

# N2EX – Direct Debit Solution

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## Manual Process

The cash settlement solution used for the N2EX physical power market is based on invoices and self billing invoices. Where a member has a net purchased position on any given delivery days then they are required to make payment for the net purchased amount the following clearing day (D+1).

It has been identified that this process is onerous on some members and as a result N2EX has now developed a new and more efficient direct debit solution that will remove the need of manually processed daily payments. N2EX clearing house, represented by NASDAQ OMX, will continue to ensure that all pay-ins and pay-outs are transacted according to the legal framework and within the due dates and times previously stipulated.

## The Solution

A bank gateway has been developed in order to support full bank integration for settlement purposes with that functionality being:

- The manual solution will be modified to automatically send payment instructions for both invoices (settlement and fees) and self-billing invoices.
- Where a pay-in is due N2EX will generate a SWIFT MT101 instruction which will be routed through Nordea Bank London Branch. As a result the members account will be directly debited based on the daily invoices.
- The current email functionality will remain unchanged as will the current clearing schedule according to Clearing Appendix 4 "[Clearing Schedule](#)".

## Technical Requirements

No additional technical requirements are needed on the member side.

## Legal Requirements

Two agreements are required to allow for the new direct debit solution, these agreements will be distributed to all members in the near future.

- A new GBP Settlement Account Instruction Agreement (Settlement Bank Agreement)
- MT101 agreement (it's possible that this agreement is already in place, members should confirm with their settlement bank)

## Supporting Settlement Banks

It's expected that all settlement banks are able to support our members in adopting this solution. However, members should discuss with their settlement banks on an individual basis.

## **F.A.Q**

### **Q. What do we need to do to become a part of the direct debit solution?**

A. Sign the agreements and return them to N2EX. Your settlement bank can help you in regards to completion of the forms. Wait for confirmation (2-3 days), and reconcile payments after the debit solution is implemented. For each member that joins the solution N2EX will, together with Nordea Bank, supervise the payments the first couple of days.

### **Q. Do we have to use the MT101 agreement from Nordea Bank?**

A. No. Each bank usually has its own MT101 agreement template, and these can be used. The MT101 agreement will have to be filled out by the settlement bank, signed by you, and sent to N2EX for processing.

### **Q. When signing a MT101 Agreement, do we give N2EX the permission to withdraw funds as they see fit? And can we be certain that the funds are withdrawn according to the daily settlement?**

A. No, the MT101 messages that N2EX will send is based on the settlement and/or fee invoice that is generated based on trading numbers the same day. The invoices will still be sent out by e-mail as on the manual solution. Your reconciliation possibilities will not change.

### **Q. Do we need to use our Operational account for this purpose?**

A. No, it is possible to set up a new settlement account, and have the MT101 agreement connected to that account instead. A new Annex 1 is then needed.

### **Q. What is the cost of the new solution?**

A. Members may incur some cost from the respective settlement banks for sending of the MT101 messages, although this would be negligible in most cases. No costs will be charged from the clearing house.

### **Q. Is it possible to continue using the current process?**

A. Whilst we do encourage all members to move to the new solution we will offer the old solution in parallel with the new for the meantime.

## **Further Details & Applications**

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