

Open Interest Novation of Freight from LCH to ECC

Summary

The clearing houses European Commodity Clearing AG (ECC) and LCH Ltd. (LCH) have entered into an agreement, whereby ECC and LCH agree on the novation of all open positions in dry bulk freight futures and options kept at LCH that will expire on or after 28 December 2017.

The novation is envisaged to take place on **16 November 2017**.

This Clearing Circular contains information regarding the details of the novation process.

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Contact

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Pre-Novation preparations

On 16 November 2017 the novation of open positions in freight futures and options will take place from LCH to ECC. In order to prepare the novation, each clearing member at LCH holding open positions in freight futures and options must sign a Deed of Novation. This serves as legal basis to execute the novation between the clearing houses.

LCH and ECC will support all clearing members in the preparation of such Deed of Novation. There is no action required by Non Clearing Members and agency clients towards LCH and ECC.

Operational Novation steps

LCH will close any open position in the contracts for novation on 16 November 2017 after end of the trading day on the novation date. Subsequently ECC will create the open positions in the respective accounts of the Clearing Members after end of trade registration at EEX.

In preparation of the novation, ECC will check the margin increase by the new positions for each Clearing Member on novation date prior to the novation. If a margin shortfall should be identified by the new positions in freight contracts, ECC will issue an intraday margin call.

In order to create the positions received from LCH ECC will use technical novation transactions. Clearing Members will be able to recognize all transactions in the usual clearing reports, e.g. CB010 Position Detail in the Common Report Engine. All transactions will be marked with the keyword "**LCH NOVIATION**" in the text field "custText" in xml report or "Customer Txt" in the txt Report.

Variation margin for positions in futures established until and including the novation date will be settled by LCH, whereby the last payment will be settled on the business day following the novation date. Afterwards variation margin will be settled at ECC. For options the premium will not be transferred from LCH to ECC and therefore no additional payment is expected from the Clearing Members at ECC at novation date.

The technical transactions used for the novation of open positions will not require any trading or clearing fee.

In case of questions to the operational open interest novation, please contact clearing@ecc.de.

EMIR Trade and Position Reporting

For trading day 16 November 2017 ECC will not report any transactions which occurred due to the novation. Those trades can be identified in the respective ECC clearing reports as described before.

However, ECC will report the position including all positions that were created due to the novation.

ECC asks all members to follow the same approach.

For questions relating to the EMIR Reporting, please contact compliance-services@eex.com.