

## Amendment of Clearing Conditions – Release 42a

### Summary

The Clearing Conditions of ECC have been amended and a new release 42a has been published today.

Due to European regulation (recovery and resolution rules for CCPs) and the principles for financial market infrastructures by CPSS-IOSCO, the Clearing Conditions have been amended in sec. 3.8 (Clearing Fund) and sec. 3.12 (Default Management Auctions). The changes are the result of ECCs proposal of the new text and the input of Clearing Members provided during a consultation.

The amendments will take effect as of **July, 10<sup>th</sup> 2019** except for section 3.12.8 which will take effect as of January, 1<sup>st</sup> 2019.

A brief overview of the changes is provided below.

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Overview of the changes in the new release of the Clearing Conditions:

**1. Sec. 3.1.1. para. 5**

Section 3.1.1 para 5 clarifies the duties of the Clearing Members in case of the exclusion of a Non-Clearing Member from trading and the rights and obligations of ECC.

**2. Sec. 3.3.1. para. 1**

Due to different time zones and therefore diverging business hours at ECC and Cleartrade Exchange Pte Ltd (CLTX), CLTX trades will be concluded only after being accepted by the Clearing System.

**3. Sec. 3.3.3. para 5**

In line with the already existing clarification in section 3.3.2 for the derivatives market, a para. 5 was added to section 3.3.3 for spot market transactions expressly stating that Clearing Members are not liable for the clearing fees of their Non-Clearing Members.

**4. Sec. 3.8 Clearing Fund**

The Clearing Fund provisions have been updated and an obligation to make additional contributions was introduced for Clearing Members. This led to changes in almost all paragraphs of sec. 3.8.

**Sec. 3.8.3**

Para. 1 and 2 set out more precisely than before what the Clearing Fund will be used for and the order in which the financial means provided by the Clearing Members will be realised in the event of a default. It also defines the scope of the default damage and clarifies which damages are not covered.

Para. 5 to 11 are new and now regulate the obligation of Clearing Members to make additional contributions. This obligation will apply if the assets of the Clearing Fund are not sufficient to cover the default damages.

**Sec. 3.8.4 und 3.8.5**

In each case, the text was amended accordingly to take account of the new provision in Section 3.8.3.

**5. Sec. 3.12 Default Management Auctions**

The rules for the Default Management Auctions were extended giving ECC the right to call for mandatory auctions under certain conditions ECC. However, in general

Default Management Auctions remain voluntary. The provisions in sec. 3.12 were amended accordingly in order to facilitate this new option.

**Sec. 3.12.2**

The option to call for a mandatory auction is added to section 3.12.2 of the Clearing Conditions. The process according to which a mandatory auction is conducted is described in detail.

**Sec. 3.12.3 to sec. 3.12.6**

The changes in those sections are partly of an editorial nature and partly results of the introduction of the introduction of mandatory auctions.

**Sec. 3.12.7**

Section 3.12.7 enables ECC to allocate individual minimum bid sizes to every Trading Participant in a mandatory auction and sets out in detail how this has to be done.

**Sec. 3.12.8**

Section 3.12.8 describes that positions remaining after a mandatory auction are allocated to the trading participants according to a fixed ranking order.