**Regulation for clearing, settlement**

**and risk management for** **Futures contracts with natural gas as underlying**

**in force since 16.11.2020**

**CHAPTER I - GENERAL PROVISIONS**

**Article 1- Purpose of this Regulation**

1. This Regulation provides for the performance of the Services by the RCE, for the obligations taken by the CM under the Contracts.
2. As Central Counterparty, the RCE:
3. Guarantees the CMs that hold Registered Positions the compliance with the financial obligations related to those Positions, from the moment of registration until their closing;
4. Assumes simultaneously the quality of buyer for the seller and the quality of seller for the buyer, within the Transactions, through a novation legal operation.
5. This Regulation is issued in accordance with the provisions of the Law 123/2012 and the Trading procedure of the futures contracts with natural gas as underlying on the market managed by the company Bursa Română de Mărfuri S.A. – *Romanian Commodities Exchange.*

**Article 2 – Definitions and interpretation**

1. Unless the context otherwise requires, the following terms and expressions used in this Regulation, in capital letters, shall be defined as follows:
2. Acceptance Agreement of the CM - a written contract in accordance with the provisions of the Regulation, concluded between the RCE and a CM, through which, both Parties accept the provisions of this Regulation;
3. Underlying - natural gas transported in the TSO transmission system;
4. RERA - represents the Romanian Energy Regulatory Authority;
5. Margin Call - the amount that the CM is required to deposit in the Account to supplement the value of the Account balance at least up to the value of the Risk Limit as a result of the necessary Margins and / or the Daily Marking at the Market;
6. RCE - Romanian Commodities Exchange S.A., headquartered in Bucharest, 50-52 Buzești Street, 7th floor, 1st district, Code 011015, Trade Register Number J40/19450/1992, CIF *(tax identification number)* RO1562694;
7. Cascading - a mechanism that ensures the division of a Contract in delivery periods longer than one month and the replacement of the Initial Position with Positions in sets of Contracts with a relatively shorter maturity (3 months for the quarter and the first 3 and the last 3 quarters for the year) summing exactly the amount of the Underlying in the initial Contract and keeping exactly the price in the Transactions related to the initial Contract. The procedure replaces the initial Position, generating new Positions with shorter maturities;
8. Clearing - mechanism by which the Central Counterparty determines the Net Position and the net differences in profit / loss recorded as a result of the conclusion of Transactions by a CM and / or the Daily Market Marking, following which the Central Counterparty adjusts the Margins according to the net financial exposure of a CM.
9. Futures Contract or Contract - represents a type of futures contract defined by the Specifications according to the Market trading procedure and accepted according to this Regulation in order to benefit from the Services.
10. Account - technical account, opened, allocated and managed by the RCE for each CM, through which the RCE keeps track of the Guarantees, rights and obligations, of the operations with payments and receipts and of the profit/loss of the CM based on the Services they benefit from;
11. Escrow Account - bank account opened by each MC and over which the RCE has direct debit rights;
12. Central Counterparty - the role assumed by the RCE through which it interposes through a novation process in a Transaction, becoming a common buyer for sellers and a common seller for buyers, in connection with the Positions registered in the Clearing Platform;
13. Guarantee Fund - common fund in which the individual contributions of the CM and the RCE are collected and which ensure the necessary resources for the proper functioning of the clearing-settlement mechanism of the Transactions in case of non-fulfilment of the financial obligations by the CM; The guarantee fund is created at the RCE level for the futures contracts trading platform and the forward contracts trading platform, both operated and managed by the RCE with specific trading and post-trading procedures with the RCE as Central Counterparty.
14. Forward - a forward contract that establishes a Transaction for the delivery of the Underlying, in a specified quantity, within a predefined Delivery Period, at a price set at the time of the Transaction;
15. Guarantee - Letter of bank guarantee and / or Escrow account according to *Instruction 1* on *the Guarantees intended to cover financial risks*, part of this Regulation, used by the CM to cover financial risks towards the RCE, including, but not limited to Margins;
16. Replacement of the position - mechanism by which the RCE intervenes in case of non-compliance with the Risk Limit and / or non-delivery / non-payment of natural gas, by a CM, by assigning the position of the CM at fault through the transaction on the short and / or medium and long term markets managed by the RCE;
17. Instruction - set of specific rules issued by the RCE in order to apply the provisions of this Regulation, being an integral part of this Regulation;
18. Risk Limit - The required margin calculated by the RCE to cover the exposure of all Positions cumulated with the amounts due by a CM as a result of the Daily Marking to Market;
19. Trading Limit - The maximum amount of financial exposure, updated in real time, that a CM can assume against the RCE, in relation to the Positions and Transactions registered in the Clearing Platform and the Orders registered in the Clearing Platform;
20. Daily Marking to Market - the method of daily evaluation of Transactions and / or Net Positions, based on the Daily Settlement Price which determines the daily profit or loss at Contract level and cumulatively at the Account level for a CM;
21. Margin - Way to highlight the collateral guarantee locked in the Account of a CM, in order to ensure risk management at the level of the Central Counterparty;
22. Physical Delivery Margin - The margin necessary to cover the financial risk related to the replacement cost by the Counterparty of the open Positions related to the Contracts entered in the Delivery Period and in connection with the financial risk of non-delivery / non-payment of the Underlying according to the Contract;
23. The rights and obligations registered in the Account of a CM in monetary funds highlighted on a daily basis made as a result of the conclusion of Transactions and of the Daily Marking to Market. The notion is similar to the Profit / Loss made.
24. Initial Margin - The margin required to enter / maintain an Order for trading each Contract in the RCE trading system or to record a Transaction for each Contract, to cover the risk arising from the Open Positions related to that Order or Transaction;
25. CM - Clearing Member - entity that meets the admission requirements established by the RCE and has signed the Acceptance Agreement of a CM, through which the RCE authorizes it to benefit from Services and acts simultaneously as a Market Participant;
26. Market Operator – the RCE, as Market Operator;
27. Order - the expression of an offer to buy / sell of a CM to trade the Underlying, as buyer or seller based on a Contract or multiple of Contracts, registered in the Clearing Platform. From the moment it is registered in the Clearing Platform, and if it is not cancelled, an Order is, from the point of view of the calculation of the maximum financial exposure that a CM can assume vis-à-vis the RCE equivalent to a Registered Transaction;
28. TSO - Transmission System Operator, respectively the SNTGN Transgaz SA;
29. Delivery Period - represents the period in which the Underlying must be delivered according to the Specifications of each Contract and according to the trading procedure of the Market;
30. Trading Period - the time interval between the day a Transaction is concluded and the first Day of the Delivery Period;
31. Market - The market of standard products such as Futures Contracts available for trading on a dedicated electronic platform managed by the RCE in accordance with the "Procedure for trading futures contracts with natural gas as underlying on the market managed by Română de Mărfuri S.A. – *Romanian Commodities Exchange*”;
32. Forward products market - Electronic platform managed by the RCE in accordance with *”Procedure for the organization and functioning of the market for standardized medium and long-term products managed by Bursa Română de Mărfuri (Romanian Commodities Exchange) S.A.”*
33. Forward products market with counterparty - Electronic platform managed by the RCE in accordance with the *“Trading procedure on centralized medium and long-term natural gas markets managed by Bursa Română de Mărfuri (Romanian Commodities Exchange) SA under the conditions of using a Clearing House / Central Counterparty”.*
34. Clearing Platform - the computerized system that allows for the registration of Transactions, as well as for the clearing and closing of Positions, as well as other obligations, managed by the RCE, as well as the communication network that allows interaction between the RCE, the RCE as Market Operator and the CM;
35. Position - set of rights and obligations related to a Transaction registered in the Clearing Platform;
36. Net Position or Open Position - represents the difference between the aggregation of all buying and selling positions on a Contract, the value of the net position being always a positive value or at least equal to zero.
37. Daily Settlement Price - price defined by the RCE, established by Specific Instruction, starting from the prices of the Underlying registered in the markets managed by the RCE;
38. Final Settlement Price - price defined by the RCE established by Specific Instruction, starting from the prices of the Underlying registered in the markets managed by the RCE;
39. Profit / Loss - represents the financial result obtained by a CM as a result of concluding transactions and of the Daily Marking to Market based on the Daily Settlement Price and at maturity based on the Final Settlement Price;
40. Daily Schedule - staged way of conducting a Day, including deadlines for fulfilling various obligations, established by the RCE through a Specific Instruction;
41. Regulation - This regulation governing the performance of the Services by the RCE as Central Counterparty, as well as the obligations assumed by the CM in connection with these Services;
42. Authorized Representative – an individual appointed to fully represent a CM in relation to the RCE, for the purpose of the Services;
43. Services - represent a service or a set of services offered by the RCE according to the Regulation. These services may include the registration of Transactions, the administration of Guarantees, the management of risk, clearing and settlement, as well as various combinations of RCE obligations;
44. Contract Specifications - set of elements that define the rights and obligations of a CM as a result of concluding a Transaction, defined in the ”Trading procedure for futures contracts with natural gas as underlying on the market managed by Bursa Română de Mărfuri S.A. – Romanian Commodities Exchange”;
45. Daily Account Structure - analytical situation of the Account provided to the CM by the RCE, including the balance, Risk Limit, available Transactions / Margin Call, Cash Available, Tariffs;
46. Tariffs - the equivalent value charged by the RCE for the provision of Services. The Tariff List is provided by the RCE Instruction;
47. Transaction - a sale or purchase of the Underlying on the basis of a Contract giving rise to a Position, after registration in the Clearing Platform;
48. Website – [www.brm.ro](http://www.brm.ro/);
49. Day - is a day on which the Services are available.
50. In this Regulation:
51. the headings and subheadings are introduced exclusively to facilitate the reading of the Regulation and shall not be taken into account in its interpretation;
52. the singular of the defined terms also includes their plural and vice versa, unless the context indicates otherwise;
53. any reference to a statutory provision or to the applicable law shall include its updates subsequent to the form of this Regulation.

