

## **IPE CIRCULAR 05/48 R08**

7 April 2005

To: All Members

Copy to: The Financial Services Authority  
LCH.Clearnet Limited

Dear Member

### **Amendment to the Regulations - Introduction of the IPE ECX Carbon Financial Instruments futures Contract and Emissions Trading Privilege**

Circular 05/37 dated 24 March 2005 advised Members of the launch date of **Friday 22 April 2005** for the IPE ECX Carbon Financial Instruments futures Contract ("IPE ECX CFI futures Contract") and included information in relation to the listed contract months (the first tradable contract month being December 2005), the Emissions Trading Privilege, the Exchange transaction fee and the LCH.Clearnet Ltd. clearing fee.

The purpose of this Circular is to advise Members of the proposed Contract Rules and Administrative Procedures for the IPE ECX CFI futures Contract and the Rule amendments consequential to the introduction of the Contract and the Emissions Trading Privilege. The Circular also contains the Trade Registration System ("TRS") contract codes and trade types and a summary Contract Specifications document in tabular form.

The proposed Contract Rules and Administration Procedures and relevant amendments to the Regulations are set out on the attached.

**I therefore give formal notice, on behalf of the Board, in accordance with the Code of Practice, that it proposes the changes to Exchange Regulations set out on the attached. The Code of Practice provides that any written request for the Board to consider whether the Code of Practice has been adhered to must be received by the Secretary within seven days of the date of this Circular. In the absence of any such request the proposed changes will come into effect on Friday 22 April 2005.**

#### **TRS Codes and trade types**

	Code		Trade type
Physical Contract	C	EFP and EFSs	O
Logical Commodity	ECF	Block Trades	K
Generic Contract	F		

**Eligibility to trade**

Members are also reminded that to be eligible to trade and/or clear (as appropriate) the IPE ECX CFI futures Contract a Member must be the holder of an Emissions Trading Privilege. (A non-clearing Member wishing to trade the IPE ECX CFI futures Contract will be required to have a Clearing Agreement with a Clearing Member who is the holder of an Emissions Trading Privilege.) Circular 04/85 dated

8 December 2004 attached a grandfathering form for existing Members which, once successfully completed, would ensure that the relevant Member acquired an Emissions Trading Privilege. This grandfathering form can be obtained from the IPE Membership Department, e-mail [DL-membership@theipe.com](mailto:DL-membership@theipe.com).

**The IPE ECX Carbon Financial Instruments futures Contract: User Guide**

The IPE ECX Carbon Financial Instrument futures Contract: User Guide which contains all relevant contract and contract related information including trading, expiry day, delivery and fee details, and examples of EFP/EFS and Block Trade Forms will be issued shortly by Circular and will be available, together with the “Getting Started” document, on the IPE’s website at: [www.theipe.com/emissions](http://www.theipe.com/emissions). The User Guide supersedes and replaces the Explanatory Memorandum issued with Circular 05/05 C01 dated 21 January 2005 which contained detailed Contract information.

**Please ensure that the appropriate staff within your organisation are advised of the content of this Circular.**

If you have any questions in relation to this Circular or the Rules, please contact Jackie Ryan on +44 (0) 20 7265 3616 or [jackie.ryan@theipe.com](mailto:jackie.ryan@theipe.com), or other questions in relation to the IPE ECX CFI futures Contract, please contact Mark Woodward on +44 (0)20 7265 5729 or [mark.woodward@theipe.com](mailto:mark.woodward@theipe.com) or Jason Labrooy on +44 (0)20 7265 5737 or [jason.labrooy@theipe.com](mailto:jason.labrooy@theipe.com).

Yours sincerely

**Patrick Davis  
Company Secretary**

<b>It is suggested that this Circular is passed to the member of your staff in charge of:</b>			
Compliance	✓	Deliveries	✓
Back Office	✓	Technology	✓
Finance	✓		
IPE ETS	✓		
<b>Thank you for your co-operation.</b>			

