Cross Margining between products with different currencies will be enabled.

As a backup the current SPAN file containing scanning ranges in EUR only will be made available on ECCPUBLIC FTP under the file name ECC_SPAN_FILE_YYYYDDMM_EUR.xlm.zip, whereby YYYYDDMM stands for the current business day. For login credentials please send the T10p form which can be found on the ECC website to the Member Readiness Department.

Fees

The following fees will be charged:

Transaction	ECC Clearing Fee
Derivative trades in Dry Bulk Time Charter Freight Futures	1.40 \$/day
Derivative trades in Dry Bulk Trip Time Charter Freight Futures	
Derivative trades in Options on futures in freight	

Reporting

EMIR

Please note that EEX Freight Futures and Options have to be reported according to EMIR Article 9. Therefore ECC's EMIR Trade Reporting Service will automatically be extended to these products.

Preconditions for Participation

Clearing Member

The ECC clearing licence for Clearing Members already covers the clearing of EEX Freight Futures and Options if the product specific conditions (e.g. setup of a 6-series account at Clearstream Banking AG for foreign currencies settlement) are fulfilled.

Non-Clearing Member

Trading participants who are already approved for the Freight Futures or Options will automatically be approved for the new products. Clearing Members are requested to check the product assignments and quantity limits for their NCMs accordingly.

¹ SPAN® is a registered trademark of Chicago Mercantile Exchange Inc., used herein under license. Chicago Mercantile Exchange Inc. assumes no liability in connection with the use of SPAN by any person or entity.