

part of eex group



Application form Emission Rights as Margin Credit

15.03.2023
Leipzig

Ref. O07a
Release 005

- only required as scan -

Preliminary remark

The application for the consideration of deposited emission rights in connection with the calculation of the margin-requirement consists of the following steps:

1. Please fill in the application form and sign it in a legally binding manner:
 - i. For the *Applicant*, which must be admitted as a Trading Participant at ECC
 - ii. For the cooperating *Clearing Member*, in case the Applicant is a Non-Clearing-Member
2. Send this application to:

European Commodity Clearing AG Clearing & Settlement Augustusplatz 9 D-04109 Leipzig Germany Phone: +49 (0)341 24680-444 Fax: +49 (0)341 24680-409 E-mail: MemberReadiness@ecc.de

3. ECC shall decide on the application regarding consideration of emission rights in the calculation of the margin-requirement in its free discretion and, if so decided, implement a respective process without a need for explicit declaration of acceptance.

Application

Clearing Members may transfer Emission Rights to the ECC Collateral Registry Account in order to utilize them as margin credit towards ECC. Non-Clearing Members may not transfer Emission Rights to the Collateral Registry Account in their own name and for their own account, but only at the behest of their System Clearing Member.

We hereby apply for the consideration of Emission Rights deposited at ECC's Collateral Registry Account in determining the Applicant's or, in case the Applicant is a Non-Clearing-Member, the cooperating Clearing Member's margin-requirement for the Applicant.

Applicant

Company name:	Member-ID:
	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text" value="E"/> <input type="text" value="X"/>

Contact Person

Contact Person

Telephone number

Fax

E-Mail

Cooperating Clearing Member

(only required if applicant is a Non-Clearing Member)

Company name:	Member-ID:
	<input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/> <input type="text"/>

Contact Person

Contact Person

Telephone number

Fax

E-Mail

Please note: In case the Applicant is a Non-Clearing Member of ECC, the form should first be completed and signed by the Applicant, sent to the cooperating Clearing Member for completion and signing, and then sent to ECC by the cooperating Clearing Member.

Setup

The following section needs to be completed by the Applicant.

(Required) Please select the type of change requested.

- New setup
- Change existing setup
by (Date)
- Deletion of existing setup
by (Date)

(Required) Please select the types of emission rights to be considered.

- EUA – European Union Allowances

Limits

The following section needs to be completed by the cooperating Clearing Member, in case the Applicant is a Non-Clearing Member of ECC.

(Mandatory) Please select the upper boundary for margin-credit granted in relation to the current Margin requirements determined by ECC for the Applicant.

- Margin-credit shall be granted up the current **Initial Margin requirement for Spot** markets plus the current **Collateral Value of an existing Covered Short Position¹** in the respective Emission Rights future product (EMIR Art. 46 (2)) (“*Spot + Derivatives*”)

Example: If the current Initial Margin Spot Market (IMSM) is determined at 500.000 € and the current Collateral Value of a covered short position in emission futures is 200.000 € the margin-credit from emission rights will not exceed 700.000 € at this time.

- Margin-credit to be capped by the current **Initial Margin requirement for Spot** markets (“*Spot only*”)

Example: If the current Initial Margin Spot Market (IMSM) is determined at 500.000 € the margin-credit from emission rights will not exceed 500.000 € at this time.

- Margin-credit to be capped by current **Collateral Value of an existing Covered Short Position¹** in the respective Emission Rights future product (EMIR Art. 46 (2)) (“*Derivatives only*”)

Example: If the current Collateral Value of an existing covered short position in emission futures is 500.000€ the margin-credit from emission rights will not exceed 500.000 € at this time.

The amount of margin-credit is granted **up to 20%** of the Total Initial Margin requirement.

- Usage of emission rights as margin-credit to be capped by a **Relative Limit** of % of the current **Total Initial Margin** requirement for Spot and Derivatives.

Example: With a value of 20% defined here, and the current Total Initial Margin requirement with Initial Margin Spot Market (IMSM) and Initial Margin Derivatives Market (SPAN) determined at 1.000.000 €, the margin-credit from emission rights will not exceed 200.000 € at this time.