## IPE ECX CFI futures Specifications

Unit of Trading	One lot of 1000 Emission Allowances, each Emission Allowance being an entitlement to emit one tonne of carbon dioxide equivalent gas.
Minimum trading size	1 lot.
Quotation	Euro (€) and Euro cent (c) per metric tonne.
Tick size	€0.05 per tonne (i.e. €50.00 per lot).
Minimum/maximum Price Fluctuation	€0.05/no maximum limit.
Contract/delivery months	March, June, September, December contract months from December 2005 to March 2008; and then December contract months only from December 2008 to December 2012.
Expiry day	Last Monday of the contract month.  Where this falls on a non-business day, or there is a non-business day in the 4 days immediately following the last Monday, the last trading day shall be the penultimate Monday of the delivery month. Where the penultimate Monday of the delivery month falls on a non-business day, or there is a non business day in the 4 days immediately following the penultimate Monday, the last trading day shall be the antepenultimate Monday of the delivery month. The Exchange shall from time to time confirm, in respect of each delivery month, the date upon which trading is expected to cease.
Trading system	Trading will occur on the IPE's electronic trading platform IPE ETS, (also known as the ICE Platform) which is accessible via WebICE or through an IPE conformed Independent Software Vendor.
Trading hours	08:00 hours to 17:00 hours GMT/BST.
Settlement prices	Trade weighted average during the daily closing period or Quoted Settlement Prices at the Exchange's discretion.
VAT & taxes	Awaiting confirmation pending discussions with UK's HM Customs & Excise.
Delivery	The Contracts are physically deliverable by the transfer of emission allowances from the Person Holding Account of the Selling Clearing Member at a Registry to the Person Holding Account of LCH.Clearnet (LCH) at a Registry, and from the Person Holding Account of LCH at that Registry to the Person Holding Account of the Buying Clearing Member at a Registry.  Delivery is between Clearing Members and LCH during a Delivery Period. The Delivery Period is the period beginning at 19:00 hours on the business day following the last trading day and ending at 19:30 hours on the third business day following that last trading day. There are provisions for delayed and failed delivery within the Contract Rules.
Clearing and Contract Security	LCH acts as central counterparty to all trades and guarantees the financial performance of the IPE contracts registered in the name of its Members.
Margin	Variation and initial margin are charged in the usual manner by LCH.

**RULE CHANGES CONSEQUENTIAL TO THE INTRODUCTION OF THE EMISSIONS CONTRACT**

## F.5 EXCHANGE FOR PHYSICALS ("EFPs") EXCHANGE FOR SWAPS ("EFSs")

- (a) These Rules shall apply to EFP transactions and EFS transactions other than those in Rule F.5.A.

EFP and EFS transactions may take place in respect of any contract month in any product mentioned in Section J up to one hour after the relevant time of cessation of trading of a Contract for such contract month.

EFS transactions may take place in respect of any contract month in any product mentioned in Section N up to the relevant time of cessation of trading of a Contract for such contract month.

EFPs, and EFSs may take place in respect of any product mentioned in Section L up to one hour after the relevant time of cessation of trading of a Contract for such contract month.

Where an EFP is entered into pursuant to Rule L.8 (a) the parties shall notify the Exchange within one hour of cessation of trading using such forms as the Directors may from time to time prescribe.

EFPs and EFSs may take place in respect of any contract date or group of contract dates from time to time permitted by the Directors in any products mentioned in Sections Q and S, up to 30 minutes after the relevant time of cessation of trading of Contracts for such contract date or group dates.

EFPs and EFSs may take place in respect of any contract date or group of contract dates from time to time permitted by the Directors in any product mentioned in Section W up to one hour after the relevant time of cessation of trading of Contracts for such contract date or group dates.

(i) [Removed 14 September 2004]

(ii) [Removed 14 September 2004]

[EFPs and EFSs may take place in respect of any product mentioned in Section Y up to 30 minutes after the relevant time of cessation of trading of a Contract for such contract month.](#)

## G.18 TELEPHONE TRADING

### Settlement Prices

- G.18.14 Settlement prices (or in the case of Utility contracts [and Emission Contracts](#), settlement prices or Quoted Settlement Prices) will be determined in its absolute discretion by the Exchange. The Exchange may consult with market participants and/or the Settlement Advisory Committee and/or the [London](#)-Clearing House, and may, in its absolute discretion, take into account factors such as trading activity prior to the close of trading on any given market day. Such settlement prices shall be published by whatever means determined by the Exchange.

## I.14 FURTHER AMENDMENT OF CONTRACT RULES

- (b) The Directors shall not propose an amendment under this Rule on terms affecting existing Contracts if the amendment is in their opinion likely to affect the market price of the product. The restraint imposed by this paragraph (b) shall not apply in respect of:
- (i) contract months which, in the case of gas oil futures and Brent blend crude oil futures, are for the time being more distant than the ninth forward contract month;
  - (ii) contract months which, in the case of futures for other products (excluding products mentioned in Sections Q, ~~S~~ [and W](#) [and Y](#)), and in the case of traded options for all

products (excluding products mentioned in Sections Q, ~~S~~ and ~~W~~ and Y), are for the time being more distant than the sixth forward contract month;

(iii) contract dates which, in the case of a Contract containing the terms set out in Section Q traded in respect of the Delivery Terminal (as defined in such Contract) situated at Bacton, fall within a month which is for the time being more distant than the sixth forward contract month; ~~or~~

(iv) contract dates which, in the case of a Contract containing the terms set out in Section S or W, fall within a month which is for the time being more distant than the third forward contract month; or

(v) contract months which, in the case of a Contract containing the terms set out in Section Y, are for the time being more distant than the second forward contract month;

(c) In this Rule references to the amendment of the Contract Rules include additions to and the partial revocation of the Contract Rules.

