

An aerial photograph showing a group of approximately ten people in business attire standing on a large, light-colored world map. The map is centered on Europe and Africa. The people are scattered across the map, some in small groups, some looking at their phones, and some talking. The background is a light, textured surface, possibly a wall or a large screen, with a dark blue and black geometric design on the right side.

# Clearing European Energy Markets

South-East and East European Gas Platform (SEEGAS)

2nd Stakeholder Meeting, 10 March 2021

Dr. Marco Herrmann, Senior Clearing Strategy, ECC

# ECC is part of EEX Group

**European Commodity Clearing AG (ECC)** is a clearing house and Central Counterparty (CCP) which has specialised in energy and commodity products.

As part of EEX Group, ECC provides clearing services for EEX, EEX Asia and EPEX SPOT and for partner exchanges HUPX, HUDEX, NOREXECO, SEEPEX and SEMOPX.

As a member of EEX Group, ECC belongs to Group Deutsche Börse.

## › eex group

› eex	› epexspot	› eexasia	› nodal
› ecc	› nodalclear	› grexel	› pxe



# ECC offers clearing and settlement services to a broad range of markets

ECC was founded in 2006 as a subsidiary of EEX specialised on clearing services. Since then it has grown into the **central clearing house** for energy and commodity products in Europe with connection to a variety of exchanges.

ECC provides clearing services as a CCP and performs shipping activities. Each of these elements comprises

- **Risk management**
- **Physical settlement (delivery)**
- **Financial settlement (payment)**

ECC partner exchanges and asset classes:

EPEX SPOT (Power)	SPOT
PXE (Power)	
HUPX (Power)*	
SEEPEX (Power)*	
SEMOpX (Power)*	
EEX (Natural Gas, Emissions)	DERIVATIVES
EEX (Power, Natural Gas, Emissions, Agriculturals, Biomass, Freight, Iron Ore)	
HUDEX (Power)*	
NOREXECO (Fibre)*	
EEX Asia (Dry Bulk Freight, Iron Ore)	

