

# ECC Default Management Simulation

## Summary

Beginning Monday 28 October 2024, ECC will perform its annual default simulation including external stakeholders. This exercise will focus on practicing close-out and risk-mitigation procedures for Clearing Member defaults, as mandated by EU Regulation 648/2012 (EMIR).

This clearing circular contains information about the default simulation and is relevant for all ECC members. ECC encourages all members to actively take part in the simulation.

### Contact

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## Default Simulation 2024

ECC's annual default simulation will take place across an entire week. Please see below a description including date and **approximate** timing of each test element:

#	test element description	participant	date	approx. time
1	ECC to send <ul style="list-style-type: none"> <li>Indicative default portfolio</li> <li>Auction details</li> <li>List of potential participants</li> </ul>	Trading Participants, Clearing Members (CM)	28.10	14:00
2	1 <sup>st</sup> default auction ECC to send actual default portfolio Bidding phase starts (60mins)	Trading Participants, Clearing Members	29.10	09:00
3	1 <sup>st</sup> default auction Trading participants send quotes Matching phase starts (120mins)	Trading Participants, Clearing Members	29.10	10:00
4	1 <sup>st</sup> default auction complete ECC to send trade confirmations	Trading Participants, Clearing Members	29.10	12:00
5	2 <sup>nd</sup> default auction (optional) ECC to send actual default portfolio Bidding phase starts (60mins)	Trading Participants, Clearing Members	29.10	13:00
6	2 <sup>nd</sup> default auction Trading participants send quotes Matching phase starts (120mins)	Trading Participants, Clearing Members	29.10	14:00
7	2 <sup>nd</sup> default auction complete ECC to send trade confirmations	Trading Participants, Clearing Members	29.10	16:00
8	ECC to send information regarding partial tear up to participating CMs and Trading Participants	Trading Participants, Clearing Members	30.10	12:00

Given the importance of stress tests, ECC encourages its Clearing Member to actively participate in the auctions, which can be done via proprietary trading desks or agency account quotes.

### **How can members participate?**

All Clearing Members (CMs) and Non-Clearing Members (NCMs) admitted for trading derivatives products at EEX, HUDEX, NOREXECO and EEX Asia that wish to take part in the simulation are invited to send an e-mail including their contact details to your sales representative or to **defaulttest@ecc.de** or via phone on +49 341 24680-444 until latest Friday, 11 October 2024.

Non-Clearing Members (Trading Participants):

- NCMs that participate in the simulation (“simulation participants”) will be invited to at least one and possibly more (simulated) default auctions in various ECC-cleared derivatives products on the day of the test.
- Participation is only possible in products the NCM is admitted to.

Clearing Members:

- CMs are expected to participate in the default auction as a trading participant for products in which they hold positions either on behalf of clients (eg “agency” account positions held via a CM A account) or proprietary account positions.
- According to ECC’s clearing conditions a CM can restrict their NCMs from participating in the voluntary default auction. ECC will send a list of NCMs that are participating in the auction to the respective CM.

### **Registered Default Contacts**

This is a reminder that all Clearing Members and Non-Clearing Members must register and maintain contacts for default purposes, as stipulated in the ECC Clearing Conditions (sections 2.1.2 5 (e) and 2.2.1 (d)). It is imperative that existing members update their default contacts as part of the default simulation setup. This can be done for Clearing Members via the CM04 form, found here <https://www.ecc.de/de/access/admission-forms>. Alternatively both Clearing Members and Non-Clearing Members can be added as

registered default contacts by email instruction to [memberreadiness@ecc.de](mailto:memberreadiness@ecc.de) from an authorized representative.

## **Procedure**

The simulation will consist of different stages conducted throughout the day. After the simulated default has been declared by ECC and the transfer period for NCMs has been completed the auction stage will be carried out. ECC might execute multiple auctions during the simulation. For reasons of certainty and simplicity, ECC will restrict the number of auctions to a maximum of two consecutive auctions in a single day.

ECC will inform simulation participants about the start time of the default auction via email.

ECC will contact all affected CMs with a list of their NCMs participating in the auction. With respect to the voluntary auction, CMs can object to the participation of certain members in accordance with chapter 3.12.1 (2) of ECC's clearing conditions. If ECC does not receive feedback to the contrary, all listed members will be deemed able to participate in the auction.

Details on the simulation implementation will be sent directly to the simulation participants in advance.

Please don't hesitate to contact us should you have further questions on [defaulttest@ecc.de](mailto:defaulttest@ecc.de) or via phone on +49 341 24680-444.