## IFE ETS TRADING PROCEDURES

### 2.4 Settlement Price Procedures

#### Settlement Prices

2.4.1 A designated Market Supervision Official (Market Supervisor) shall determine settlement prices for Contracts in accordance with the settlement procedures below and these shall be displayed as the Unofficial Settlement Prices. The Market Supervisor may, in his absolute discretion, vary Unofficial Settlement Prices calculated according to this Procedure 2.4. or exclude trades from the calculation of settlement prices if he considers it to be in the best interest of the market to do so.

2.4.2 Prices of EFP, EFS trades and Block Trades will not be used to determine the settlement prices.

#### Settlement Procedure for Utility and Emission Contracts

2.4.3 The Unofficial Settlement Prices for each contract will be determined from trades made during such period of time (the closing period) as may be specified by the Directors from time to time.

The Unofficial Settlement Price shall be:

- (i) where the total number of lots traded during the closing period is equal to or exceeds a level determined by the Exchange from time to time, the trade weighted average as detailed in Section 2.4.14 below;
- (ii) where the total number of lots traded during the closing period is fewer than the level determined by the Exchange from time to time, procedure 2.4.4 below shall apply.

2.4.4 Where the total number of lots traded during the closing period is fewer than the level determined by the Exchange from time to time, an Unofficial Settlement Price will be determined by a Market Supervisor as set out below.

The Unofficial Settlement Price for a Contract shall be, at the discretion of the Market Supervisor, either:

- (a) a Quoted Settlement Price ('QSP') which is an average of quoted prices for specific contract dates provided daily by market participants.

Where the settlement price so established would be below a final valid bid or above a final valid offer equal to or greater in size than the level determined by the Exchange and made in the closing period, the settlement price shall be the final valid bid or offer of such size closest to the QSP.

QSPs may be used to interpolate QSPs for those contract dates for which no quoted prices are received from market participants or for which no bid or offer quotes are made; or

- (b) a price determined by the Market Supervisor taking account of previous business day's settlement prices, bids and offers, spread values during that IPE ETS trading session, activity in other contracts or groups of contracts, and/or in a related market, and/or other prices that are recorded by the Exchange or any other factors considered relevant.

- 2.4.5 Fifteen minutes after the display on IPE ETS of the Unofficial Settlement Prices for a Contract, or of the corrected Unofficial Settlement Prices amended in accordance with procedure 2.4.12, such prices shall become the Official Settlement Prices for such Contract.

The Official Settlement Price will be communicated to the Clearing House forthwith and will become the Exchange Official Settlement Price thirty minutes thereafter.

#### Settlement Procedure for Contracts other than Utility Emission and Options Contracts

- 2.4.6 The Unofficial Settlement Prices for each contract will be determined from trades made during such period of time (the designated settlement period) as may be specified by the Directors from time to time.

The Market Supervisor shall initially calculate settlement prices for all contracts in accordance with the settlement procedures below.

If the Market Supervisor is satisfied that the prices so calculated are an accurate reflection of prevailing values for all contract months these shall be displayed as the Unofficial Settlement Prices.

If the Market Supervisor is not satisfied that the calculated prices accurately reflect prevailing values of one or more contract months, he may consult market practitioners (who may or may not be Members) and/or senior Exchange staff before the Unofficial Settlement Prices are displayed. The Market Supervisor alone will make the final decision as to the determination of the Unofficial Settlement Prices.

If the Market Supervisor consults a market practitioner, the Market Supervisor shall ascertain, and the market practitioner must disclose, the nature and extent of any conflict of interest the market practitioner may have. Market practitioners with a direct personal financial interest in the settlement price are not eligible for consultation by the Market Supervisor. Market practitioners who have acted on behalf of a client during the designated settlement period must declare this to the Market Supervisor but are not automatically prohibited from consultation.

It shall be an offence under the Regulations for a market practitioner who is a person subject to the Regulations to fail to disclose a direct personal financial interest in the settlement price.

In determining whether the calculated settlement prices are an accurate reflection of prevailing values the Market Supervisor shall take into account:-

- (a) the number of lots and prices traded on IPE ETS during the designated settlement period;
- (b) the price and size of bids and offers made during the designated settlement period;
- (c) the conduct of trading during the designated settlement period;
- (d) observed and reported values of calendar spreads;

and any other factor the Market Supervisor, in his absolute discretion, considers relevant.

- 2.4.7 Unofficial Settlement Prices for Contracts other than Utility Emission and Options Contracts shall be calculated as follows:-

- (a) In respect of all Contract months for each contract, the settlement price shall be:

- (i) where the total number of lots traded during the designated settlement period is equal to or exceeds a level determined by the Exchange from time to time, the trade weighted average as detailed in Section 2.4.14 below;
- (ii) where the total number of lots traded during the designated settlement period is fewer than the level determined by the Exchange from time to time, calculated by the Market Supervisor using spread values provided by market users.

