

KELER CCP Announcement – No. 02/2020

Threshold regarding forwarded
ECC default fund

Effective from: 1 January 2020

Provisions in respect of forwarded ECC default fund regarding IX of KELER CCP Ltd.'s General Business Rules as follows.

Threshold

Threshold value: Ten million Euro that is **EUR 10,000,000** (warning level: 80%).

Proportional allocation

In line with the General Business Rules of KELER CCP the following process is applicable.

As a principle of proportionality, the basis for allocation shall be the sum of the individual collateral determined by ECC for a given Energy market non-clearing member and the total individual collateral defined by ECC for each energy market non-clearing member settled by KELER CCP:

$$\text{Individual contribution (\%)} = \frac{\text{Sum of individual risk determined by ECC}}{\text{Sum of total individual risk determined by ECC}}$$

The quotient of individual contribution will be determined based on the individual risk calculated by ECC on the day of determination.

Settlement cut-off

Following the determination, KELER CCP will inform Energy market non-clearing members via email about the amount of the forwarded ECC default fund, which shall be settled at 10:00 a.m. on the following clearing day. The amount will be deducted from the Energy market non-clearing member's settlement account in line with the rules applicable for daily margin requirement settlement.

In case of using and replenishment of the ECC default fund as ordered by ECC due to default, Energy market non-clearing members shall settle their default fund contribution until the tenth (10th) clearing day following the determination of the obligation at the latest. In case of delay or failure to perform the forwarded ECC default fund, KELER CCP will act in accordance with the default rules of the General Business Rules applicable.

If the forwarded ECC default fund contribution provided by the Energy market non-clearing members falls below the threshold level, KELER CCP shall return the contribution collected to the Energy Market Non-Clearing Members account according to the distribution ratios set on the day of transfer until 10:00 a.m. on the clearing day.

Examples for applying the threshold:

1. Example: ECC default fund requirement is EUR 7.9 Million

The current ECC default fund requirement as determined by the ECC is EUR 7,900,000. Taking into account the announced threshold, the contribution of the ECC default fund is fully provided by KELER CCP, and there are no obligations for Energy market non-clearing members. The warning value is not reached by the current default fund requirement.

2. Example: ECC default fund requirement is EUR 8.3 Million

The current ECC default fund requirement as determined by the ECC is EUR 8,300,000. Taking into account the announced threshold value, the ECC default fund contribution will be provided by KELER CCP. The requirement exceeds the warning level (80%), there Energy market non-clearing members shall be notified via email. Energy market non-clearing members have no settlement obligation.

3. Example: ECC default fund requirement is EUR 11.7 Million

The current ECC default fund requirement as determined by the ECC is EUR 11,700,000. Taking into account the announced threshold value, the ECC default fund contribution of EUR 10,000,000 will be paid by KELER CCP. The tranche above the threshold (EUR 1,700,000) shall be distributed in a proportionate manner among the Energy market non-clearing members.

Calculation example for proportional distribution:

1. Calculated risk for a given individual Energy market non-clearing member determined by ECC = EUR 270,000
2. Calculated risk determined by ECC for all Energy market non-clearing members of KELER CCP = EUR 43,771,826.80.

Individual quotient (rounded to four decimals) for the given Energy market non-clearing member = $270,000 / 43,771,826.80 = 0.6168 \%$.

On the basis of the quotient, the amount of the forwarded ECC default fund to be fulfilled by the relevant Energy market non-clearing member (rounded to the nearest integer) = $EUR 1,700,000 \times 0.6168\% = EUR 10,486$.

4. Example: Using and replenishment of ECC default fund due to default

In line with the ECC Clearing Regulation, if one or more Clearing Member defaults, the ECC is entitled to use the default fund. If the default fund is used, ECC will recalculate the default fund and order replenishment to the extent of the original (pre-use) contribution. In this case, KELER CCP is entitled to transfer the new default fund contribution, subject to the amount of the pre-call

default fund contribution. Thus, if the initial contribution is below the threshold, but after the draw, both the used and the replenishment obligation collectively exceed the threshold, then the contribution obligation of the Energy market non-clearing members will be determined in the same way as in Example 3.

Budapest, 20 December 2019

Sincerely,
KELER CCP Ltd.