# ECC offers access to a large clearing network

**600+**  
Participants

**30**

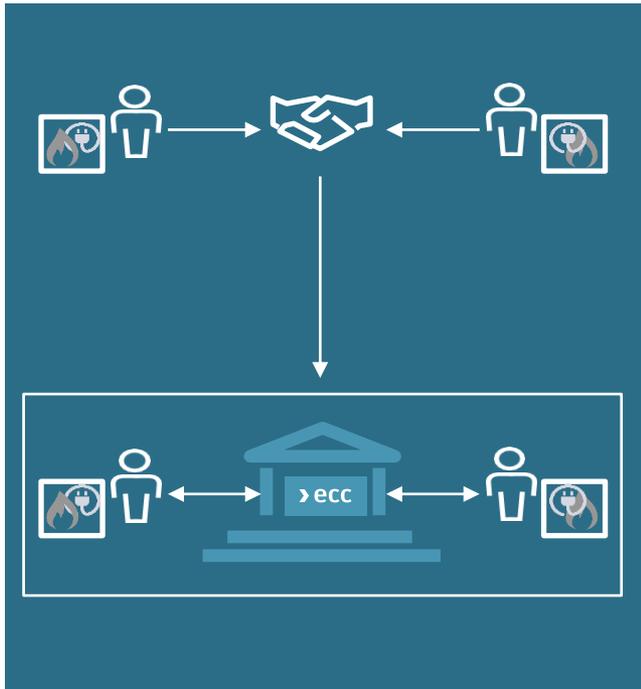
Clearing Members

**31**  
Power and  
Natural Gas TSOs

ABN AMRO Clearing Bank N.V.	MAREX Financial Limited
Banca Akros SpA	Mizuho Securities USA LLC
Banca Popolare di Sondrio SCPA	Morgan Stanley & Co. International plc
Banco Santander, S.A.	Morgan Stanley Europe SE
Bayerische Landesbank	National Bank of Greece SA
BNP Paribas Commodity Futures Ltd.	Oesterreichische Kontrollbank AG
BofA Securities Europe SA	Raiffeisenbank a.s.
Citigroup Global Market Europe AG	Renta 4 Banco S.A.
Citigroup Global Markets Limited	Societe Generale International Limited
ED&F Man Capital Markets Limited	Société Générale SA
Goldman Sachs International	StoneX Financial Ltd
J.P. Morgan AG	UBS AG
J.P. Morgan Securities plc	UniCredit Bank AG
KELER CCP Ltd.	UniCredit Bank Czech Republic and Slovakia, a.s.
Macquarie Bank Europe	
Macquarie Bank International Limited	

# Benefits of CCP clearing

## CCP clearing makes markets secure



The central counterparty (CCP) takes over the counterparty risk for each participant and guarantees payment and delivery of each contract, even if one of the counterparties defaults

- Clearing and settlement is **‘what comes after the handshake.’**
- 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.

By using a **central counterparty**, market participants benefit from:

- Anonymity
- Stable infrastructure
- Standardised processes
- Several lines of defense
- Regulated markets and high operational standards

# ECC provides clearing and settlement services

## Clearing

all activities from the time a commitment is made for a transaction until it is settled

- Assumption of counterparty risk as Central Counterparty (CCP)
- Risk management processes like margin and limit system, member management
- Close-out netting
- Monitoring
- Reporting
- Failure handling

## Settlement

process of the legally binding fulfillment of contractual obligations

- Delivery versus payment
- Transfer of funds (financial settlement):  
Connection to central bank and commercial banks
- Physical Settlement: Delivery through TSOs or registries
- Netting of payments
- 24/7 helpdesk

