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Guide to Pre-Trade Limits for Clearing Member (CM)

Clearing Operations
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Disclaimer and contact

This is a summary document about the functionality of Pre-Trade Limits for Spot Markets cleared by ECC. This document may not provide complete information and is not legally binding. For further details, please refer to ECC Clearing Conditions and ECC Risk Management Services Manual on our website or under chapter Further documents.

For questions, please contact clearing@ecc.de or +49 (0) 341 24680 444.

What is a Trading Limit?

The purpose of a Pre-Trading Limit which for sake of simplicity is referred to as purely Trading Limit in the pages to follow is to restrict the maximum risk exposure, which a market participant can build up for a defined market during a defined period of time. The value of the Trading Limit can be adjusted for every market separately at dedicated points in time. A Trading Limit therefore defines the maximum tolerable risk exposure that is allowed during a particular time frame. Each executed trade and placed order is compared to this overall boundary effectively reducing the "free limit capacity". After a well-defined period of time – for most market places from 4pm CET until 4pm CET the next day – has passed the free limit capacity is set back once again to the trading limit value or the new trading limit value send while obeying still any standing orders placed on the markets.

How does the Trading Limit process work?

1. Clearing Members and the NCM agree on the Trading Limit for the respective Market. When one of both parties is setting a different Trading Limit, then the lower Trading Limit will be used for the respective market

2. Clearing Member enters the Trading Limit into the ECC Member Area. NCM can only change the own Trading Limit, which has been created by the NCM.

3. At regular times of the day, ECC posts the limits towards the respective Trading System – if any limit cannot be processed, the Trading System provides a processing error

4. ECC makes processing errors available to the CMs

5. Orders entered will be checked for compliance against the latest Trading Limit. If a limit reduction leads to breaching the limit, open orders will be withdrawn and have to be re-submitted by the client
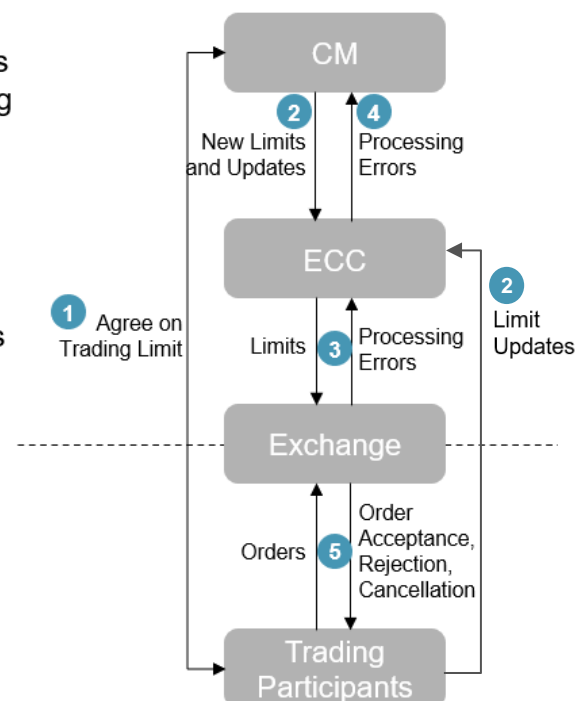
How can I manage my Trading Limits?

Most of the Spot Trading Limits can be set up by in the ECC Member Area.
Users with the user role "ReadWriteLimit" can read, create, modify and cancel
Trading Limits in a four-eye-principle in the ECC Member Area.

Users with the user role "ReadLimit" cannot create, modify, approve or cancel
Trading Limits. They are only allowed to read the limits.
The user setup for the ECC Member Area to manage Trading Limits can be modified
by submitting the T10s form to memberreadiness@ecc.de.

How can I manage Trading Limit for NCM trading participants?

CM-users can view under "Limit Maintenance" and Approval State "Approved" those limits of associated Non-Clearing Member (NCM), which have been created by two users of the CM. A CM-user needs the role "ViewClient" to monitor the limits for the NCM. The search result the ECC Member Area shows only the most up to date/recent limit version.

Furthermore, limits which have been set by the NCM cannot get viewed by CM-users.