**Article 3 - Contracts admitted in the settlement clearing system**

1. The CM shall be able to benefit from Services in connection with the following Contracts concluded on the Market :

|  |  |
| --- | --- |
| Month | delivery interval - month |
| Quarter | delivery interval - quarter |
| Cold gas season | delivery interval - calendar quarters IV and I |
| Warm gas season | delivery interval - calendar quarters II and III |
| Calendar year | delivery period - calendar year |

1. The quarter, gas season, and calendar year contracts are cascaded into quarterly or monthly contracts, as the case may be, a process that leads to the possibility of re-trading the Open Positions, which have not matured yet.
2. The Contracts shall be concluded when the demand and supply of the CM are correlated on the Market, without the need to conclude a sale-purchase contract. The terms and conditions governing the Contracts are those provided by the ”Trading procedure for futures contracts with natural gas as underlying on the market managed by Bursa Română de Mărfuri S.A. – Romanian Commodities Exchange”;
3. All Contracts listed in this Article have the following characteristics:

– physical delivery in flat daily profile of 1MWh / day or a multiple of it during the Delivery Period

- physical delivery to the "VTP", according to the RERA regulations for the Net position remaining at the maturity of a Contract

- unchangeable standard delivery period, according to the Specifications of the Contract.

1. The way to determine the total volume in MWh to be delivered / taken over related to the Contracts concluded on the Market is the following:

Volume for 1 Contract = 1MWh / day \* number of delivery days related to the delivery period

Volume for „x” Contracts = „x” MWh / day \* number of delivery days related to the delivery period

 *Where "x" = number of MWh to be delivered / taken over on each day of the delivery period and "x" is a multiple of 1*

CHAPTER II - ADMISSION OF THE CM IN THE CLEARING - SETTLEMENT SYSTEM

**Article 4 - General conditions for the admission of the CM**

1. In order to be admitted to benefit from the Services, the CM must meet, at the time of admission and / or throughout holding the CM status, as the case may be, the following conditions:
	1. Holding the status of Market Participant;
	2. Sign the Acceptance Agreement of the CM;
	3. Participation to the Guarantee Fund;
	4. The existence of minimum technical and human resources requirements for the fulfilment of the obligations under this Regulation;
	5. Payment of the Clearing Member Tariff.
2. The admission file of the CM for the benefit of services shall include:
	1. a copy of the articles of association of the CM;
	2. a proof of the establishment of the Guarantees, the payment of the Clearing Member Tariff and the payment of the contributions to the Guarantee Fund;
	3. The Acceptance Agreement of the CM signed.
	4. the letter of appointment of the Authorized Representative.

