

SmartCap Trading Model

Nord Pool Risk Management

February 2025

Introduction

In February 2025, Nord Pool launched the SmartCap Trading Model, a new collateral and trading framework designed to enhance collateral management efficiency and flexibility for members. This model also aims to offer increased protection and strengthen risk management for members.

SmartCap Trading Model

The SmartCap Trading Model is a self-determined collateral and trading model giving members full control over the amount of collateral they post to Nord Pool. This collateral is used to set a Trading Limit for the member, restricting trading exposure to the amount of the Trading Limit. Minimum collateral requirements, as stipulated on Nord Pool's website, will always apply to members. Clearing Members subject to the SmartCap Trading Model are not subject to the Collateral Calculation Methodology as described under the Classic Trading Model.

Trading Limit Utilisation

Utilisation of Trading Limits comprises 3 separate components.

- 1) **Open Orders**
- 2) **Executed Trades awaiting Invoicing**
- 3) **Unpaid Debit Invoices** (Invoices owed to Nord Pool)



As **Open Orders** remain potential exposures until executed, their Limit utilisation is calculated as follows.

- In order to have realistic exposure calculations, Risk Prices (Positive Risk Prices and Negative Risk Prices) are used as a realistic, albeit conservative, market price when calculating exposures of price independent Open Orders. Where a buy order has an upper price limit, the upper price limit will be used to calculate exposure rather than the Positive Risk Price. Similarly, where a sell order has a lower price limit, the lower price limit will be used to calculate exposure rather than the Negative Risk Price. You can read more about Risk Prices [here](#)
- Regardless of order type or direction (buy/sell), Open Orders cannot reduce limit utilisation. Any sell orders will only contribute to reducing Limit utilisation after the trade has been executed (assuming positive prices).

Because both **Executed Trades Awaiting Invoicing** and **Unpaid Debit Invoices** are realised exposures, their monetary value contribute directly to the utilisation of the Trading Limit.

It is important to note that Credit Invoices (Invoices owed to members) DO NOT contribute to reducing Limit utilisation. A Debit Invoice will no longer contribute towards limit utilisation only when Nord Pool has received confirmation from our bank that the invoice payment has been received into our account.

Trading Limit Utilisation Visibility, Alerts and Blocking

Each member has the ability to view their Trading Limit and utilisation in Nord Pool's CASS UI and via the trading platforms API feeds. In addition to this, a member will receive an update on Limit utilisation after each order submission, as well as email notifications as certain Trading Limit utilisation thresholds are reached. These alerts serve to make a member aware that they are approaching full utilisation of Trading Limit and may need to adjust their trading and/or Trading Limit.

For members under the SmartCap Trading Model, where a Trading Limit is reached, the member will not be permitted to submit any additional orders which would increase exposure further. A member will also receive an alert to notify them of same. At this point a member is required to reduce exposure, await invoice payments, or increase their Trading Limit before they can submit any additional orders which would utilise Trading Limits.

Estimating and Forecasting Trading Limits required and Limit Utilisation

There are some factors which a member should consider when estimating what Trading Limit is required for them to trade as needed on Nord Pool without interruption. These include:

- 1) If submitting price independent orders, what are the current Risk Prices;
- 2) How long orders may remain Open until matched and become Executed Trades;
- 3) How long until an Executed Trade gets Invoiced, ie. Nord Pool's settlement and invoicing cycle (see [here](#));
 - a. Nord Pool's invoicing cycle runs at approx. 14:30 CET each Norwegian banking day. As the treatment of sell trades change as trades move from Executed to Invoiced, the invoicing/settlement run may increase limit utilisation.
 - b. **Specific attention should be given to the differing settlement cycles for Day-Ahead, Intraday Continuous and Intraday Auction trading.**
 - i. **Day Ahead (DA)** trades get invoiced on Delivery Day - 1 (ie Day of Auction). DA debits (funds due to Nord Pool) are due on Delivery Day, credits (funds due to Members) are paid on Delivery Day + 1.
 - ii. **Intraday Auction (IDA)** trades get invoiced on Delivery Day. IDA debits are due on Delivery Day + 1, credits are paid on Delivery Day + 2.
 - iii. **Intraday Continuous (IDC)** trades get invoiced on Delivery Day + 1. IDC debits are due on Delivery Day +2 and credits are paid on Delivery Day +3.
- 4) Weekend and Norwegian non-banking days (when invoicing cycles and payments do not take place)