If two CM-users want to create, modify or cancel a limit for an associated NCM in a four-eye-principle, the users need the roles "ReadWriteLimit" and "ViewClient". When the current limit has been set by the CM, the limit has to get changed by the CM. The NCM cannot change this limit and have to correspond bilateral with the CM.
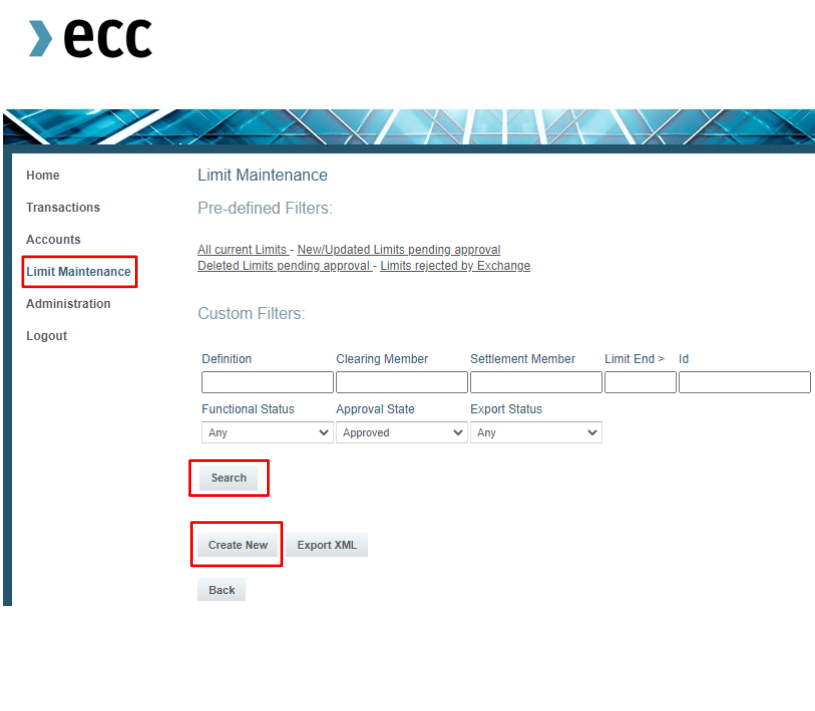
Details of a Trading Limit

A Trading Limit has several features, which are in more detail defined in the following overview.

Id	V	Limit Definition	Clear. Member	Settlm. Member	Limit Begin	Limit End	Value	Export	Action
89	0	EEX_EM_AUCTION_EUR	ABCEX/ECC	ZZZEX	2021-05-28		10000.00	☑	✖

Id	The ID of the limit
V	V is the version of a limit. If the current Trading Limit is modified (e.g. limit adjustment), the system will create a new version of the Trading Limit
Limit Definition	The Limit Definition describes the defined market, where the Trading Limit is placed
Clear. Member	The ECC Member ID of the Clearing Member, if the limit was created by a Clearing Member-user
Settlm. Member	The NCM is also defined as Settlement Member, so this column shows the Member-ID of the NCM
Limit Begin	Limit Begin defines the first date, when the limit comes into effect
Limit End	A Limit End shows the expiry date of the Trading Limit
Value	Displays the respective limit value
Export	The export status of the limit version, i.e. the transmission status for the transfer of the limit to the respective partner exchange
Action	Contains the options to approve or reject a pending created, adjusted, or deleted Trading Limit because of the four-eye approval process

Example for the Workflow in detail to set limits for NCMs

The following table will show you in detail the process for setting a limit for a Non-Clearing Member. (CM = ABCEX / NCM = ZZZEX)

Log-in into the ECC Member Area with the credentials, which you've received after the admission through Member Readiness (Link: Member Area) or ecc.de/en/ → Member Section → ECC Member Area	
After the log-in, select on the left menu switch "Limit Maintenance" to create a new Trading Limit with the button "Create New" underneath the table or to get an overview above the existing approved Trading Limit by using the "Search" button.	

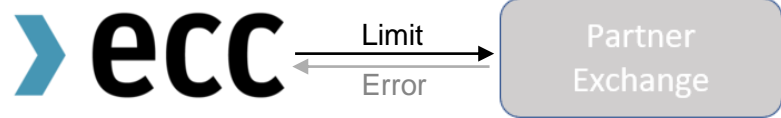|	
After clicking the button "Create New", a user with the user roles "ReadWriteLimit" and "ViewClient" is creating a new limit for the NCM in ECC Member Area	**Edit Limit** Limit successfully saved. Please note: The pending Limit has to be verified by another user. ID: 85 Functional Status: Created Limit Definition: EEX_EM_AUCTION_EUR ∨ Name: [ ] Settlement Member: ZZZEX Remove [∨] Add Limit Value: 10000 EUR Limit Begin: 2021-05-25 Effective Begin: 2021-05-25 Limit End: unlimited Effective End: unlimited Creator: Clearing Member CCP: [∨] Clearing Member: ABCEX/ECC ∨ TSO: [∨] Reset Overview
If there is already a valid Trading Limit for the NCM at the defined market, the system provides an information about the overlap. Only the lowest Trading Limit from CM or NCM is valid.	Attention! Similar limit with the same Limit Definition and overlapping validity period detected for this Settlement Member. If you still want to proceed, please check 'Ignore duplicate / overlapping limits' and press 'Confirm' again. Affected limits (Limit ID:Version): 67:0, 81:0 ☐ Ignore duplicate / overlapping limits
A second user with the user roles "ReadWriteLimit" and "ViewClient" has to approve the created Trading Limit. After the approval, the Trading Limit will be forwarded to ECC.	Definition [ ] Clearing Member [ ] Settlement Member [ ] Limit End > [ ] Id [ ] Functional Status [Any ∨] Approval State [Pending ∨] Export Status [Any ∨] Search Id V Limit Definition Clear. Member Settlm. Member Limit Begin Limit End Value Export Action 85 0 EEX_EM_AUCTION_EUR ABCEX/ECC ZZZEX 2021-05-25 10000.00 👍👎 Found 1 limits.