CHAPTER III - RIGHTS AND OBLIGATIONS OF THE CM

**Article 5 - Rights of the CM**

1. The CMs shall have the following rights:
2. To acquire the status of counterparty of the RCE for the Registered Transactions;
3. To withdraw on the basis of a written request funds in the amount of the realized Profit registered in the Account;
4. To participate in the following operations:
5. Clearing / Settlement of Positions;
6. Administration of Guarantees;
7. Closing of Positions.
8. To obtain information in connection with the administration of its own Positions and the obligations assumed towards the RCE. To have access every day to complete information on the daily situation of its Account managed by the RCE based on the report provided by the RCE.
9. To benefit from the clearing / settlement and risk management mechanism for the positions assumed by the RCE when holding the status of Central Counterparty and acting in order to eliminate the financial risks associated with CM transactions by establishing an appropriate management framework based on this Regulation.
10. To ascertain and request the RCE to remedy any errors regarding the Account situation issued by the RCE and / or the settlement situation in the Escrow account for a CM within 24 hours from the receipt of the daily report and / or the notified settlement event. The solving term for the RCE is 72 hours from the receipt of the notification and for the corresponding adjustment by the RCE, if applicable.
11. To unilaterally terminate the Agreement of Acceptance of the CM and, implicitly, the quality of CM, with a notice of 30 days.
12. The CMs shall have the following obligations :
13. To establish Guarantees in accordance with this Regulation;
14. To deposit the funds necessary to cover the Loss recorded by the Daily Marking to Market immediately, but not later than the beginning of the Day ahead,
15. To fulfil its financial obligations, including the payment of the negative balance derived from the registered Positions and the payment of the Tariffs related to the Services;
16. To respond to the Margin Call immediately, but not later than the beginning of the next Day, by depositing the amount related to the Margin Call in the Cash Account. The RCE shall debit the amount related to the Margin Call from the Escrow Account by direct debit.
17. In the course of their work, they have to follow appropriate standards of conduct, namely:
18. they shall meet the highest standard of diligence, integrity and transparency;
19. they shall act according to the highest standard of professional competence;
20. they shall refrain from any action or conduct capable of endangering the proper functioning, transparency and credibility of the activity carried out on the Market and by the RCE according to this Regulation;
21. they shall immediately report any special situation they face and which brings or could bring a disturbance in the clearing-settlement mechanism of that CM;
22. they shall ensure that they have permanent access to sufficient financial resources to cover future obligations that may arise from the Transactions.
23. To keep the technical records of the Transactions in a fair, complete and up-to-date manner and to allow the RCE access these records, upon request, and to the audited financial statements of the CM;
24. To cooperate with the RCE on the request for information on the economic and financial situation, within 10 days of the request; The request for information from the RCE is strictly related to the assessment of the financial solvency of a CM in order to evaluate the annual or periodic evaluation performed by the RCE to determine the financial solvency of the CM.
25. To report immediately any situation which comes to the attention of the CM and which could constitute a breach of this Regulation;
26. To ensure that none of the obligations, payments, Guarantees or arrangements relating to the status of CM are and shall in no way be dependent on or related to any other contract, concluded or to be concluded, that they are free from any encumbrances and that no third party may claim any rights in these respects;
27. To ensure compliance with all obligations under this Regulation.
28. The CMs shall act exclusively in their own name. The suspension or exclusion of the CM does not lead to an exemption from the obligations to the RCE.

CHAPTER IV - OPERATIONAL ASPECTS

**Article 6 – The CM account**

1. The obligations assumed by the CM are born as a result of the registration of Transactions / the introduction of Orders to the Market.
2. To register Transactions, the CM shall open an Account in which the Transactions shall be registered.
3. The RCE assumes the status of Central Counterparty for transactions concluded on the Market from the moment of registering a Transaction on the Clearing Platform. These are instantly registered in the Clearing Platform. In the case of transactions coming from the Main Market, the registration moment on the Clearing Platform is subsequent to the moment of concluding the transaction, depending on the transfer of the transaction by a CM to the RCE.
4. The account of a CM is characterized by:
5. the Account Balance, which is debited or credited at the end of each Day, based on deposits or withdrawals of funds and Guarantees and of the Profit/Loss obtained from Transactions made by that CM, as well as on the Daily Marking to Market.
6. Open/net positions that represent the difference between the number of contracts bought and sold are calculated on each Contract and based on them the risk covered by the Single Margin per Contract is calculated.
7. Current Day Transactions and / or the total number of Net Positions related to Completed Transactions, either as a buyer or as a seller, on the basis of which the Profit / Loss on Contract are calculated.
8. Orders recorded in the CM Account, which will be taken into account for the calculation of the Net Position, according to the quality that the CM will potentially hold in the Transaction (buyer or seller);
9. The number of Net Positions entering the Delivery Period, related to the Transactions concluded, either as a buyer or as a seller and that have reached maturity according to the related Contract, on the basis of which the risk covered by the Variation Margin is calculated.
10. The Summary at Account level for each type of Contract, respectively the Cumulative Profit / Loss, Cumulative Initial Margin and the Delivery Margin on the month Contract under delivery.