**Risk  
Management**

**Physical  
Settlement  
(Delivery)**

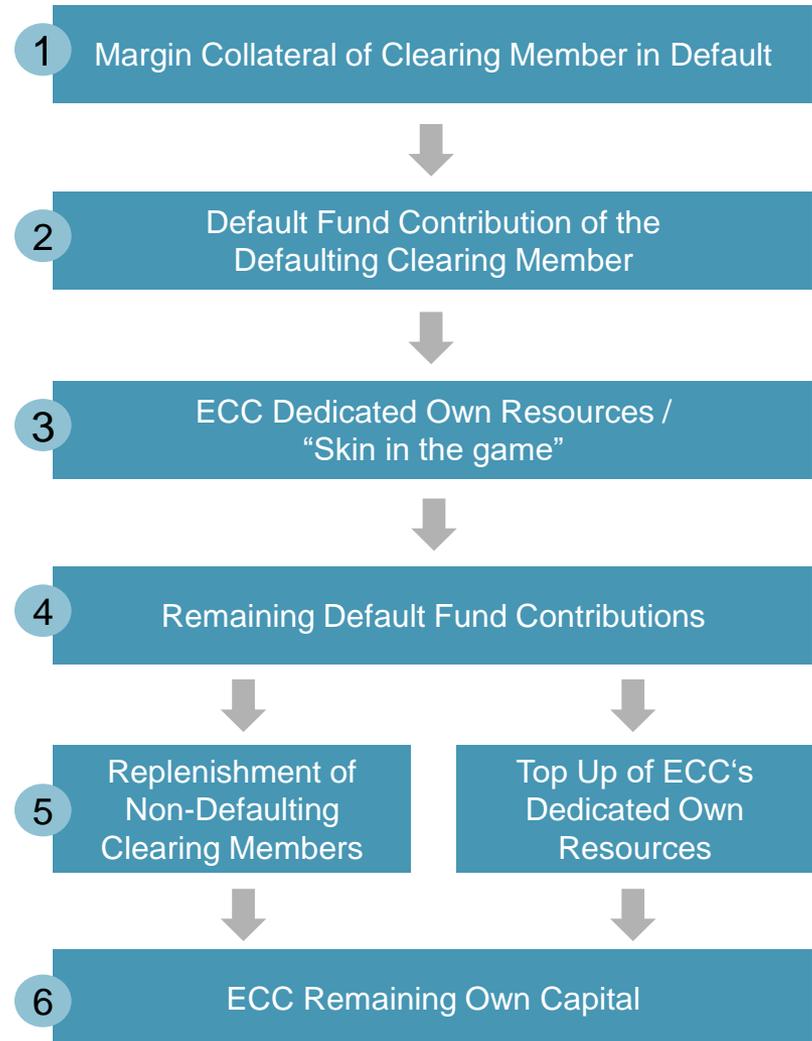
**Financial  
Settlement  
(Payment)**

# Risk Management: a CCP's core function

- ECC mitigates risk for participants through a comprehensive system of limits, margins, our clearing member model and the Default Fund in accordance with regulatory standards (EMIR, CPSS-IOSCO).
- ECC accepts multiple types of collateral including cash, EUAs and a wide range of securities as well as bank guarantees for spot markets.