ECC forwards the Trading Limit to the Trading System, if the limit cannot be processed, the Trading System provides ECC information, whether the limit is processed or rejected and will be displayed in the ECC Member Area	
The Export Status gives information, if the Trading Limit is confirmed by the exchange or not. Created = Limit export pending Initiated = Limit awaiting response from exchange Processed = Limit confirmed by exchange	
To modify a Trading Limit, click on "ID" at the approved limit and select "Edit". To cancel a Trading Limit, click on the red cross under "Action" behind the limit. Both procedures have to be approved by a second user.	
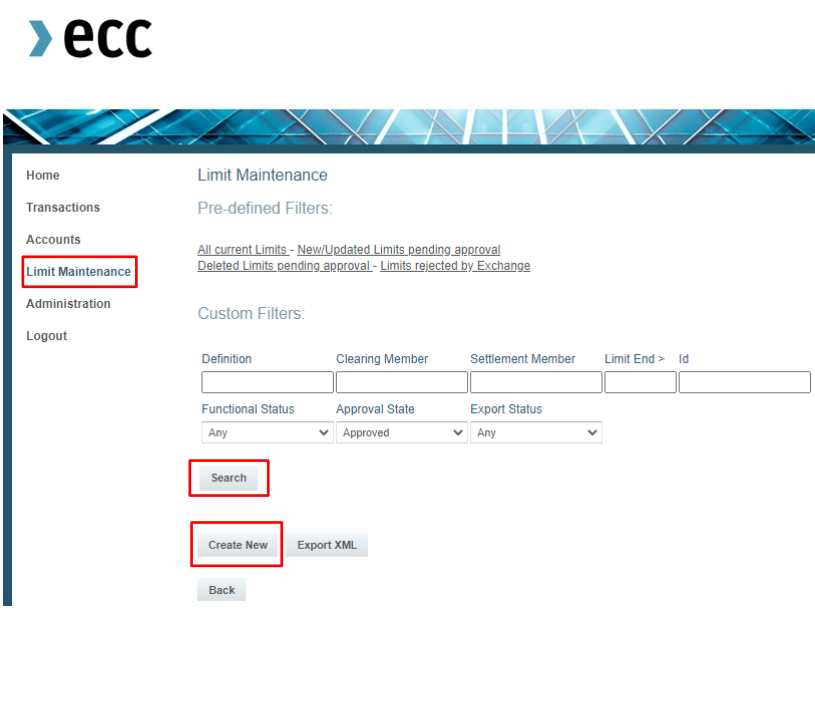
Example for the Workflow in detail for a Clearing Member

The following table will show you in detail the process for own trading activities for a <u>Clearing Member</u>.

Log-in into the ECC Member Area with the credentials, which you've received after the admission through Member Readiness (Link: Member Area) or ecc.de/en/ → Member Section → ECC Member Area	
After the log-in, select on the left menu switch "Limit Maintenance" to create a new Trading Limit with the button "Create New" underneath the table or to get an overview above the existing approved Trading Limit by using the "Search" button.	

