One Clear Connection to Commodities

European Commodity Clearing – clearing and settlement of energy and commodity products
European Commodity Clearing (ECC) is the leading clearing house for energy and related commodity products in Europe and beyond.

> Clearing with ECC means being connected to Europe’s major energy and commodity exchanges. One clearing house membership provides access to this network and a large variety of asset classes.

> ECC assumes clearing as well as physical and financial settlement of transactions concluded and registered for clearing on all partner exchanges.

> ECC connects global commodity markets through integrated and automated clearing and settlement processes and eliminates the counterparty risk through professional risk mitigation measures.

What actually is clearing?

Clearing assures the proper fulfilment of each contract concluded or registered on ECC’s partner exchanges.

After a trade has been concluded, it will be cleared by ECC. Through this, ECC serves as the contractual partner for both buyer and seller.

ECC ensures the fulfilment of each trade and mitigates the counterparty risk.

One Clear Connection to Commodities

Clearing provides security and operational efficiency.

Explained in a nutshell: Watch our video

www.ecc.de > About > News > Videos

Dr. Götz Dittrich
Chief Operating Officer
ECC provides clearing and settlement services for various partner exchanges. By maintaining standardised interfaces and procedures, ECC reduces complexity and costs.

ECC is continually expanding its network of clearing members and settlement banks.

More information: www.ecc.de > About
### ECC’s cleared products

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### Power and gas account for the largest share of ECC’s settlement volume.

- **3,923.5 TWh** cleared in power markets in 2018
- **1,962.9 TWh** natural gas cleared in 2018
To participate in the range of clearing services ECC provides several access models.

**Non-Clearing Members (NCM)**
- Trading participants on spot and/or derivatives markets cleared by ECC
- Connected to ECC through a clearing member that acts as a guarantor and payment agent for transactions concluded by the non-clearing member
- The exposure resulting from trading activities of the non-clearing member is managed through margining. Margins are collateral requirements that are calculated post-trade.

**Clearing Members (CM)**
- Account keeping and financial settlement for non-clearing members
- Trading participants on spot and/or derivatives cleared by ECC
- Guarantee for trades performed by non-clearing members on spot and/or derivatives markets connected to ECC
- Can provide access to exchange trading on own account and a large scale of additional services for trading participants

**Direct Clearing Participant Clearing Members (DCP)**
- Trading participants on specific spot markets cleared by ECC
- Connected to ECC through a Settlement Bank that acts as payment agent for transactions of the DCP
- Pre-trade limits set in the trading system need to be collateralised in advance

**ECC’s range of services**

**Physical settlement (delivery)**
ECC has a high level of expertise in the physical settlement of power and natural gas and is connected to more than 20 Transmission System Operators (TSOs) and registries.

**Financial settlement (payment)**
ECC guarantees financial fulfilment and carries out financial settlement for purchases and sales of all transactions concluded on ECC’s partner exchanges.

**Risk management services**
ECC’s risk management consists of several lines of defence providing a high level of protection for trading participants and clearing members.

**Straight-Through Processing (STP)**
ECC offers Straight-Through Processing (STP) of transactions registered at the partner exchanges by brokers.

**Reporting services**
ECC provides clearing members and trading participants with a service to delegate their EMIR reporting obligations to ECC.

ECC has established integrated processes and highly efficient operations for clearing and settlement services of energy and commodity products.
As a clearing house specialising in physical commodity markets, ECC works together with a network of TSOs and registries. Together with these partners, ECC’s 24/7 nomination processes support an accurate and reliable transmission of electricity and gas.

**Market Coupling in the power markets**

ECC supports the vision of an integrated cross-border wholesale energy market in Europe. Together with our partner exchanges, network operators and trading participants, ECC is involved in various projects for connecting European markets, which is otherwise known as Market Coupling.

Market Coupling optimises the allocation process of cross-border capacities thanks to a coordinated calculation of prices and flows between countries.

**Characteristics of Financial Settlement**

- ECC performs cash settlement for all transactions concluded at the partner exchanges.
- Processing until the daily cut-off time at 4 pm with T+1 payment.
- Currency settlement: ECC’s financial settlement includes Euro as well as British Pound Sterling and US-Dollar.
- ECC has established a harmonised invoicing and fee settlement process across all of its products, markets and asset classes.

**Financial Settlement**

ECC guarantees financial fulfilment for all transactions concluded or registered on ECC’s partner exchanges. For the settlement process, ECC cooperates with international banks which are either clearing members or settlement banks.

**The payment flow occurs automatically, and is fast and secure.**

Mike Hartmann
Head of Financial Settlement & Invoicing
Risk Management
Managing risk is an essential function of ECC, a central counterparty (CCP) licensed under the European financial market regulations for CCPs (‘EMIR’).

- ECC establishes strict access conditions for its members to ensure their financial soundness and operational reliability.
- ECC settles variation margin and deliveries on a daily basis.
- ECC monitors exposures intraday on a near to real-time basis.
- ECC collects margins from members that cover exposure with a confidence level of at least 99%.
- ECC collects default fund contributions that cover the exposure in excess of the 99% confidence level.

ECC calculates margins for all open positions & transactions across all connected markets, products and exchanges.

Upcoming: New Derivatives Clearing System
ECC uses two clearing systems:
- Spot market transactions are settled through ECC’s Spot Market Settlement System (SMSS).
- Trade and position management for derivatives, risk management and collateral management including the delivery of the respective reports are implemented in the EUREX clearing system.

In June 2019, ECC will migrate its derivatives position and transaction management from the EUREX classic clearing system to the C7 clearing system. C7 is the state-of-the-art clearing platform of Deutsche Börse Group and has been significantly extended and improved to serve customers across various markets with highly reliable solutions.

Straight-Through Processing (STP)
ECC offers Straight-Through Processing (STP) of transactions registered by brokers on the partner exchanges.

- The STP service is currently offered for all derivatives products traded on EEX and on the PEGAS platform operated by Powernext.
- ECC works together with a variety of brokers and independent interface providers who use the STP gateway.

Our STP service enables transactions to be registered for further clearing and settlement at ECC.

Pieter Houffe
Expert Business Analysis and Projects
We support our members in reducing their reporting efforts.

Reporting Services
As part of EEX Group, ECC provides the opportunity to bundle reporting obligations on behalf of its clients.

Reporting according to EMIR Article 9
The reporting service according to the EMIR regulation covers all derivatives markets cleared by ECC.
Our service:
» Trade and position reporting for Financial Counterparties (FC) and Non-Financial Counterparties (NFC).
» Exposure reporting for Non-Financial Counterparties exceeding the EMIR Clearing Threshold (NFC+) and Financial Counterparties.

Contact
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E-mail: clearing@ecc.de

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EEX Group actively supports participants in fulfilling reporting obligations. For all questions related to regulatory reporting, please contact:
Phone: + 49 341 2156 - 380
E-mail: reporting-services@eex.com

EEX Group Reporting Services
MiFID II / MiFIR

REMIT

EMIR
Regulation (EU) No. 648/2012


EEX Group provides market platforms and clearing houses for energy and commodity products across the globe.

ECC is the leading clearing house for energy and commodity products in Europe. ECC assumes the counterparty risk and guarantees the physical and financial settlement of transactions, providing security and cross-margining benefits for its customers.

As part of EEX Group, ECC provides clearing services for EEX, EEX Asia, EPEX SPOT, Powernext and Power Exchange Central Europe (PXE), as well as the partner exchanges HUPX, HUDEX, NOREXECO, SEEPEX und SEMOpx.