- ECC provides own funds (“Pre-Funded Financial Resources” or “skin in the game”), which are used in the event of a Clearing Member default before the contributions by non-defaulting Clearing Members to the Default Fund.

Risk management is a CCP's core function and results in **high requirements for the CCP to effectively isolate counterparty risk** (resilient operational/default processes, financial resources, “lines of defense”).

## ECC's Default Waterfall

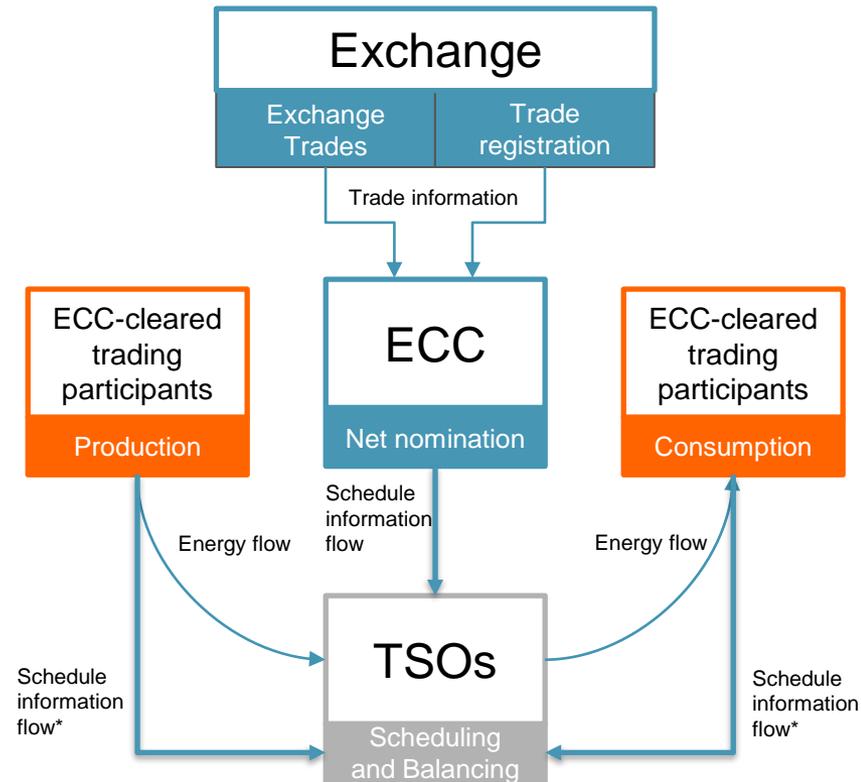
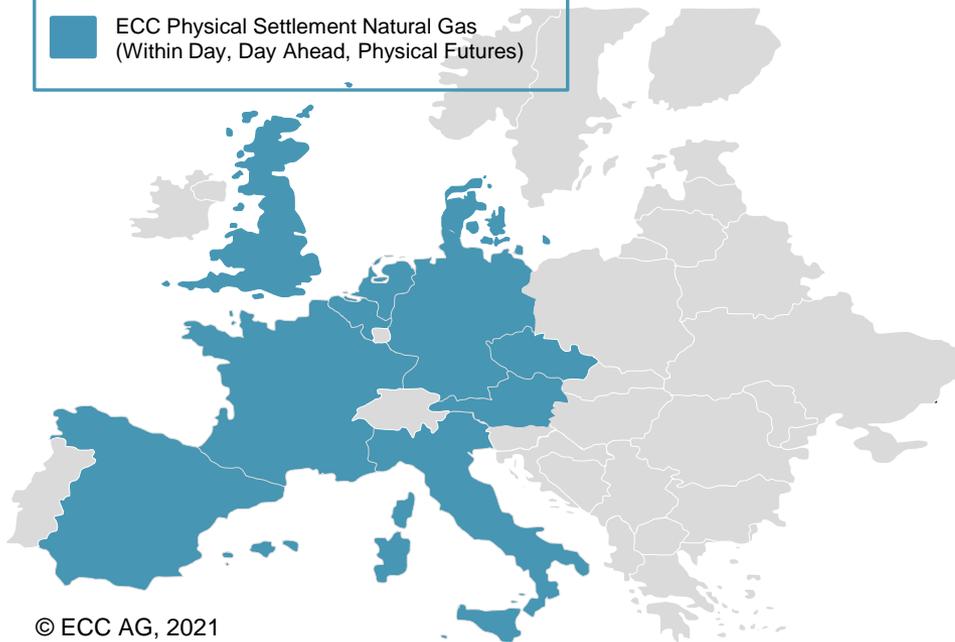


