

Change in ECC's Foreign Currency Settlement Process

Summary

From **15 November 2018**, ECC will use a network of Correspondent Banks to settle its foreign currency GBP and USD payments. ECC's Clearing Members who settle GBP and USD denominated contracts will therefore need to provide an account with at least one of the Correspondent Banks approved by ECC.

Contact

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

Current Cash Settlement Process

ECC's foreign currency settlement in GBP and USD is currently operated via Clearstream Banking Luxembourg (CBL). Each Clearing Member and ECC itself have a "6-series account" at CBL. The operational handling within CBL is based on a pre-fund and book transfer approach. All transactions initiated by ECC need to be prefunded on the Clearing Member's CBL account. Payments are made using a pre-advice in the SWIFT format MT210 for in-bound payments.

Please note that EUR transactions remain totally untouched by the proposed changes and will continue to be processed using the Target2 platform.

New Cash Settlement Process

Correspondent Bank Approach

ECC's new foreign currency cash settlement infrastructure is based on a Correspondent Bank approach. Cash settlement services (e.g. daily settlement, collaterals) will be moved from CBL to Multi-Currency Payment Banks (MCPB) and a network of Correspondent Banks (several commercial banks) who support ECC's infrastructure and settlement times as well as Clearing Members' needs.

This network provides ECC Clearing Members with more choice to choose a partner that best fits their cash settlement service requirements. Additionally, this approach gives greater flexibility for potential adjustments resulting from the further internationalisation of EEX Group and its partners e.g. the ability to easily expand the supported currencies.

ECC's Setup

ECC will use MCPBs to manage all foreign currency related cash transactions, initially in GBP and USD. The Clearing Members can select a Correspondent Bank¹ from the list below to keep cash accounts in the respective currencies.

	Bank	GBP	USD
1	Barclays Bank PLC	✓	✓
2	Deutsche Bank AG London (MCPB)	✓	
3	Deutsche Bank Trust Compay Americas (MCPB)		✓
4	J. P. Morgan Chase Bank N.A. London (MCPB)	✓	✓
5	National Westminster Bank PLC	✓	✓

¹ ECC is constantly working on the connection of additional Correspondent Banks for GBP and USD. Clearing Members who wish to use another Correspondent Bank, should contact their clearing sales manager (ClearingSales@eex.com).

Designated Clearing Member cash accounts must be ready for interbank payments using SWIFT MT2xx messages. A debit authorisation, granted by the Clearing Member in favour of ECC, is also required for cash collections instructed via SWIFT MT202R or MT204 and Straight Through Processing. Payouts (credits) to the Clearing Member are instructed via SWIFT MT202. Additionally, Clearing Members need to ensure that all Correspondent Bank specific requirements are fulfilled and that sufficient funds are available in order to guarantee smooth cash processes like daily settlement.

ECC will not charge any additional fee for the new cash settlement service and the handling of funds is not affected and remains unchanged on ECC's investment policy. The settlement times for GBP (09:00 am CET) and USD (08:00 am CET) remain unchanged.

Preconditions for Clearing Members

1. Each Clearing Member will need to have an account for the currencies they require with at least one of the Correspondent Banks from the list above. Please inform your clearing sales manager (ClearingSales@eex.com) which of the Correspondent Bank(s) you are planning to use.
2. Submit the "CM08 Activation of Settlement Accounts for Foreign Currency settlement" form to ECC Member Readiness (MemberReadiness@ecc.de) by **05 October 2018**. The form will be available on ECC's [website](#).
3. A debit authorisation for each cash account needs to be set up with the Correspondent Bank(s) and a copy submitted to ECC Member Readiness (MemberReadiness@ecc.de).
4. Completion of a £/\$0.01 test during the individual account setup process at ECC to confirm the debit/credit processes are working smoothly; for which a contact is to be provided via the CM08 form.

Migration Timeline

From **15 November 2018**, Clearing Members will need to have a GBP and USD account in place with a Correspondent Bank in order to continue clearing in these currencies. From this date, the use of the current CBL accounts for GBP and USD settlement will no longer be possible.