**Article 7 - Positions**

1. In order to calculate the exposure for each CM, each Transaction is recorded in the Accounts of both CMs parties to the respective Transaction, according to the Position that each one holds in the Contract (buyer or seller.
2. Orders are registered in the CM Account according to the Position it will potentially hold in the Contract (buyer or seller), until the moment when the Order is executed (in which case the provisions of paragraph 1 above apply) or cancelled (in which case the registration of the Order as a Position in the Account is also cancelled).
3. For each CM, the number of Net Positions and the financial exposure are calculated Daily, separately for each type of Contract, registering separately on the sales direction and on the purchase direction. The difference between the amount of Transactions concluded as a buyer and the number of Transactions concluded as a seller based on the same Contract represents the number of Positions open on that Day.
4. Until the entry into the Delivery Period of the Contract for which a Position is opened or the closing of a Position, they shall be recorded as open from a financial point of view. An open position can be closed by clearing, before entering the Delivery Period, by registering a Transaction of the opposite direction, with the same amount of the Underlying, at the same price of the Transaction and for the same Contract.
5. The Net Positions will be closed by clearing by concluding Transactions of the opposite direction, i.e. the purchase transaction if the Net Position is on the sale direction or sale transaction if the Net Position is on the purchase direction. The net positions entered in the delivery period will be able to be closed from a physical point of view only by the physical delivery of the Underlying, respectively by the physical delivery of the Underlying for the CM with Net Position for sale and by taking over and payment at the Final Settlement Price for the CM with Net Purchase Position.
6. The RCE may cancel a Position on its own initiative, with prior notification to the CM when:
7. That Position results from a technical problem or manifest error, in particular in the event that a Transaction has been made at a price that is clearly outside the Market price;
8. In accordance with its own reasonable decision, in a justified manner and by making available to the CM the supporting elements, to the extent that it considers that the Position has been opened in breach of the obligations under this Regulation regarding the conduct of trading or at the request of the TSO or the authorities. This decision shall be taken mainly in situations of violation of the provisions of the (EU) Regulation no. 1.227/2011 of the European Parliament and of the Council of October 25, 2011 on the wholesale energy market integrity and transparency (REMIT), mentioned in art. 6 of the Regulation on finding, notifying and sanctioning deviations from the regulations issued in the field of energy, approved by the Order no. 62/2013 of the RERA with the subsequent amendments. An indicative guide to such violations can be found at https://documents.acer-remit.eu/wp-content/uploads/20190627\_4th-Edition-ACER-Guidance\_4thupdate.pdf.
9. The RCE shall immediately inform the CMs concerned of the cancellation of the Positions.

**Article 8 - Financial clearing of Transactions, financial settlement and settlement of physical operations**

1. The clearing of Transactions is performed Daily, based on the records kept by the RCE on each CM, depending on the Positions held by them. The clearing leads to the financial closure of the Positions for the purpose of the consequent adjustment of the Margins.
2. The physical clearing of the Positions is performed at the Maturity of a Contract, these being to be closed from a physical point of view exclusively by the delivery / taking over of the Underlying according to the related Contract based on the Net Position entered in the Delivery Period.
3. The daily settlement is made automatically in the Account of a CM through daily payments and receipts based on the conclusion of Transactions and the Daily Marking to Market of Contracts based on the Daily Settlement Price, throughout the Trading Period.
4. The daily settlement is made in cash funds, the coverage of the Margin Call in cash funds being mandatory in case of losses. The Central Counterparty will automatically issue a direct debit instruction to the Escrow Account of a CM in the event that there is not enough money in the Account to cover the loss recorded at the end of the Day.
5. The final settlement in the Delivery Period is executed based on the Net Position of each Contract entered in the Delivery Period, based on the records kept by the RCE on each CM, at the Final Settlement Price calculated by the RCE at maturity - the last day of the Trading Period. The settlement is made on a daily basis for both the buyer and the seller, and the invoice related to the settlement is issued monthly, at the end of each delivery month.
6. The settlement of the payments of the prices according to the Transactions is executed in the Delivery Period, based on the record kept by the RCE on each CM, depending on the Transactions concluded by them, on each type of Contract. The settlement is made on a daily basis, and the invoice related to the settlement is issued monthly.
7. The nomination to the TSO and obligations to take over / deliver the Underlying:
8. The nomination to the TSO shall be made on the basis of registered Transactions, regardless of the financial closing of the Related Positions. The responsibility for the physical delivery operations and of imbalances registered to the TSO fall under the responsibility of the CM. The RCE does not in any way assume responsibility for potential imbalances in the TSO as a result of the non-take over or non-delivery of the Underlying caused by that CM. The risk of physical, total and / or partial non-delivery occurs when the Participant does not deliver the quantity of natural gas traded under the established conditions.

In this case, the Central Counterparty does not become guarantor for the physical non-delivery, but withholds the seller's guarantees so as to be able to manage the so-called "risk of replacement" of the undelivered natural gas.

1. If, after the transaction, the seller does not meet its delivery obligation (total or partial), the Central Counterparty shall initiate a process of Replacement of Positions related to the undelivered volumes and shall bear any price differences, in accordance with the provisions of the Regulation.
2. In case that, after the transaction, the buyer does not meet its obligation to take over (in whole or in part) the volume of natural gas that was the object of the transaction, the Central Counterparty shall initiate a process of replacement of Positions related to the non-taken over volumes and shall bear any price differences, in accordance with the provisions of the Regulation.

### Article 9 - Marking to market and the availability of withdrawals of funds from the Account based on the Daily Marking to Market

1. The Daily Marking to market represents the update, based on the Daily Settlement Price, each Day, of the net differences (favourable / unfavourable) for each Transaction concluded on the current Day and/or each Net position from the day before, as follows:
* At the end of each Day, each Transaction performed on that Day is evaluated by multiplying the difference between the Transaction Price and the Daily Settlement Price on the Current Day for the Contract related to the Transaction, with the number of Contracts concluded by Transaction and the amount of the Underlying for each Futures Contract. In case of a positive value, a profit is registered, and in case of a negative value, a loss is registered at the level of the Account.
* At the end of each Day, the Net Positions from the immediately preceding Day are re-evaluated by multiplying the difference between the Daily Settlement Price of the current Day and the Daily Settlement Price of the Day before, with the number of Net Positions from the Day before and the amount of the Underlying related to each Futures Contract. In case of a positive value a profit is registered and in case of a negative value a loss is registered at the level of the Account.
1. The Daily Marking to Market of the positive values and therefore of the realized profit takes into account the meaning of the Net Position and of the registered Transaction consisting in price increase for a buyer and of the price decrease in case of a seller.
2. The Daily Marking to Market of the negative values and consequently of the realized loss takes into account the direction of the Net Position and of the registered Transaction, consisting in the decrease of the price for a buyer and of the price increase in the case of a seller.
3. At the level of the Central Counterparty at the end of each Day, both at the level of the Contract and at the cumulative level of all the Contracts, there will be a perfect equality between the profits and losses registered in the Cumulated Accounts of all CMs.
4. The realized profit is marked at the end of a Day and can be released on request within the Available Balance starting with the Day following its registration; the realized loss will be covered with funds by the CM at the latest on the Day immediately following the Daily Marking to Market.
5. Any legal obligations related to the taxation regime of the profit or loss from trading and / or Daily Marking to Market falls exclusively on the CM.