Where the settlement price so established would be below a final valid bid or above a final valid offer equal to or greater in size than the level determined by the Exchange and made in the designated settlement period, the settlement price shall be the final valid bid or offer of such size.

2.4.8 Fifteen minutes after the display on IPE ETS of the Unofficial Settlement Prices for a Contract, or the corrected Unofficial Settlement Price amended in accordance with procedure 2.4.12, such prices shall become the Official Settlement Prices for such Contract.

The Official Settlement Price will be communicated to the Clearing House forthwith and will become the Exchange Official Settlement Price thirty minutes thereafter.

#### Settlement Procedure for Option Contracts

2.4.9 The Unofficial Settlement Prices for each contract will be determined from trades made during such period of time (the designated settlement period) as may be specified by the Directors from time to time.

The Market Supervisor shall initially calculate settlement prices for all contracts in accordance with the settlement procedures below:

- (a) where trades are executed in the designated settlement period, the trade weighted average as detailed in Section 2.4.14 below;
- (b) where no trades are executed in the designated settlement period, and the last traded price of a series (regardless of time of trade) is within the closing bid/offer then this price will be the settlement price;
- (c) where the traded price above is outside the closing quotation or where no trade has taken place in a particular series then the mid point of the closing quote will be the settlement price, rounded up to the nearest tick.

Where the settlement price so established in (b) or (c) above would be unrepresentative, the settlement price shall be determined at the discretion of the Market Supervisor as either (i) or (ii) in paragraph (d) below:-

- (d) where there are no closing quotes then the settlement price will be determined at the discretion of the Market Supervisor as either:-
  - (i) a price extrapolated from a pricing model (as approved by the Exchange from time to time) which may require the use of quotes provided by market participants;
  - (ii) a price determined by the Senior Exchange Official taking account of any of the criteria listed in 2.4.10 below.

2.4.10 The Market Supervisor shall take into account any one or more of the following:-

- (a) any trades in the Contract month during the course of the trading day whether outright or strategy trades;
- (b) any bids or offers in the Contract month during the day whether for strategies or otherwise;



- (c) any trades, bids, or offers in the designated settlement period of trading;
- (d) assessment of the relevant strategies of previous trading days;
- (e) the implied volatility of any traded series during the day;
- (f) any other factors they may consider relevant;

and may in his absolute discretion, disregard trades in setting the settlement price.

- 2.4.11 Fifteen minutes after the display on IPE ETS of the Unofficial Settlement Prices for a Contract, or the corrected Unofficial Settlement Price amended in accordance with procedure 2.4.12, such prices shall become the Official Settlement Prices for such Contract.

The Official Settlement Price will be communicated to the Clearing House forthwith and will become the Exchange Official Settlement Price thirty minutes thereafter.

#### Settlement Price Objections and Amendments for all Contracts

- 2.4.12 Any objections to an Unofficial Settlement Price will be settled forthwith by the Market Supervisor who may, at his absolute discretion, consult market practitioners (who may or may not be Members) and/or senior Exchange staff before confirming or amending the Unofficial Settlement Price. The Market Supervisor alone will make the final decision as to the determination of the Official Settlement Prices.

If the Market Supervisor consults a market practitioner prior to his determination, the Market Supervisor shall ascertain, and the market practitioner must disclose, the nature and extent of any conflict of interest the market practitioner may have. Market practitioners with a direct personal financial interest in the settlement price are not eligible to assist the Market Supervisor in his determination. Market practitioners who have acted on behalf of a client during the designated settlement period must declare this to the Market Supervisor but are not automatically prohibited from assisting the Market Supervisor in his determination.

It shall be an offence under the Regulations for a market practitioner who is a person subject to the Regulations to fail to disclose a direct personal financial interest in the settlement price.

- 2.4.13 No amendment to an Official Settlement Price may be made without the express approval of the Vice President of Market Operations, or the Vice President of the Compliance Department, or their appointed deputies, or other senior Exchange staff.

- 2.4.14 The trade weighted average is calculated as follows:-

- (a) multiply the number of trades at each price by that price;
- (b) add together the resulting aggregate figures;
- (c) divide the total from (b) by the total number of trades in (a);
- (d) round up or down to the nearest tick level (when exactly halfway, round up: e.g. \$192.375 would be rounded up to \$192.50).

**Example:** if 60 contracts at \$192.25; 180 contracts at \$194.00; and 40 IPE Gas Oil futures contracts at \$194.25, then the trade weighted price will be \$193.66, which is then rounded up to \$193.75.

