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## Introduction of PEGAS Options on TTF Natural Gas Futures

### Summary

From **28 February 2018** onwards ECC will offer clearing services for PEGAS Options on TTF Natural Gas Futures for trade registration.

This Clearing Circular contains information regarding the product set-up, the clearing processes and the preconditions for participation.

### Contact

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## Product Setup

The PEGAS Options on TTF Natural Gas Futures offered for trade registration under the PEGAS Regulated Market rulebook will be set up as follows within the ECC clearing system:

Name	SMSS product group	ISIN	WKN	EUREX Code
TTF Natural Gas Options	PWX_OT_NATGAS_TTF	DE000A2GGCF3	A2GGCF	O3BM

Detailed information on the product set-up is available for download on the ECC website.

## Registration of Transactions for Clearing

PEGAS Options on TTF Natural Gas Futures will be available for trade registration only.

## Clearing Process

The transactions registered for clearing will be imported into the EUREX 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 the ECC Member Area after 9:30 (CET) on the next ECC business day.

PEGAS Options on TTF Natural Gas Futures will be cleared in monthly strips. Quarter, season and calendar options are in fact bundles of monthly options – for instance, if a quarter option is traded, it will be registered as 3 month options of the same strike price, same quantity and same trade price. Each of the month options can then be exercised individually.

The “EFP Price Range Mechanism” rejects trades automatically if the intended price to be registered differs too much from the market price. In case of quarter/season/year options, the individual monthly prices are average prices over a longer period. Due to seasonality effects, the monthly strips (coming from quarters/season/years) can differ strongly from the market price of monthly options traded individually. To allow for “stripping” in ECC’s Clearing System, a widening of the EFP Price Range is required. As the EFP price range for options is technically based on the EFP price range of futures both have to be enlarged. As a conclusion, for TTF month futures and options the EFP Price Range will be increased and larger than the current margin parameter. PEGAS will implement additional ex-post controls to verify the correct registration of trades.

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

## Margining

Open positions in PEGAS Options on TTF Natural Gas Futures will be included in the Initial Margining until contract expiry and will be calculated daily according to ECC's standard methodology<sup>1</sup>. Margin parameters are updated and published daily in the SPAN<sup>2</sup> parameter file on ECC's website.

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. For the seller the Option Premium can be used to offset other margin requirements. Option Premium and Initial Margin for options will be updated daily. Option Premium is shown as separate margin class in the EUREX Report CC050 Daily Margin. Initial margin is included in the SPAN margin class.

## Expiry and Settlement

The option can only be exercised on the last trading day (European type). At expiry the buyer has the right to exercise the option in order to receive a position on the underlying future contract. Options that are in the money in relation to the End-of-Day Fixing Price are exercised automatically at the end of the exercise period unless the trading participant has made a deviating entry into the trading system by that time.

Exercises only become effective at 06:45 p.m. CET, until that time they can be changed or deleted at any time.

## Fees

The following fee schedule will apply

	TTF
<b>Option</b> Contract Clearing Fee	0.002€/MWh
<b>Option</b> Exercise Fee	0€/MWh
<b>Futures</b> Clearing Fee on First Delta Hedge on Option	0€/MWh

## Invoicing

The invoicing of ECC clearing fees remains unchanged.

<sup>1</sup> <http://www.ecc.de/ecc-en/risk-management/margining>

<sup>2</sup> SPAN<sup>®</sup> 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.

## Specification Files

Please be informed that the updated Product Specification Files (ECC Clearing Specification, ECC Clearing Specification Complement STP and Contract Detail File) will be made available for information and download at ECC's website.

Please note that ECC's Clearing Specification as well as the Clearing Specification Complement is for information only, solely the PEGAS market rules are legally binding.

## REMIT Transaction Reporting

For PEGAS Options on TTF Natural Gas Futures the standard REMIT reporting procedure will apply and the products will automatically be covered.

## EMIR Trade Reporting

PEGAS Options on TTF Natural Gas Futures have to be reported according to EMIR Article 9. ECC's EMIR Trade Reporting service will automatically be extended to these products.

## MiFID II/MiFIR Position and Transaction Reporting

PEGAS Options will also be part of the reporting under MiFID II and MiFIR which will start on 3 January 2018. The products are included in the provided instrument file as well as the daily draft position and transaction reports which are subject to amendment by PEGAS trading participants.

## Precondition for Participation

### Clearing Member

The ECC clearing licence for Clearing Members already covers the clearing of PEGAS Options on TTF Natural Gas Futures.

### Non-Clearing Member

All trading participants currently admitted for trading TTF Natural Gas Futures will be automatically setup for options trading whilst the respective Clearing Member provides its consent on a member-basis in advance.

For registration of transactions via STP the respective setup with "ALL Broker ALWAYS" via T08 form is required - if not already established.

For those who are not yet admitted, the standard admission process with ECC Member Readiness and Powernext Membership is required.

The respective admission forms are available on ECC's website.