**Article 10 – Margins**

1. The margins are due as a result of the obligations assumed by the CM towards the RCE, including the opening of Positions, and are intended to cover the risk of the RCE in the event that the obligations arising from those Positions are not fulfilled.
2. Margins are of the following types:
3. Initial Margin;
4. Variation Margin or Profit/Loss;
5. Physical Delivery Margin.
6. Margins are covered by the Guarantees provided by the CM in favour of the RCE.
7. Margins shall be cleared in accordance with the criteria set out in this Regulation, for the purpose of adjusting the Guarantees to the transaction risk of the CM.

**Article 11 - Initial margin and its clearing**

1. The reference value of the Initial Margin on each Contract is established by the RCE on statistical criteria depending on the risk and price volatility of each Contract and has a fixed value in RON. This value is calculated and published by the RCE for each Contract, and is recalculated and published monthly. In cases of high volatility or significant price changes, the value shall be recalculated on a weekly basis. The values of the Initial Margin are communicated by Instructions.
2. The Initial Margin is automatically retained at the time of launching a trading order on the Market until the moment when the order is executed or cancelled. The Initial Margin in this case is obtained by multiplying the number of Contracts that are the Object of the Trading Order launched with the Reference Value of the Initial Margin, applicable to the respective Contract.
3. If the order is executed, performing a Transaction, the Initial Margin is maintained for the entire period in which there are Open Positions on a Contract, and then for the entire Delivery Period related to the Contract.
4. For each CM, the clearing between the Opposite direction Positions shall be performed at the level of each Contract, the Initial Margin being calculated and requested in relation to the Open Positions.
5. The Initial Margin is obtained by multiplying the number of Open Positions by the Reference Value of the Initial Margin, applicable to the respective Contract.
6. The Initial Margin for one type of Contract shall not be cleared against the Initial Margin for another type of Contract.
7. The RCE shall calculate, for each Account individually the cumulated Initial Margin, as the sum of the Initial Margins relating to different Contracts.
8. If the number of open Positions on a Contract is zero (0) or there are no Transactions related to a Contract, the Initial Margin shall not be calculated, its value being by default 0 (zero).

**Article 12 - Variation Margin and Profit / Loss realized**

1. The Variation Margin is calculated for the CM only for the period between the Day of Registration of a Transaction in the Clearing Platform and the Day before the Delivery Period.
2. At the level of each Contract, a Daily Marking to Market shall be made for each Transaction concluded by comparing the price of each Transaction with the Daily Settlement Price from the transaction conclusion day, resulting in a positive or negative exposure, meaning profit or loss, namely loss depending on the direction of the Transaction (purchase or sale) and the positive or negative difference of the Transaction price compared to the Daily Settlement Price.
3. At the level of each Contract, a Daily Marking to Market will be performed for each Net Position by comparing the Daily Settlement Price of the current Day with the Daily Settlement Price of the Day before, resulting in a positive exposure, i.e. profit or negative, i.e. loss, depending on the direction of the Net Position (purchase or sale) and the positive or negative difference between the Daily Settlement Price of the current Day compared to the Daily Settlement Price of the Day before.
4. The exposure calculated according to paragraphs 2 and 3 for each Transaction and Net Position shall be multiplied by the amount in MWh of the Underlying traded under the respective Contract and will be cumulated, resulting in Profit or Loss for that Contract.
5. In order to determine the Variation Margin on all Contracts, materialized in Profit or Loss at the level of the CM Account at the end of the Day the algebraic sum shall be made between the values of the Profit and Loss registered per Contract according to paragraph 3.
6. The resulting profit will be registered in the CM Account Balance and can be released upon request of the CM by bank transfer starting with the Day following its registration and within the Available Balance limit in which case the Available Balance expressed in cash will be reduced accordingly.
7. The profit resulting at the end of the Day automatically leads to the increase of the CM Account Balance expressed in cash and of the Trading Limit of the respective CM for the Day ahead, with its amount until the Daily Marking to Market the next day, provided no withdrawals of funds are requested from the Account by the CM.
8. The resulting loss will be recorded in the CM Account Balance and must be covered by the existing funds in the CM Account.
9. If the funds are insufficient to cover the loss, a Margin Call and a direct debit instruction will be issued to the CM Account at the end of the Day, with the obligation to cover it for the Day ahead.

**Article 13 - Physical Delivery Margin and its clearing**

1. The Physical Delivery Margin is calculated and retained for a maximum period of one calendar month, at the level of the Contract with the calendar month delivery period. In the case of Contracts with delivery periods longer than one calendar month, the Physical Delivery Margin will be applicable only after the Cascading of the respective Contract at a maximum level of one calendar month at any time within the Delivery Period.
2. The Physical Delivery Margin shall be calculated and applied two (2) Days before the start of the Delivery Period. It is maintained throughout the Delivery Period, being progressively released during the Delivery Period, depending on the reduction of risks, according to the specific Instruction of the RCE.
3. The Physical Delivery Margin shall be calculated by multiplying the reference value of the Initial Margin applicable at the time of calculation for that Contract by a risk multiplier equal to two (2) for Open Positions entered in the Delivery Period on that Contract and the total number of Open positions related to that Contract.
4. The amount of the Physical Delivery Margin per Contract as well as the value released on a daily basis is highlighted in the CM Account for the monthly Contract during the Delivery Period.

