



European Commodity Clearing one clear connection

ECC Launches New Cross-Margining

Margin savings in diversified portfolios through:

- ▶ Individual Margin Parameters set by maturity
- ▶ Recognition of risk-free positions
- ▶ Extensive set of spread credits
- ▶ Use of industry standard methodology

one clear connection to ECC Cross-Margining

Risk Management is One of the Core Functions of ECC.

As a central counterparty, ECC assumes the counterparty risk for all transactions concluded on its partner exchanges or transactions registered as OTC trades with ECC. In the event of a default, ECC guarantees payment and delivery. Managing the counterparty risk is an essential part of ECC's business.

One important component of ECC's risk management is the calculation of margin requirements for open positions. To reflect the diversified risk in large portfolios ECC recognises spreads which reduce the margin requirement.

New Cross-Margining with SPAN®.

With the introduction of the new cross-margining ECC is now optimising its methods for calculating margin requirements.

To implement its new cross-margining ECC will use SPAN®, which is a recognised risk system and used by many exchanges and clearing houses.

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New Contract Specific Margin Parameters and Inter-Commodity Margin Credits

Former Margin System:

- ▶ Single Margin Parameter is calculated for all maturities of a product.
- ▶ Margin parameters are updated on a monthly basis.

NEW

Product- and Maturity-Specific Margin Parameters:

- ▶ One Margin Parameter is calculated for every maturity of a product.
- ▶ Margin Parameters are updated daily, changes in volatility are reflected on a more timely basis.

- ▶ Improved alignment of the margin requirement with the actual risk of a portfolio

Former Margin System:

- ▶ Spreading only in 3 margin groups (power, gas, emissions) with one single Margin Credit

NEW

Extensive Set of Inter-Commodity Margin Credits:

- ▶ Three levels of spreading according to the margin credit are possible.
- ▶ Margin credits are calculated for any combination of opposite positions for different products according to the correlation between the two products.

- ▶ Increased collateral efficiency and improved economies of scale in diversified portfolios

Extensive Set of Margin Credits

Netting

Offsetting of futures and options with the same underlying.

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Margin Credits 100 %



Perfect Spreads

Spreads between opposing positions in the same commodity and with completely overlapping delivery period and profile, e.g.:

- ▶ Year vs. four quarters
- ▶ Baseload vs. Peakload and Off-Peak

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Margin Credits 99 %



Inter-Commodity Spreads

Spreads between any potential combination of different products:

- ▶ Commodities
- ▶ Delivery area
- ▶ Delivery profile
- ▶ Delivery period

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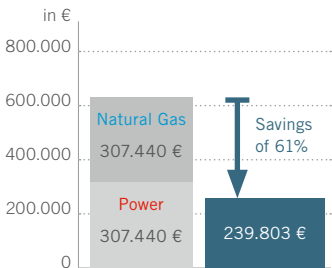
Margin Credits 0–99 %

Maximum margin savings in diversified portfolios

New estimated margin credits for the most liquid contracts:

	Coal	Natural Gas	Power	Emissions
Coal	–	47%	49%	35%
Natural Gas	47%	–	61%	48%
Power	49%	61%	–	48%
Emissions	35%	48%	48%	–

Example for long position of 14 power base load contracts and short position of 25 natural gas contracts with a credit of 61%:





About ECC:

European Commodity Clearing AG (ECC) is the central European clearing house for exchange and OTC transactions in power, natural gas, emission allowances and coal. ECC provides clearing services for the partner exchanges APX-ENDEX, CEGH Gas Exchange of the Vienna Stock Exchange, European Energy Exchange, EPEX SPOT, HUPX and Powernext.

ECC is a recognised partner of European transmission system operators and ensures physical settlement of power and natural gas transactions. ECC is linked to the relevant national emission registries.

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