

SPAN Margining - Introduction of asymmetric VSR parameters

Summary

ECC plans to change its Derivative Initial Margin Model (SPAN), introducing asymmetric instead of symmetric Volatility Scan Range (VSR) parameters to model potential movements in implied volatilities of options.

The change will be applied for the first time in the SPAN calculation on 3 February 2025 coming into effect the following day, 4 February 2025.

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Information

ECC's Derivative Initial Margin Model (SPAN) currently uses the Volatility Scan Range (VSR) parameter to model potential movements in implied volatilities of options. This parameter is applied symmetrically for both upward and downward movements by using the maximum shift of both directions, leading to a conservative evaluation of the VSR parameters. To improve margin efficiency for options contracts, the VSR methodology will be adjusted to reflect observable asymmetry by incorporating different VSR parameters and floor values for upward and downward movements.

The change will go-live on 3 February 2025. The new applicable VSR parameter values will be found in the risk parameter file on the website (<https://www.ecc.de/en/risk-management/margining>), together with an updated version of the ECC Derivative Market Margining document on the go-live date.

In case of questions, please contact clearing@ecc.de.