### Article 14 - Calculation of the account balance

To place an Order or register a Transaction in the Account, it is mandatory that the balance of the Account allows the coverage of the turnovers resulting from the execution of the Contracts on the Risk Limit, plus the Tariffs related to the execution of the Transaction related to that Contract. Account Items shall be detailed by the Instruction.

The daily statement of the account has 7 components and is issued at the end of the Day:

1) **Balance** = 1.1. + 1.2

1.1. **Cash**: deposits in the Account - withdrawals of amounts from the Account ± Profit / Loss of the Account

1.2. **Guarantees:** letter of bank guarantee.

2) **Risk limit** = the sum of the risks of all Open Positions consisting of the Initial Margin and the Physical Delivery Margin, cumulated, at the Account level

 **3) Available transactions / Margin call** = (1) - (2); the value available for initiating new open positions (> 0) / the value of the margin call (<0);

 **5) Cash available in RON** = (3) - 1.2; the amount in **RON** available for withdrawal. Cash available is calculated only if transactions available are **recorded** for the respective Account.

 **6) Guarantee deposited / withdrawn** = deposits and withdrawals of guarantees made by a CM

 **7) Guarantees released from the Physical Delivery Margin** = the value of the guarantee **unlocked** during the delivery period on a daily basis.

### Article 15 - Available Transactions / Margin Call

1. During the period between the registration of a Transaction and the Delivery Period, the Variation Margin changes depending on the variation of the Daily Settlement Price, affecting the Account balance. The RCE aims that during this period the balance of the Account does not fall below the Risk Limit.
2. If the difference between the Account balance and the Risk Limit is negative, the CM shall be required to actually deposit in the Escrow Account, no later than the beginning of the Day ahead, an additional amount to supplement the value of the Account Balance at least until the value of the Risk Limit, called the Margin Call. The amount related to the Margin Call shall be debited by direct debit by the RCE.
3. The Trading Limit, respectively the Margin Call is calculated for the entire balance of the CM Account and includes the results of the marking to market of the Positions of all Transactions registered in the respective Account. The Trading Limit, respectively the Margin Call is specified at the end of the Day in the daily trading report provided by the RCE to the CM.
4. In the situation where an account of a CM registers a Margin Call, and the MC does not respond to the Margin Call within the term provided in paragraph (2), the RCE has the right to forcibly close the Open Positions of the CM in this situation, without further notification.
5. During the existence of the Margin Call, the Clearing Platform shall no longer allow the respective CM to place new orders or to register new Transactions, but only to cancel orders and to close the Open Positions. In order to register new Transactions, the CM shall have to respond to the Margin Call or reduce its exposure below the Risk Limit by closing Open Positions.
6. The RCE is responsible for the application of the measures related to the Margin Appeal. The failure to comply with the obligation to respond to the Margin Call entitles the RCE to suspend the respective CM from the clearing-settlement system.
7. The Margin call of a CM cannot be covered by the RCE by the use of the Margins submitted by other CMs.
8. The Margin call can occur in the following situations:

- recording losses as a result of concluding transactions or the unfavourable evolution of the Daily Settlement Price, a repetitive process with a daily cadence;

– registration of a deficit of guarantees as a result of the calculation and request of the increase of guarantees determined by the entry in the Delivery Period of a Contract, repetitive process with a monthly cadence;

– the registration of a deficit of guarantees as a result of the increase of the nominal value of the Initial Margin according to the specific Regulation and Instruction, the procedure being occasional.

**Article 16 - Transfer of amounts to and from the Account**

1. The CM may dispose of the amounts representing the Balance of the Account, respectively of the Guarantees, according to the provisions of this Regulation. The maximum amount that can be withdrawn from the account is equal to the Cash available in RON, calculated daily according to the specifications of Article 14 and expressly specified in the Daily structure of the Account.
2. Transfers shall be made between the accounts specified in the Acceptance Agreement of the CM.
3. Sending false payment orders or cancelling the transfer after the payment orders have been endorsed by the CM bank leads to the rejection in the future of this way of replenishing the account for the respective CM and to its sanctioning according to the provisions of this Regulation.
4. The CM sending, in response to the Margin Call, a false payment order or the cancellation of the performed transfer, determines the suspension of the access to the Clearing Platform, accompanied by the forced closing of the Positions covered by the respective payment order.
5. The Open Positions under the Transactions that have been recorded on the basis of an unconfirmed replenishment shall be forcibly closed by the RCE, as soon as it is established that the bank transfer has not been made and the respective amount shall be withdrawn from the Account. All consequences of this action and any liability to third parties are assumed, in this case, by the respective CM.
6. Payments and withdrawals from the Account are considered made at the time of confirmation of receipt of the amounts in the Account, respectively when they are sent to the bank. These operations are final, the CM not having the right to any recourse, and the RCE has no responsibility, towards any operations performed in a defective or erroneous way. The CM is also entitled to a revaluation and if discovering errors that have financially affected the CM's account, both parties are responsible for finding efficient solutions, so that the CM and the RCE do not have unjustified financial losses related to replenishments and withdrawals.
7. The CM account is not interest-bearing.
8. If the CM does not submit the forms for withdrawals and replenishments of the Account by the deadline and under the conditions specified in the Daily Schedule, the RCE has the right not to perform on that Day the requested operations.

**Article 17 - Daily report**

1. At the end of each Day, each CM has access to the confirmation reports and the Daily Account structure that shall be provided by the RCE by e-mail, to the address specified in the Acceptance Agreement of the CM.
2. The Daily Structure of the Account shall be available and updated even if the CM has not performed any operation on that Day, based on the marking to market of the Open Positions held by it, which affects the components of the Account.
3. The objections to the Daily Account Structure on a given Day shall be sent to the RCE by the beginning of the Day ahead at the latest. If no objections are received within this period, the data in the Daily Account Structure are considered final and attract the liability of the CM in connection with the obligations arising therefrom, the RCE being exonerated from any liability.
4. The Daily Structure of the Account as well as the other reports provided by the RCE shall be established by a specific Instruction issued by the RCE.