### SECTION 3: EXCHANGE FOR PHYSICAL ("EFP") AND EXCHANGE FOR SWAPS ("EFS")

#### 16. EFP AND EFS PROCEDURES

- 16.1. (a) EFPs and EFSs may take place in respect of any Natural Gas Contract, up to 30 minutes after the relevant time of cessation of trading of such Contract on IPE ETS; ~~and~~ in respect of any Electricity Contract, up to one hour after the relevant time of cessation of trading of such Contract on IPE ETS; in respect of any Emission Contract, up to 30 minutes after the relevant time of cessation of trading of such Contract on IPE ETS and are not subject to IPE ETS Trading Procedures other than this Section 3.
- (b) Subject to (a) above, EFPs and EFSs in respect of Contracts traded on IPE ETS may be reported to the Exchange, in accordance with Rule F.5 (c) for registration by the Clearing House up to 30 minutes after the relevant time of close of IPE ETS trading of such Contract for that business day for such contract month.
- 16.2 Where details of an EFP or EFS transaction have been faxed on the prescribed EFP/EFS form by both parties to the Market Supervisor for entry into TRS. It is the responsibility of each Member party to the EFP or EFS (or the Clearing Member with whom the executing Member is party to a Clearing Agreement) to resolve any mismatches.

## SECTION 4: BLOCK TRADE PROCEDURES

### 17. BLOCK TRADE PROCEDURES<sup>1</sup>

17.1 Block Trades may take place:

- (a) in respect of contracts designated by the Exchange from time to time as contracts that may be traded as Block Trades pursuant to the Rules;
- (b) only during such trading hours of the Block Trade Contract concerned and on such business days as the Exchange may from time to time prescribe;
- (c) in respect of an Emission Contract, only when arranged by a Member who is the holder of an Emissions Trading Privilege;

and are not subject to IPE ETS Trading Procedures other than in this Section 4 or where specifically mentioned.

---

RULE CHANGES CONSEQUENTIAL TO THE INTRODUCTION OF THE EMISSIONS TRADING  
PRIVILEGE

## SECTION A

### A.1

“Emission Contract” means a contract containing the terms set out in Section Y of the Contract Rules and/or any other contract determined to be an Emission Contract by the Directors from time to time ;

“Oil Contract” means a contract containing the terms set out in Sections L or L of the Contract Rules and/or any other contract determined to be an Oil Contract by the Directors from time to time;

Emissions Trading Privilege means the status for which a Member or applicant for membership may apply in accordance with Section BB, which is a condition to the availability of the permissions described in Rule BB.6 in relation to an Emission Contract;

## SECTION G

### G.3 VALIDITY OF CONTRACTS <sup>2</sup>

- (a) To be a valid Contract made on the Market, the Contract must be:
- (i) executed on the IPE ETS only by a registered Responsible Individual using his appropriate ITM and in the case of an Emission Contract, only where the Member to whom the Responsible Individual is registered, is a holder of an Emissions Trading Privilege; and
  - (ii) executed in accordance with either Rule G.5 or G.6.A; or
  - (iii) expressly authorised by the Exchange in its absolute discretion pursuant to IPE ETS Trading Procedure 8.5; or
  - (iv) expressly authorised by the Exchange in its absolute discretion.

### G.18 TELEPHONE TRADING <sup>3</sup>

- G.18.4 a) Any Member is permitted to participate (i.e. place orders) in the Telephone Trading market, providing that he holds the relevant trading right for the contract concerned, and in the case of Emissions Contracts, provided that he is the holder of an Emissions Trading Privilege.
-

## IPE ETS TRADING PROCEDURES

### SECTION 1: TRADING

#### 1. ACCESS TO THE ELECTRONIC TRADING SYSTEM <sup>4</sup>

1.0 [DELETED]

1.1 Access by a Member to IPE ETS may only be obtained during the hours determined by the Directors from time to time.

A Member shall not enter orders into or make trades through the IPE ETS for Emission Contracts unless the Member is the holder of an Emissions Trading Privilege.

1.2 A Member may access the Trading Server by using the front end application provided by IPE or by using, where available, any other front end application developed by the Member or provided by an ISV which meets all the conformance criteria determined by the Exchange from time to time.

#### 3.3 Validity of Orders

3.3.1 A Member's order entered in IPE ETS will remain valid:

- (a) until accepted in full in accordance with these IPE ETS Trading Procedures (in the event of acceptance of part of an order the size of the order will be correspondingly reduced);
- (b) until deactivated or withdrawn by the Member;
- (c) until the price, volume or contract date of such order is varied by the Member creating a new order;  
  
(Note: an increase in volume will constitute a new order; a decrease in volume will retain the time and price priority of the original order.)
- (d) if it is entered under the ITM of an individual registered as a Responsible Individual authorised to conduct business on IPE ETS;
- (e) until the order is deactivated at the end of the trading session for a Contract or the order is cancelled as a result of a condition attached to the order in accordance with IPE ETS Trading Procedure 3.4.1;

(f) unless it is cancelled by the Exchange under IPE ETS Trading Procedures 3.9.1. or 3.11.

(g) unless it is an order for an Emission Contract where the Member is not the holder of an Emissions Trading Privilege.

