

# Admission process and documents

Dina Lašová



## Summary of steps to be taken

### ECC Members

1. submit the TP PXE 1a, 1b and 2
2. update NCM07 (VAT form) if necessary
3. update the appendix of NCM 02 (trilateral clearing contract) if necessary
4. sign new contract with PXE
5. sign the Deed of Novation
6. perform the Trayport mappings (the trading gateway users only)

### ECC Non –members

1. complete the admission process of ECC
  - Submit complete application
  - Complete KYC procedures
  - Sign a trilateral clearing contract

***PXE will assist with the application***

2. sign new contract with PXE
3. sign the Deed of Novation
4. perform the Trayport mappings (the trading gateway users only)



## Deed of Novation draft

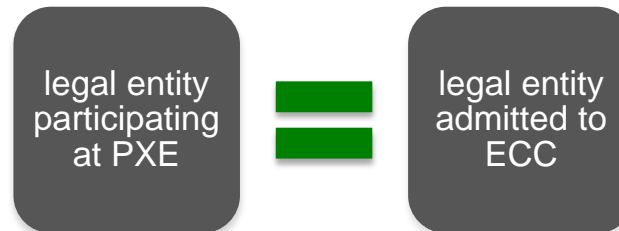
- the final draft will be distributed in the week beginning with March 25, 2013 for participants' review
- participants are requested to review this document at their earliest convenience
- the comments and revisions (if any) should not be sent to PXE later than **April 15, 2013**
- this document will have unified wording for all participants, no individual versions are possible
- should major and reasonable legal issues arise from the participants' feedback PXE will revise the agreement on the its best effort basis
- on **April 22, 2013 final version** will be published => after publishing the final version no further revision will be possible

## New PXE Agreement draft

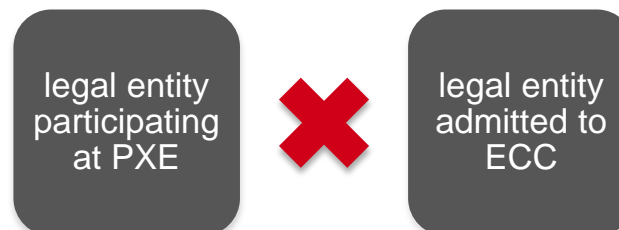
- final version will be distributed on the week beginning with **March 25, 2013**
- reasonable revisions from participants will be accepted on individual basis provided that these revisions are not in contrary either with the ECC clearing principles and admission procedures or with PXE rules
- PXE will ask participants to send 2 signed copies to PXE. PXE will sign the contract once ECC confirms that the respective participant has completed the admission process.

## Is our company ECC member?

- ✓ You are considered as ECC member only if the legal entity participating on PXE is the same as the legal entity admitted to ECC



- ✗ You are NOT considered as ECC member if the legal entity participating on PXE is an affiliated company of the legal entity admitted to ECC => in this case you may be subject to fast tract admission: application must be submitted; KYC may not be required, if ECC decides so



## ECC members

- TP PXE 1a and 1b form
  - these forms request information regarding the physical settlement of power futures ie. EIC codes and balance circle contracts
  - different forms for own balancing contract and 3rd party balancing contract
  - PXE will distribute to all participants forms with information currently known to PXE prefilled
- TP PXE 2
  - this form request information regarding the financial settlement as well as Czech spot trades (physical fulfillment of financial futures inclusive)

*for spot trades ECC will perform the financial settlement and PXE (EnCC) will perform the role of CCP, therefore, the spot trades are considered to be financial contracts from the ECC perspective*



## ECC members

- NCM 07 (VAT Form)
  - should be updated only if you have different place of taxable supply regarding VAT for some of the PXE markets from what you have already reported to ECC
- NCM 02 (trilateral clearing agreement)
  - ECC will publish new versions of these contracts where PXE will be included in the appendix
  - should be updated only if
    - you have signed old version of this contract
    - you haven't checked the option „all markets“ in the appendix => in this case you must sign new version of the appendix with checked option for PXE
  - your ECC clearing member will assist you with this document

## ECC non-members

- complete application must be submitted to ECC
  1. application NCM 01 with all requested documents
  2. KYC form with all requested documents
    - PXE will perform the first KYC scoring
    - ECC will perform the second KYC scoring
  3. NCM 02 - trilateral clearing agreement
  4. TP forms
    - PXE 1a and 1b and 2 as the case may be
  5. NCM 07 - VAT form
  6. respective technical form should you wish to subscribe to ECC reports or consider some kind of EUREX connection
- PXE will assist with points 1., 2. and 4



## All PXE participants – New participation contract with PXE

- new wording will reflect the change of the clearing house and subsequent changes in the respective PXE rules and regulations
- election sheet will be simplified to cover the trading authorization for respective markets and will require only information connected to the common PXE-OTE day-ahead market

Why is the common PXE-OTE day-ahead market covered in PXE agreement?

*PXE (EnCC) will continue acting as CCP in the trades concluded on such market and will continue invoicing the delivery ensuing from such trades (physical fulfillment of financial futures inclusive)*

- information regarding both the physical and financial futures will be included in the respective TP form issued by ECC

## All PXE participants - Deed of Novation

- Multilateral agreement between PXE Participant, PXE, ECC, CSD, Current PXE Clearing bank, new ECC clearing bank and all three central clearing counterparties involved in the deals
- **Must be signed by ALL PXE PARTICIPANTS regardless the existence of open position**

- Why?