**Article 18 - Daily settlement price and Final settlement price**

**Daily settlement price**

1. The Daily Settlement Price is calculated for each Contract.
2. The Daily Settlement Price is determined by the RCE according to specific algorithms. Depending on the liquidity of the Market, the Daily Settlement Price can also be calculated by reference to the other markets managed by the RCE or external quotations for similar Contracts, in order to make an adequate calculation of the price of the Underlying.
3. In situations considered exceptional and mentioned as such in the Instruction, if the Daily Settlement Price of a Day varies by more than 5% compared to the Daily Settlement Price of the Day before, or compared to the recent average prices recorded on the market of RCE forward contracts during the last 10 trading sessions at the most, the Daily Settlement Price shall be adjusted exceptionally by the RCE.
4. The exceptional adjustment method and the calculation method shall be made available to the CM on the RCE website and sent by email to the CM on the Adjustment Day. In any case, the price adjusted by the RCE shall fall within a maximum range of 10% variation compared to the Daily Settlement Price of the Day before.

The calculation algorithm for the Daily Settlement Price is established by specific Instruction.

1. If a Contract has never been traded on the Market, the Daily Settlement Price shall not be calculated for that Contract except for the Contracts on which Positions from the Cascade process are taken over.

**Final Settlement Price**

1. The Daily Settlement Price from the last day of the Trading Period of a Contract becomes the Final Settlement Price.
2. The Final Settlement Price is the price at which the delivery against payment for the Net Position of a CM entered in the Delivery Period will be made.
3. The calculation algorithm for the Final Settlement Price is established by the Instruction.

**CHAPTER V - FINANCIAL RESOURCES AT THE DISPOSAL OF THE RCE**

**Article 19 – The use of the existing resources at the disposal of the RCE to cover the CM’s obligations**

1. In case of non-fulfilment of the obligations of a CM, the RCE shall use all the financial resources available to the RCE to cover its obligations, at the same time as the diminution of these obligations, by closing Open Positions. The funds shall be used only after the forced closure of all Open Positions held by the CM.
2. The RCE shall cover the financial obligations not met by the CM in the financial resources regulated according to this article.
3. The financial resources to cover the obligations of a CM consist of the following and shall be used in this order:
4. The Margins deposited by the CM;
5. The individual contribution of the CM to the Guarantee Fund;
6. The contributions of the other CMs to the Guarantee Fund
7. The contribution of the RCE to the Guarantee Fund, worth 3,000,000 EURO.
8. In case of using the resources provided at point (2) paragraph (iii) above:
9. Each CM whose contribution has been used to cover the obligations of another CM shall be notified to re-establish this contribution to the Guarantee Fund within 10 days of notification. The new contribution deposited shall not be used to cover the obligations that generated the initial use of the Guarantee Fund;
10. The CM responsible for not fulfilling the obligation that generated the use of the contribution of other CMs to the Guarantee Fund shall have the obligation to reimburse the amounts used to cover its obligations within 48 hours and its access to the Clearing Platform shall be automatically suspended. If the CM does not reimburse the amounts used to cover its obligations within the period provided above, its access to the clearing-settlement system shall be withdrawn, and the RCE shall make all necessary legal steps to recover from the CM the amounts used from the Guarantee Fund.

**Article 20 - Guarantee Fund**

1. The Guarantee Fund is constituted in accordance with the legal provisions, in order to ensure the resources necessary for the proper functioning of the clearing-settlement mechanism of the Transactions. The Guarantee Fund is administered by the RCE. The RCE may set up the Guarantee Fund at a time after the launch of the Services.
2. The Guarantee Fund reflects the joint and several liability of the CMs. The CMs are obliged to participate in the establishment of the financial resources of the Guarantee Fund.
3. The financial resources of the Guarantee Fund are established by the contribution of the CM and of the RCE, cumulatively. The RCE contributes to the Guarantee Fund through its own initial contribution worth 3.000.000 Euro. The MCs contributions to the establishment of the financial resources of the Guarantee Fund shall be taken into account and agreed starting with 01.01.2022. The financial resources to be established by the CM to the guarantee fund shall be detailed by a specific Instruction that shall be published for public consultation until 01.10.2021.
4. The Guarantee Fund shall not be used to cover Margin Calls or Tariffs.
5. The individual contribution of a CM to the Guarantee Fund shall be reimbursed to it in case of permanent withdrawal from the clearing-settlement system of the RCE, after closing all Open Positions and covering all obligations resulting from the Transactions.

**CHAPTER VI - MEASURES IN THE EVENT OF AN ACTIVITY FAILURE**

Article 21 - Liability limits of the RCE

1. The RCE shall not be liable for any damage incurred by the CM as a result of:
2. unfavourable market conditions, commercial risk, fortuitous event, force majeure, interruption, suspension or exclusion from trading of a Contract, when these are performed in accordance with the prerogatives of the RCE provided for in this Regulation;
3. the application of the provisions of this Regulation;
4. technical issues, including, without limitation, issues related to the provision of electricity or Internet services or other situations beyond the control of the RCE that may affect the functionality of the Clearing Platform;
5. Any legislative changes or decisions of public authorities that would lead to the interruption of the Services.

2. Without prejudice to the possibility of suspension or exclusion under this Regulation, the CMs shall be liable for any damage caused by their breach of the provisions of this Regulation.

3. The CMs shall under no circumstances refuse to comply with their obligations and shall not, in this regard, oppose any exceptions, clearings or other similar rights or claims arising from any legal act against the RCE and / or other CMs.

1. The guarantees do not necessarily ensure the physical delivery of the Underlying, which falls exclusively under the responsibility of the CM, ensuring instead the Replacement of the Position by the Central Counterparty based on this Regulation.
2. The cancellation of a transaction according to *the Procedure for trading futures contracts with natural gas as underlying on the market managed by Bursa Română de Mărfuri – Romanian Commodities Exchange S.A.,* implies the withdrawal of the role of Central Counterparty for the RCE.
3. For the avoidance of any doubt, the limit of RCE's liability for any claims arising from the activity performed under this Regulation, regardless of their nature or title, shall not exceed the value of RCE's Contribution to the Guarantee Fund.