---

## MEMBERSHIP – IPE ETS TRADING

---

### SECTION BB - MEMBERSHIP – IPE ETS TRADING

BB.1	General Provisions
BB.2	Categories of Membership
BB.3	Membership Criteria
BB.4	Application for Membership
BB.5	Ongoing Notification Requirements
BB.6	Scope of Participant Activities
<a href="#">BB.6A</a>	<a href="#">Emissions Trading Privilege</a>
BB.7	Suspension and Expulsion
BB.8	Reconsideration and Appeal
BB.9	Conclusion of Contracts on IPE ETS
BB.10	Clearing Activities
BB.11	Nomination and Registration of Responsible Individuals

## BB.1 GENERAL PROVISIONS

BB.1.2 Every Member shall pay such annual subscription as the Directors may from time to time determine in respect of its category of membership and any trading/clearing permission(s) or privilege(s). The subscription shall be due each year on such date as the Directors may from time to time determine. A failure to pay the subscription by the due date may be punished by the Directors or the Authorisation, Rules and Conduct Committee by any sanction listed in Rule E.4.11 subject to the rights of reconsideration and appeal set out in Rule BB.8.

~~BB.1.7 *Provided that a Member satisfies all outstanding obligations to the Exchange, that Member may resign from membership of the Exchange by one month's notice in writing to the Membership Department.*~~  
~~But Provided that:~~

~~(a) if the Member has been declared a defaulter under Rule D.4 before the expiry of its notice of resignation (whether the declaration is made before or after its giving of such notice) its membership shall continue until the completion of default proceedings (within the meaning of the default rules); and~~

(a) notwithstanding the expiry of its notice of resignation a former Member shall remain subject to the jurisdiction of the Exchange for one year after such expiry, or such other period as is required for the determination of any proceedings including any appeal, as if continuing to be a Member, in respect of:

(i) things done or omitted by the Member before the expiry of its notice of resignation, and

(ii) steps taken by the Exchange or other person or body under Sections D (Default), E (Disciplinary), H (Arbitration) and I.18 (Delivery Committee) of the Regulations in respect of things so done or omitted.

BB.1.8 ~~Death of a Member who is an individual:~~ In the event of the death of an individual Member the Directors may permit his personal representatives to retain his membership and if applicable, his Emissions Trading Privilege for a period of up to six months following the date of his death in order to complete arrangements for the orderly closing out of open positions of the Member, provided that such personal representatives may not exercise any trading rights or permissions relating to the membership and must, where necessary to close out open positions of the Member, use the services of another Member for trading purposes.

## BB.3 MEMBERSHIP CRITERIA

BB.3.1 An applicant for access to trading on the IPE ETS as a Member must, at the time of its application and at all times thereafter:

(b) be able to demonstrate, to the satisfaction of the IPE, that the applicant is fit and proper to be a Member;

(c) be able to demonstrate, to the satisfaction of the IPE, that the applicant has sufficient systems and controls in place to ensure that all employees, agents and representatives who may act on its behalf or in its name in the conduct of business on the IPE ETS are fit and proper, suitable, adequately trained and properly supervised to perform such functions;

(d) maintain a properly established office (in a location which is acceptable to the Directors as they may determine in their absolute discretion) for the conduct of its business on the IPE ETS;



- (e) satisfy the minimum financial standing requirements for the time being stipulated by the Directors in relation to the relevant category of membership, supporting its claim to do so by copies of its last three years of audited accounts and by a copy of its latest audited accounts from time to time as they become available, or such other evidence as the Directors may require;
- (f) be party to an IPE ETS User Agreement, which is in full force and effect, in the form prescribed by the Directors from time to time for use by the Member of IPE ETS at the address(es) notified to the Exchange;
- (g) be able to access the Trading Server via a front end application which meets the IPE's conformance criteria;
- (h) be a clearing member of the Clearing House (or be accepted for such membership), where permitted by the Regulations, or be a party to or satisfy the Directors that it will become a party to a clearing agreement with a clearing member in respect of all types of Contract covered by its trading and/or clearing permissions or privilege under Rule BB.6 from time to time; and
- (i) hold all necessary licences, authorisations and consents, or benefit from available exemptions, so as to allow it to carry on business as a Member on the IPE ETS in accordance with all applicable laws and regulation.

BB.3.2 In addition to meeting the general criteria above:

- (a) an applicant to be an Individual Participant must, at the time of its application and at all times thereafter:
  - (i) where the applicant is a company with share capital, confirm that nine-tenths of its issued share capital is beneficially held by a single individual or, where the applicant is a company without share capital, nine-tenths of the votes exercisable at its general meetings are exercisable by a single individual or, in any other case, that the applicant is an individual; and
  - (ii) confirm that the single individual identified in Rule BB.3.2(a)(i) above is / will be the Responsible Individual representing the applicant;
- (b) an applicant to be a General Participant or Trade Participant must, at the time of its application and at all times thereafter, be a body corporate;
- (c) an applicant to be a General Participant, Trade Participant or an Individual Participant must satisfy any other specific criteria or other requirements stipulated by the Directors from time to time in relation to the particular category of membership applicable to it, supplying such documents in support thereof as they may require;

(d) an applicant for any category of membership, or an existing Member, which seeks a permission to trade and/or clear Emissions Contracts must obtain an Emission Trading Privilege prior to carrying on such activities.