*Because the document is signed weeks before the transfer date. On the date of signature there might be no existing open position but before the transfer itself the a position may be opened and, therefore, transferred.*

## Deed of Novation - content

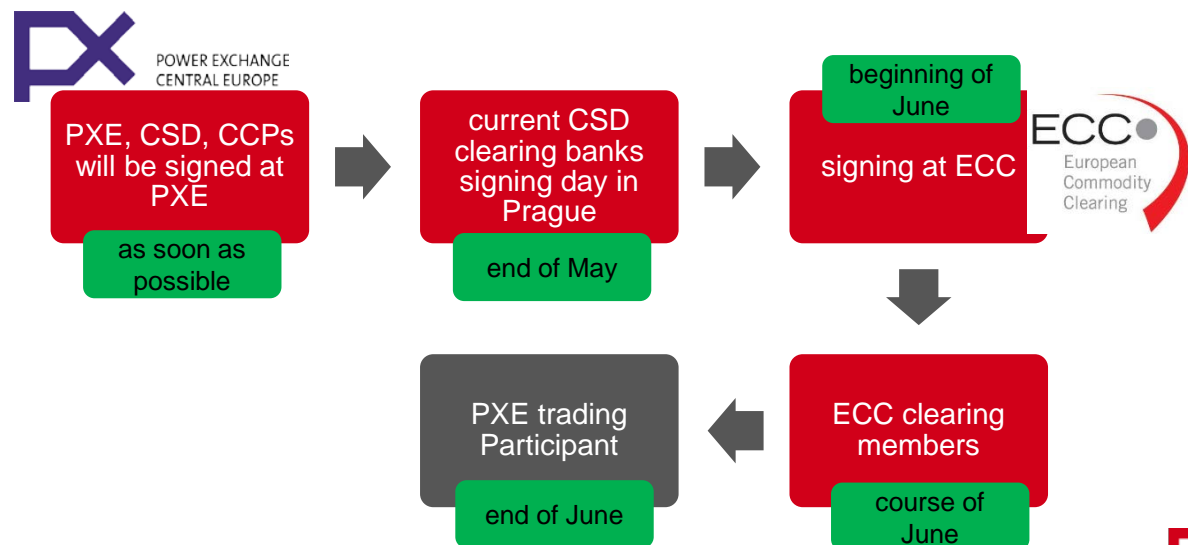
- Deed of Novation legally covers only the process of transferring the open positions from the books of CSD into the books of ECC and the subsequent procedures of the clearing members
  
- The transfer of the open position is subject to the following preconditions:
  - ALL open positions are subject of the Deed
  - PXE participant must be admitted to ECC before the go live date (detailed deadlines further in the presentation)

## Deed of Novation - signing

1. PXE
2. PXE trading participant („TP“)
3. CSD Prague => acts as „payment agent“ and performs the physical as well as financial settlement of the trades. Doesn't act as CCP.
4. Central Counterparty, a.s. => act as CCP for Czech Republic
5. Central Clearing Counterparty, a.s. => acts as CCP for Slovakia
6. Energy Clearing Counterparty, a.s. => acts as CCP for Hungary
7. ECC will replace the CSD and all CCPs in providing all services regarding clearing and settlement
8. Current PXE Clearing bank (resp. CSD clearing member) => doesn't hold the position of the participant; fully guarantees the TP's obligations with regard to trades concluded on PXE
9. ECC clearing member => takes over the liability for open positions of TP

## Deed of Novation - signing

- 9 counterparties => 18 signatures
- the process will be very time consuming and difficult to handle
- ECC clearing bank must be known to PXE as soon as possible but **no later than May 20, 2013** so that we are able to start the signature process



## Process of open positions transfer

- Thursday, August 29 - end of the trading day
  - PXE calculates variation margin (mark to market)
- Friday, August 30
  - PXE halts trading - all PXE markets **are closed**
  - position transfer occurs
  - PXE performs the scheduling for delivery of August 31
- Saturday, August 31
  - ECC performs the scheduling for delivery of September 1st
- Sunday, September 1st
  - 00:00 ECC becomes the official clearing house and CCP for PXE transactions
- **Monday September 2nd – all transactions are cleared by ECC**

## What If - ECC admission not completed

- **PXE Participant is not admitted to ECC by July 19, 2013**
  - PXE will investigate the status of the proces and potentially will try to find an alternative solution or help
  - if the admission is not likely to happen in next few days PXE will hand over to the participant a termination notice with 30 calendar days termination period => the date of the termination notice will not be revealed in advance
  - Should PXE participant not complete the admission process by the end of the termination period PXE will close all open position on the last day of the termination period and terminates the participanton contract

## What if - Deed of Novation not executed

- **PXE Participant will not have the Deed of Novation executed by July 19, 2013**
  - PXE will investigate the status and will ask participant to provide the document as soon as possible
  - should the participant fail to provide the document upon notice PXE will hand over to the participant a termination notice with 30 calendar days termination period
  - should PXE participant not submit the document by the end of the termination period PXE will close all open position on the last day of the termination period and terminates the participation contract
  - In case the admission process of ECC is completed and the deed of novation is provided before the end of the termination period, the termination will be revoked



## Other Issues

- PXE will publish new set of rules - Trading Rules, Membership Rules, Standardization of Commodity Contracts no later than one month before the go live date
- PXE will adjust the trading periods of respective contracts pursuant to the ECC clearing standards
  - New mapping instructions will distributed to the Trading Gateway users and to Trayport for the Gold mapping service purposes till the end of June
  - GlobalVision front-end users will not be required to perform any action => the products roll automatically on the screen
- PXE will introduce new web based PXE monitor for the spot market - regular spot orders, the physical fulfilment of financial futures and respective reports

# Critical dates and deadlines