**Article 22 - The CM failure to fulfil its obligations**

1. In case a CM does not fulfil its financial obligations related to the Contracts, the RCE shall take control over the Account and shall move to the forced closing of the Positions in the Account, up to the level of covering the obligations of that CM. The RCE shall use the amounts resulting from the forced closing of the Positions and those existing in the Account to cover the existing obligations.
2. The forced closing of the Positions shall be achieved by the performance of Transactions by the RCE until falling under the Risk Limit. The transactions shall be carried out without taking into account the price and the execution time, the only objective of the RCE being to fall again under the Risk Limit. If the Account balance becomes negative, the RCE shall forcibly close Positions until all positions held by that CM are liquidated.
3. The losses registered by the CM following the forced closing of the Positions held shall be fully borne by it.
4. If the amounts resulting from the forced closing of the Positions, together with those existing at that time in the Account are not sufficient to settle the obligations, the liability of the CM shall not be limited to the value of the assets constituted as Guarantee and the RCE shall be entitled to recover all the damage incurred, in the courts, according to the common law.

**Article 23 - Breach by the CM of the provisions of the Regulation**

1. A CM's breach of the provisions of the Regulation shall be incidental when there shall be a non-execution or a defective or fraudulent execution of the obligations under this Regulation, or if there is a situation indicating that the CM cannot or shall not be able to comply in the future with its obligations towards the RCE.
2. Without prejudice to the general character of paragraph 1, the following situations shall constitute breaches of the Regulation:
	1. the opening of the procedure or the existence of the other procedures provided in Law no. 85/2014 on insolvency prevention and insolvency proceedings - any situation that according to the law, determines the general inability of the MC to comply with the financial obligations;
	2. any task, seizure or enforcement procedure applicable to a significant portion of the CM's assets that would determine its insolvency and / or state of insolvency;
	3. non-fulfilment of the obligation to deliver the Underlying, in accordance with the concluded Contracts.
3. In the event of a breach of the provisions of the Regulation, the RCE may take any of the measures described in Article 25 where this is necessary to protect the normal functioning of the Clearing and Settlement of Positions.

**Article 24 - Exceptional circumstances**

Where circumstances justify it, including unusual price volatility or any other situation affecting the normal operation of the Services or the Market, the RCE may, in addition to other possible actions under the powers expressly conferred by the Regulation, the Market Regulations and the applicable law, do the following:

* 1. prohibit a CM from recording Transactions, opening Positions or assuming additional responsibilities and increasing its risk exposure;
	2. determine the reduction of a CM's risk exposure by closing or opening new Positions;
	3. take over the control of a CM's Account;
	4. determine the establishment or consolidation of the Margins of a MC during a Day;
	5. set or define reference prices other than those set out in the Regulation and the Instructions;
	6. withhold the payments of financial settlements due;
	7. take all necessary measures to protect the integrity, proper functioning, security and transparency of the Services or the Market;
	8. interrupt the Services, even if there are open Positions.

**CHAPTER VII - SURVEILLANCE AND SANCTIONS**

**Article 25 – Surveillance**

1. Without prejudice to the prerogatives conferred by the applicable law and the market regulations, the RCE shall monitor the normal operation and transparency of the clearing and settlement activity and the obligations of CMs associated with them, and shall implement the necessary measures to detect and prevent fraudulent or unlawful actions of CMs.
2. The RCE shall immediately report to the RERA the aspects or situations that are capable of violating the provisions and principles of the applicable laws.

**Article 26 – Sanctions**

1. The RCE may apply the following sanctions in case of breaches of the Regulation or non-fulfilment of the obligations by the CM:
2. Warning;
3. Suspension for a period of up to six (6) months;
4. Withdrawal of the CM.
5. The nature and duration of the sanctions shall be established by the RCE depending on the severity, the repetitive nature, the damages created, the unfair gain obtained through the actions committed.
6. The RCE shall sanction the CM for the non-fulfilment of the obligation of physical delivery of the Underlying with the suspension for a period of at least 6 months. The effective period of suspension shall be established by the Board of Directors of the RCE, depending on the severity of the deviation, based on criteria such as the value of the defaulted transaction, the repeated nature of the deviation, the corroboration with other deviations, such as the lack of response to the Margin Call.
7. In case of suspension of a CM the RCE shall prohibit it from opening new Positions on all its accounts.

**CHAPTER VIII - TRANSITIONAL AND FINAL PROVISIONS**

**Article 27 - Transitional and Final Provisions**

1. This Regulation is developed and may be amended by the RCE. This Regulation as well as the subsequent amendments and completions shall be submitted to public consultation with the CM and shall be published on the Website at least 20 days before the date of their entry into force.
2. This Regulation is detailed by the RCE Instructions issued in connection with the technical aspects of the processes described in this Regulation.
3. The RCE Instructions are mandatory for the CM on the first Day after their publication on the Website, at the earliest. The CMs will be informed about the effective date of entry into force, which may be a date after the next day.
4. Exceptionally, Instructions 3, 7 and 8 on the Tariffs charged, the Daily Settlement Price and the Final Settlement Price will be published at least 10 working days before the entry into force.
5. The instructions are published on the RCE website and are communicated to the CM email address on the Day of publication on the website.
6. The rules contained in this Regulation shall be supplemented accordingly by the provisions of the applicable law as well as by the regulations and procedures governing the functioning of the Market.

**List with the RCE Instructions for providing details about the Regulation**

1. Instructions on **Guarantees to cover financial risks**
2. Instructions on establishing **the Daily Schedule**
3. Instructions on establishing **the Tariffs related to the Services**
4. Instructions on determining **the Initial Margin Values**
5. Instructions on the **Physical Delivery Margin**
6. Instructions on the elements of **the Daily Account Structure and the reports provided by the RCE to the CM**
7. Instructions on **the Daily Settlement Price**
8. Instructions on **the Final Settlement Price**