# Physical Settlement Process

## Nomination Process:

- Trade information is gathered from the order book trading on exchange or Trade Registration deals.
- ECC aggregates nominations per market participant (MP) and delivery market time unit for the respective TSO into one nomination schedule.
- TSO confirms the correct matching of nominated schedules by both the MP and ECC as its counterpart. If a mismatch occurs the TSO sends an alarm message.

 ECC Physical Settlement Natural Gas (Within Day, Day Ahead, Physical Futures)



gasunie  
crossing borders in energy

nationalgrid

GRTgaz

snam

CEGH

GASPOOL  
Balancing Services

TEREGA

NetConnect  
Germany  
simply gas

enagas ENERGINET

FLUXYS

# Payment: ECC as a CCP ensures the financial settlement for all transactions

- As the Central Counterparty, ECC carries out **cash settlement** of all transactions concluded on its partner exchanges.



- ECC has a large and **international network of banks** that are involved in the financial settlement. Currently 30 banks are admitted as Clearing Members. Members have the **possibility to switch between these banks** if needed (e.g. backup).

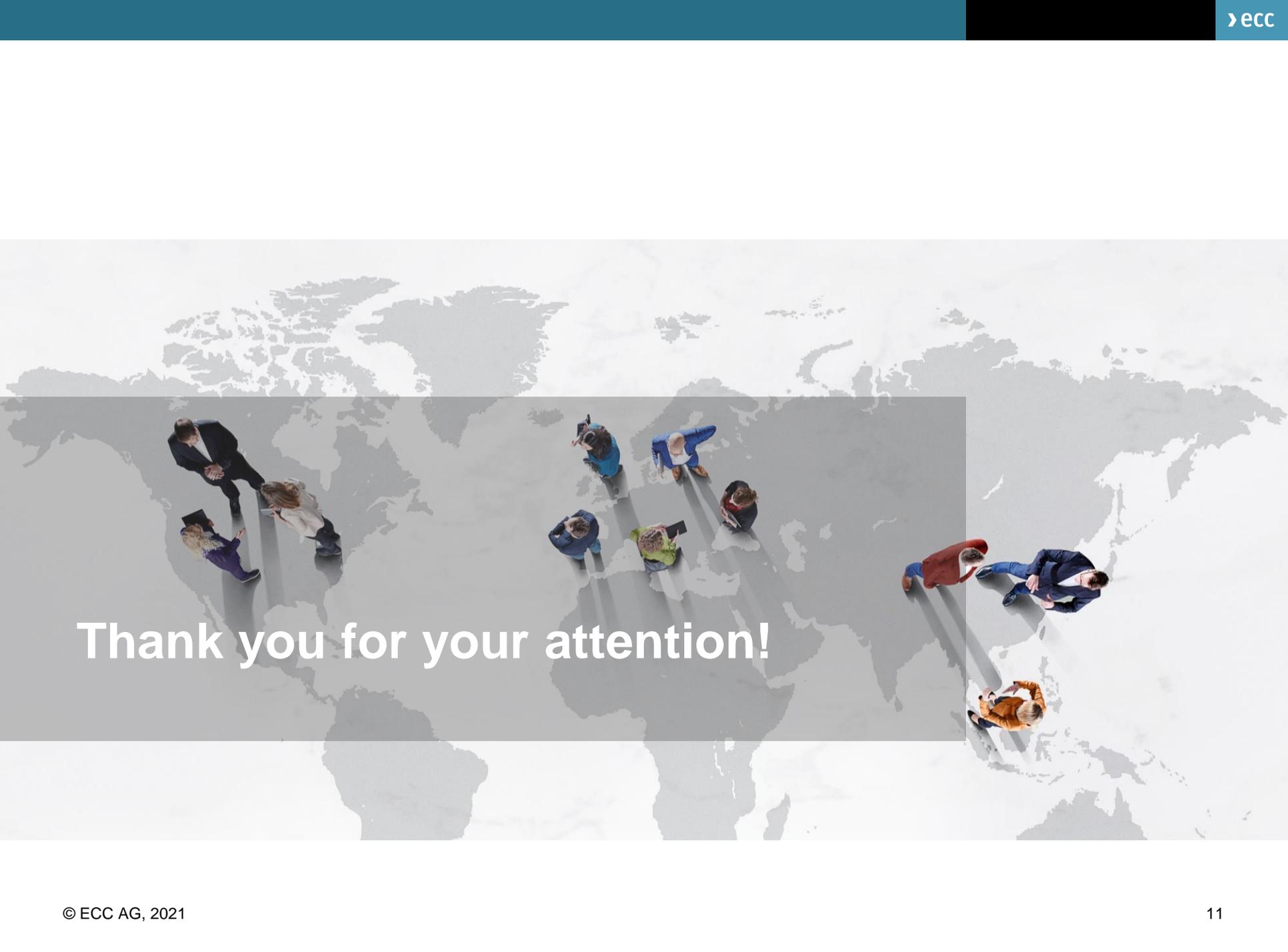
- ECC's financial settlement in Europe is done **via the robust and reliable TARGET2 infrastructure of ECB or with the help of commercial Payment Banks**, where needed.



- ECC is approved as a **designated payment system** according to Article 10 of the Settlement Finality Directive 98/26/EC, **which makes all payments final (i.e. irrevocable in case of bankruptcy)**.
- ECC provides participants with reduced financial exposure through **daily settlement**.

# Benefits of clearing with ECC as a CCP

- With a **global network** of more than 600 participants, clearing banks and TSO's, ECC will find a counterparty for each business.
- With **cross-margining** benefits across nine energy and commodity exchanges, ECC provides capital efficiency to all participants.
- ECC's core competence is **risk management**. ECC relies on a stable infrastructure, standardised processes and several lines of defenses („Default waterfall“)
- ECC is the expert when it comes to **physical** settlement of commodities, offering 24/7 customer support.
- ECC provides full **transparency** of applied risk models and parameters as well as settlement processes to clients.
- ECC offers different **membership models** tailored to the specific needs of clients and markets.

An aerial view of a world map with several groups of business people standing on different continents, engaged in conversations. The map is rendered in a light gray tone against a white background. The people are dressed in professional attire, and their shadows are cast on the map. The text "Thank you for your attention!" is overlaid in white on a semi-transparent gray horizontal band across the center of the map.

**Thank you for your attention!**