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eurex clearing *circular 010/11*

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Recipients: All Clearing Members of Eurex Clearing AG and Vendors
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Eurex/EEX Cooperation: Separation of Primary and Secondary Trading on Eurex/EEX Futures Market for EU Emission Allowances

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Content may be most important for:

➲ All departments

Attachments:

none

Summary:

This circular provides information about the separation of Eurex/EEX primary market and secondary market trading in EU emission allowances on the derivatives market with effect from **March 1, 2011.**

Within the framework of the Eurex/EEX cooperation these contracts are also available to Eurex Trading Members.

Eurex/EEX Cooperation: Separation of Primary and Secondary Trading on Eurex/EEX Futures Market for EU Emission Allowances

Changes in primary and secondary trading

Effective March 1, 2011, the European Energy Exchange (EEX) and Eurex Deutschland will separate primary and secondary markets trading in EU emission certificates on the EEX derivatives market. In addition and effective the same date, the European Clearing Corporation (ECC) will implement separate settlement processes for trades concluded in primary auction and trades concluded on the secondary market. This circular provides information about changes in product set-up, the procedure on the day of conversion (position transfer), adjustments to the delivery processes and margining.

Continuous trading as of the second commitment period will take place solely via product FEUA. Product F2EA will only be used for primary market auctions.

As of March 1, 2011, EUA products on the EEX derivatives market will be tradable as follows:

Description	Product code	WKN	ISIN	Name	Trading period	Maturity
Primary market (auction)	F2EA	A1A41K	DE000A1A41K1	European Carbon Future MidDec	front year of 2nd period	DEC11: 19.12.2011 DEC12: 17.12.2012
Secondary market (continuous trading)	FEUA	A0SYVA	DE000A0SYVA6	European Carbon Future	from the 2nd period	DEC11: 19.12.2011 DEC12: 17.12.2012 DEC13: 16.12.2013 DEC14: 15.12.2014 DEC15: 14.12.2015

From January until October 2011, 570,000 certificates (570 contracts) continue to be traded in weekly auctions in the Eurex® trading system. As usual, the auction takes place on Wednesdays in the respective front contract of the European Carbon Future MidDec (F2EA).

Effective March 1, 2011, the auction call phase will be extended from 15 minutes to two hours. Accordingly, it will start at 13:00 CET and will end, as before, at 15:00 CET, followed by the auction. After the auction has ended, product F2EA will not be tradable until the next auction takes place.

In future, trading in the continuous secondary trading product, FEUA, will not be interrupted by the primary market auction. By separating the products for primary market auctions and for continuous secondary trading, trading in time spreads across several commitment periods is enabled. In general, time spreads for the first three maturities in EU emission allowances will in future be available for trading at EEX. Effective immediately, the changes to the EEX product structure are available to all trading participants in simulation for testing purposes.

Open interest and margin calculation

Existing positions resulting from continuous trading in product F2EA will be transferred by EEX, ECC and Eurex Clearing to the product of continuous trading FEUA with effect from March 1, 2011. Transferred positions will be shown in the delivery reports for emissions of February 28, 2011 for all participants. Therefore, we kindly ask you to verify the holdings on your internal delivery account on March 1, 2011. All existing positions out of trades concluded so far in the primary market auction remain unchanged in product F2EA. This enables all trading participants to identify precisely which of the open positions result from the primary market auction and which from continuous trading after the position transfer.

For technical reasons, maturities FEUA DEC11 and FEUA DEC12 will be activated two trading days prior to start of trading, they remain, however, legally suspended from trading.

All European Carbon Future Products (F2PE, F2EA, FEUA) will be considered in one margin class. Reciprocal risks of net positions from the same margin class can be offset fully or partly against each other.

Product Set-up in the ECC settlement system (SMSS)

According to the changes in the Eurex® system, also adjustments together with a harmonisation of the product set-up are made in the ECC settlement system (SMSS).

Up until now, futures transactions on the primary market as well as futures transactions on the secondary market have been summarised in product groups EEX_FT_EUA2_DMS (futures transactions) and EEX_FE_EUA2_DMS (futures expiry).

Effective March 1, 2011, the following changes will be made:

Eurex product code	ECC product ID (current)	ECC product ID (new)	Description
F2EA	EEX_FT_EUA2_DMS	EEX_FT_PEUA_DMS	Futures-Trades - Primary Market -
F2PE, FEUA	EEX_FT_EUA2_DMS	EEX_FT_EUA_DMS	Futures-Trades - Secondary Market -
F2EA	EEX_FE_EUA2_DMS	EEX_FE_PEUA_DMS	Futures-Expiry - Primary Market -
F2PE, FEUA	EEX_FE_EUA2_DMS	EEX_FE_EUA_DMS	Futures-Expiry - Secondary Market -

Delivery processes and transfer of certificates

Effective March 1, 2011, ECC will keep **two internal delivery accounts** for each trading participant admitted to EUA trading. The first delivery account will only be used for certificates bought in the primary market auction (ABCEX_PEUA), the second delivery account will be used for transactions resulting from trading on the secondary market (ABCEX_EUA).

Transfers between the internal delivery accounts of each trading participant are only permitted from the primary market account to the secondary market account. They can be initiated by applying for delivery in the ECC member area, stating ECC account DE-121-1868-0 as account to be credited. Moreover, applications for deliveries to any registry account can be submitted at all times.

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