

Initial Margin Spot Market Amendment

Summary

This document informs about an upcoming change of the margin calculation for the Initial Margin Spot Market. This information is relevant for all members active on the spot market for Power and Natural Gas products. The change will be active from March 26th 2018 impacting the margin call for the 27th of March 2018.

Please find additional information on the following page.

News

Physical Settlement

Financial Settlement

Risk Management

Information Technology

Contact

European Commodity Clearing AG
Clearing & Settlement
Phone: +49 341 24680-444
E-mail: clearing@ecc.de

New Additive Margin Component

The current Initial Margin Spot Market is calculated by comparing three components and taking the maximum of it:

$$\text{Margin} = \max \left\{ \text{Statistical Component}, \text{Maximum Component}, \text{Minimal Margin} \right\}$$

where

- the statistical component is the mean + 3.1 * standard deviation¹ of financial exposures of the past year
- the maximum component is the 1.4 multiple of the maximum financial exposure of the last 20 ECC business days
- the minimal margin is 30.000 EUR for the first 30 ECC business days and 10.000 EUR afterwards

The future Initial Margin Spot Market will remove the minimum margin from the maximization and introduce it as an additive component as follows:

$$\text{Margin} = \max \left\{ \text{Statistical Component}, \text{Maximum Component}, 0 \right\} + \text{Minimal Margin}$$

where the statistical and maximum component remains the same as defined above.

From now **on the minimal margin component will be a fixed value of 30.000 EUR.**

You can find a more precise and formal mathematical description of this methods in the ECC margin document available under <https://www.ecc.de/ecc-en/risk-management/margining>.

Migration to New Spot Market Margin

The changes of the margin calculation will be active from 26th of March 2018 impacting the margin call for the 27th of March 2018. The calculation results can be found in the report CC050 Daily Margin in the margin class IMSM. There are no changes to margin classes or the margin call procedures.

¹ Exponentially weighted with security add-on for short time series