## BB.4 APPLICATION FOR MEMBERSHIP

BB.4.1 An applicant for membership under any of the above categories shall complete such form of application as the Directors may prescribe, specifying which category of membership it is seeking, ~~and (where applicable) whether it~~ wishes to: (1) trade and/or clear Oil Contracts; (2) trade and/or clear Utility Contracts; (3) trade and/or clear Emission Contracts by virtue of holding an Emission Trading Privilege; and, whether it is to be a clearing member or non-clearing member as applicable.

BB.4.2 Any application must be submitted to the Membership Department and shall then be referred to the Directors for determination. An applicant must satisfy the Directors that it meets the criteria for the time being for the category of membership being sought (further particulars of which may, at any time, be obtained from the Membership Department, including particulars of any other criteria or requirements stipulated by the Directors under Rule BB.3.2 and any guidance or requirements as to how certain criteria may be satisfied). Admission to membership of the Exchange shall not confer any right or obligation of membership in or right to attend or vote at meetings of, or any right to any share in, or any liability in respect of, the Exchange or ICE.

BB.4.3 The Directors shall have absolute discretion, subject to the applicant's rights in respect of reconsideration and appeal under the Regulations, whether to approve the application. If they refuse the application, the Directors shall give the applicant a written statement of their reasons.

BB.4.4 A successful applicant shall ~~at once~~ be notified in writing by the Membership Department of the approval of its application. The applicant shall be admitted to the category of membership applied for and details of the contracts it may trade will be confirmed, and where appropriate, it will be further confirmed that the applicant has been granted an Emissions Trading Privilege, and ~~†~~ The membership shall become effective at the point in time notified by the Membership Department to the applicant. Membership or an Emission Trading Privilege shall not be transferable.

BB.4.5 A Member may, at any time, apply to vary its category of membership and/or its clearing status. Such an application shall be made in the manner prescribed by the Directors from time to time and shall be processed by reference to the criteria set out in this section BB.

~~BB.4.6 Subject to BB.4.7 a Member may, at any time, apply to vary the Contracts it wishes to trade and/or clear. Such an application shall be made in the manner prescribed by the Exchange from time to time.~~

~~BB.4.7 A Member may, at any time, apply to hold an Emissions Trading Privilege or cancel an existing one. Such an application/cancellation shall be made in the manner prescribed by the Exchange from time to time.~~

## BB.5 ONGOING NOTIFICATION REQUIREMENTS

BB.5.1 Every Member shall notify the Exchange forthwith in writing of ~~†, and, where specifically indicated, seek the consent of the Exchange to:~~

~~(ii) any change or anticipated change in circumstances applicable to the Member, of which the Member is aware, which will, or is likely to, result in the Member being unable to continue to satisfy any one or more of the membership criteria applicable to it;~~

~~(b)(a) (in the case of a firm or a company) any proposed change in the nature of business or legal status of the Member, any proposed change in legal or beneficial ownership of the equity or partnership capital of the Member or any other circumstance that to the directors' or partners' belief would or might have the effect of changing the control of the Member. Exchange consent will be required;~~

~~(e)(h) any alteration in other business information which the Member may be required to furnish to the Exchange;~~

~~any proposed change in the identity of the Responsible Individuals registered on behalf of the Member and any proposed change in the location from which any such Responsible Individual will access the IPE ETS (where the new location is in a different jurisdiction from that previously notified to the Exchange). Exchange consent will be required;~~

~~any other material change in the way in which the Member accesses and uses the IPE ETS. Exchange consent will be required;~~

~~(fc) such information as the Exchange may stipulate from time to time with respect to trading on, or access to IPE ETS, including without limitation, location of screens used, details and location of user interfaces employed and order-routing arrangements put, or to be put, in place by or on behalf of the Member;~~

~~(g)-(d) \_\_\_\_\_ any other information specified by the Directors from time to time.~~

BB.5.1A Every Member shall seek the consent of the Exchange in relation to:

(a) (in the case of a firm or a company) any proposed change in the nature of business or legal status of the Member, any proposed change in legal or beneficial ownership of the equity or partnership capital of the Member or any other circumstance that to the directors' or partners' belief would or might have the effect of changing the control of the Member;

(b) any proposed change in the identity of the Responsible Individuals registered on behalf of the Member and any proposed change in the location from which any such Responsible Individual will access the IPE ETS (where the new location is in a different jurisdiction from that previously notified to the Exchange);

(c) any other material change in the way in which the Member accesses and uses the IPE ETS;

