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Clearing Circular 46/2018

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## Migration financial settlement for BoM Products - UPDATE

As announced in ECC Clearing Circular 24/2018, ECC will change the financial settlement process for BoM (Balance-of-the-month) Products to align with the settlement of spot market products, starting with the delivery month December 2018.

This Clearing Circular contains information on the updated documentation and on an enhanced margin methodology.

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## Migration financial settlement for BoM Products

As announced in ECC Clearing Circular 24/2018, as of **29 November 2018** financial settlement of BoM future contracts will be aligned with spot market settlement and the current fulfillment of derivatives via spot markets.

All Clearing Members and Non-Clearing Members are reminded to prepare for the upcoming changes. In summary, the changes are:

- In line with the spot market, financial settlement will take place earliest on the day of physical delivery instead of the preceding business day
- The breakdown of financial settlement amounts from BoM products will no longer be available in report CE120 ECC Delivery Report, but in the ECC Payment Report Detail (PRD)
- On report CD710 Daily Cash Account CM the payments are no longer published with transaction types 285 DLVRY AMNT PAID and 287 DLVRY AMNT RECEIVED, but comingled with settlements from spot markets in transaction types 297 MISC MEMBER CASH DEB and 298 MISC MEMBER CASH CRD

For details please refer to ECC Clearing Circular 24/2018.

## Member documentation update

In preparation to the changes, ECC updated the following documents:

- ECC SMSS-XML-Report Specification
- ECC Clearing Specification Data

The updated documentation is available as of now on ECC website.

## New Additional Margin BoM (AMBO)

Together with the migration of the financial settlement to the new reports in line with settlement of spot market products, ECC introduces a new margin class AMBO (Additional Margin BoM). The new margin class is introduced in order to avoid an uncovered payment on the expiry date of the contract.

### Calculation Details

The new additional margin AMBO will be calculated for each position in Balance-of-Month (BoM) Futures with physical delivery:

$$AMBO_{BoM\ Position\ i} = |Net\ Position|_{BoM\ Position\ i} \cdot SPAN\ Scanning\ Range_{BoM\ Product\ i}$$

The Margin is netted on the level of combined commodities and then aggregated on the level of Non Clearing Member (NCM) and margin account:

$$AMBO = \sum_{i=1}^n AMBO_{BoM\ Position\ i}$$

This is identical to the calculation of the SPAN Margin for the contract during delivery phase but before the expiry date.

**Applicability of AMBO**

The calculation of the additional margin amount will follow the SPAN calculation and will take place on the expiry date of the respective contracts each month during the End-of-Day margin calculation. This margin will replace SPAN starting on Expiry Date End-of-Day and will be released again on the next business day during the End-of-Day margin calculation.

The margin will be shown in the report CC050 and will be charged in EUR only. A list of the products covered by the AMBO can be found in ECC Circular 24 /2018 "Migration financial settlement for BoM Products"., in section "Technical Product Setup".

The first calculation takes place on 27 December 2018.