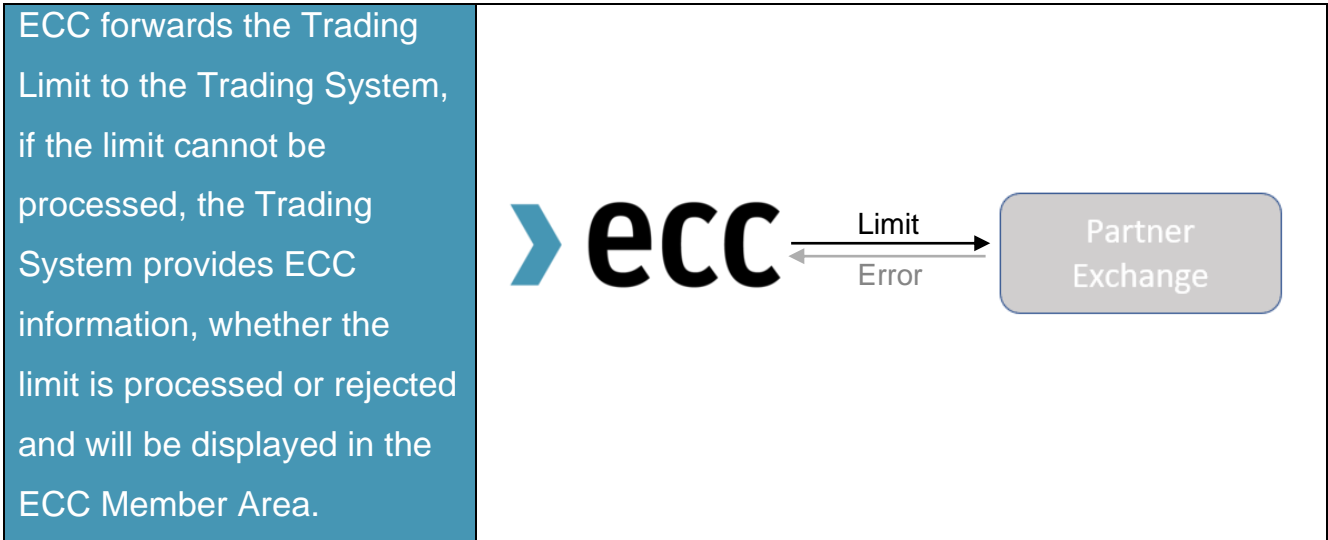|	
After clicking the button "Create New", a user with the user role "ReadWriteLimit" is creating a new limit for the CM in ECC Member Area	**Edit Limit** Limit successfully saved. Please note: The pending Limit has to be verified by another user. ID: 137 Functional Status: Created Limit Definition: EEX_EM_AUCTION_EUR ▾ Name: [ ] Settlement Member: ABCEX [Remove] [▾] [Add] Limit Value: 50000 EUR Limit Begin: 2021-07-23 Effective Begin: 2021-07-23 Limit End: unlimited Effective End: unlimited Creator: Clearing Member CCP: [▾] Clearing Member: ABCEX/ECC ▾ TSO: [▾] [Reset] [Overview]
If there is already a valid Trading Limit for the CM at the defined market, the system provides an information about the overlap.	Attention! Similar limit with the same Limit Definition and overlapping validity period detected for this Settlement Member. If you still want to proceed, please check 'Ignore duplicate / overlapping limits' and press 'Confirm' again. Affected limits (Limit ID:Version): 67:0, 81:0 ☐ Ignore duplicate / overlapping limits
A second user with the user role "ReadWriteLimit" has to approve the created Trading limit. After the approval, the Trading Limit will be forwarded to ECC.	Definition [ ] Clearing Member [ ] Settlement Member [ ] Limit End > [ ] Id [ ] Functional Status [Any ▾] Approval State [Pending ▾] Export Status [Any ▾] [Search] | Id	V	Limit Definition	Clear. Member	Settlm. Member	Limit Begin	Limit End	Value	Export	Action
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137	0	EEX_EM_AUCTION_EUR	ABCEX/ECC	ABCEX	2021-07-23		50000.00		👍👎	 Found 1 limits.

ECC forwards the Trading Limit to the Trading System, if the limit cannot be processed, the Trading System provides ECC information, whether the limit is processed or rejected and will be displayed in the ECC Member Area.	

Placement of an order:

The Clearing Member (CM) can place orders at the exchange for the defined market across the Trading System.	
Placed market orders or limited orders by the CM will forwarded to the exchange. Executed trades are hold against the limits.	

If you have any questions about this document, please contact us under: clearing@ecc.de or +49 (0) 341 24680 444.

Further documents

ECC Rules and Regulations
http://www.ecc.de/ecc-en/about-ecc/rules

ECC Risk Management Services
https://www.ecc.de/en/risk-management/trading-limits

ECC Margining and ECC Risk Parameter File
http://www.ecc.de/ecc-en/risk-management/margining

ECC Price List
http://www.ecc.de/ecc-en/about-ecc/rules/price-list

ECC Member Area User Guide
http://www.ecc.de/ecc-en/member-section/user-guides-manuals