(Optional) If required, please provide any additional limits for the amount of margin-credit granted. Multiple limits can be selected; the lowest of all selected limits is applied.

- Usage of emission rights as margin-credit to be capped by an **Absolute Limit** of: EUR.

Example: With a value of 500.000€ the margin-credit from emission rights will never exceed 500.000€.

¹ A "Covered Short Position" consists of a Net Short Position in a Future product (i.e. „Delivery obligation for a number of emission rights at a defined time in the future“) matched by a respective number of eligible emission right already booked in ECC custody.

Process Description

After approval by ECC the Applicant (in case the Applicant is a Non-Clearing Member on behalf of its cooperating Clearing Member) can transfer Emission Rights to be used as collateral to ECC's Collateral Registry Account (EU-100-5016904-0-2). Please note that ECC will only accept 500 Emission Rights or multiples thereof.

The number of Emission Rights eligible for calculating margin-credit is the amount of emission rights booked in the internal inventory account linked to ECC's Collateral Registry Account reduced by all known but yet-to-be settled transfer requests (eligible balance).

Using the eligible balance, the current market value of this position, the applicable haircuts, and risk management limits, a monetary value ("margin-credit") is calculated, combined into the current margin-requirement, and published into the ECC margining system.

Increased margin-credit caused by increased eligible balance, higher market value of emission rights, or similar may result in a reduced overall margin-requirement. This may free up other deposited collateral accepted by ECC for margining purposes, i.e. cash or securities.

Reduced margin-credit caused by reduced eligible balance (e.g. by a transfer request), lower market value of emission rights, more restrictive risk management conditions, or similar may result in an increased overall margin-requirement that must be fulfilled through other collateral accepted by ECC for margining purposes, i.e. cash or securities.

Declarations

1. This application and the options contained herein relate to the calculation of the margin-collateral to be provided to ECC by the Applicant or in case the Applicant is a Non-Clearing-Member, the cooperating Clearing Member for the Applicant's activities.
2. ECC will calculate the amount of margin-credit granted in its free discretion but in accordance to the limits expressed herein.
3. In case the Applicant is a Non-Clearing Member of ECC, the cooperating Clearing Member will pass on a reduction or an increase in the margin-requirement to the Applicant as a revised margin-requirement to be fulfilled by the Applicant in a form of collateral accepted by the Clearing Member. According to ECC Clearing Conditions, margin collateral deposited by the Applicant at the Clearing Member must not be lower than margin collateral requested by ECC for the Applicant.
4. ECC may suspend or terminate the consideration of the Applicant's emission rights in determining the margin-requirement at any time and in its free discretion.
5. In case the Applicant is a Non-Clearing Member of ECC, the Applicant needs to ensure that sufficient replacement collateral in a form accepted by the Clearing Member is deposited at the cooperating Clearing Member in case of a collateral release. Clearing Members of ECC, need to ensure that sufficient replacement collateral in a form accepted by ECC for margining purposes (cash, securities) is deposited at ECC before any transfer from the ECC Collateral Registry Account can be carried out.
6. In case the Applicant is a Non-Clearing Member of ECC and transferred Emission Rights to the ECC Collateral Registry Account, it may request the delivery of Emission Rights from the Clearing Member's share in Collective Holdings in the Collateral Registry Account upon declaration of approval by its Clearing Member. Such declaration (ECC Form O07b) of approval must be received by ECC on a Business Day. Upon receipt of such approval Emission Rights can be transferred to the non-ECC registry account of the Applicant.
7. The Applicant shall be entitled but not legally bound to provide Emission Rights as a basis for determining a margin-credit hereunder.

This document shall be governed by the laws of Germany.

DATA PROTECTION DECLARATION

The undersigned assures that he has fully informed the contact persons named in connection with the contract, the exchange membership relationship or other legal relationships about the transfer of their personal data and that he has brought to their attention the DATA PROTECTION DECLARATION which can be found on our company websites.

On behalf of the *Applicant*:

Place	Date	Company stamp and legally binding signature(s)

On behalf of the cooperating *Clearing Member (only if Applicant is a Non-Clearing Member)*:

Place	Date	Company stamp and legally binding signature(s)