## BB.6 SCOPE OF PARTICIPANT ACTIVITIES

BB.6.1 A General Participant shall in accordance with the elections it has communicated to the Exchange in respect of the Contracts it wishes to trade and/or clear as required under Rules BB.4.1 or BB.4.6 be permitted to:

(a) trade;

(i) those Oil and/or Utility Contracts available for trading on the IPE ETS;

(ii) Emission Contracts available for trading on the IPE ETS provided that the General Participant is the holder of an Emissions Trading Privilege;

as appropriate, for own business and in connection with client business in conformity with the Regulations;

(b) register any number of Responsible Individuals;

(c) in the case of a General Participant who is also a clearing member of the Clearing House, register with the Clearing House in accordance with its General Regulations;

(i) all Oil and/or Utility Contracts made by the General Participant on the IPE ETS;

(ii) Emission Contracts made by the General Participant on the IPE ETS provided that the General Participant is the holder of an Emissions Trading Privilege;

(iii) by agreement, any Contract made on the IPE ETS by another Member provided that if the Contract is an Emission Contract, the General Participant is a holder of an Emissions Trading Privilege; and

(d) accept allocations of Contracts made on the IPE ETS by other Members provided that if the Contract is an Emission Contract, the General Participant is a holder of an Emissions Trading Privilege.

.

BB.6.2 A Trade Participant shall in accordance with the elections it has communicated to the Exchange in respect of the Contracts it wishes to trade and/or clear as required under Rules BB.4.1 or BB.4.6 be permitted to:

(a) trade;

(i) those Oil and/or Utility Contracts available for trading on the IPE ETS;

(ii) those Emission Contracts available for trading on the IPE ETS provided that the Trade Participant is the holder of an Emissions Trading Privilege

as appropriate, for own business in conformity with the Regulations;

(b) register any number of Responsible Individuals;

(c) in the case of a Trade Participant who is also a clearing member of the Clearing House, register with the Clearing House in accordance with its General Regulations

(i) all Oil and/or Utility Contracts made by the Trade Participant on the IPE ETS;

(ii) Emission Contracts made by the Trade Participant on the IPE ETS provided that the Trade Participant is the holder of an Emissions Trading Privilege;

and

(d) the right to accept allocations of Contracts made on the IPE ETS by a Member provided that such Contracts are own business of the Trade Participant and provided that if the Contract is an Emission Contract, the Trade Participant is a holder of an Emissions Trading Privilege.

BB.6.3 An Individual Participant shall in accordance with the elections it has communicated to the Exchange in respect of the Contracts it wishes to trade as required under Rules BB.4.1 or BB.4.6 be permitted to:

(a) trade

(i) all Oil and/or Utility Contracts available for trading on the IPE ETS for own business in conformity with the Regulations;

(ii) Emission Contracts available for trading on the IPE ETS provided that the Individual Participant is the holder of an Emissions Trading Privilege

as appropriate, for own business in conformity with the Regulations; and

(b) register one Responsible Individual, which must be the individual identified in Rule BB.3.2(a)(i).

BB.6.4 The IPE ETS Trading Procedures shall apply to all Members who trade on the IPE ETS (and to any Responsible Individual or any trader acting in the name of a Member).

## **BB.6A EMISSIONS TRADING PRIVILEGE**

BB.6A.1 Pursuant to Rules BB.4.1 or BB.4.7 a General Trade or Individual Participant may, at the time of application of Membership or at any time thereafter, apply to hold an Emissions Trading Privilege and, once obtained, may at any time cancel it. Such an application/cancellation shall be made in the manner prescribed by the Exchange from time to time.

BB.6A.2 The holder of an Emission Trading Privilege is permitted to:

(a) trade the Emission Contracts where the holder is party to an IPE ETS User Agreement;

(b) clear the Emission Contracts where the holder is a member of the Clearing House;

(c) where the holder is a member of the Clearing House, clear Emission Contracts for a non-clearing Member with whom he has Clearing Agreement provided that non-clearing Member is also the holder of an Emission Trading Privilege.

BB.6A.3 An Emission Trading Privilege is not transferable and a Member may not hold more than one Emission Trading Privilege;

BB.6A.4 An application fee and an annual fee shall be payable pursuant to Rule BB.1.2.

## **BB.7 SUSPENSION AND EXPULSION**

BB.7.1 The Directors may, upon the recommendation of a Disciplinary Panel under Rule E.4.11 or in the exercise of any other power conferred on the Directors by the Regulations:

- (a) expel a Member from membership of the Exchange (or any part of the Market) or, in the case of other persons subject to the Regulations, permanently remove their right to access the IPE ETS; or
- (b) in the case of a Member, suspend any or all of the membership permissions of the Member including its permission to trade on the IPE ETS (or any part of it), to accept allocation of any Contracts made on the IPE ETS by another Member and to clear Contracts made on the IPE ETS (as applicable) (or any one or more of such permissions) for such term as the Directors may determine.

The Directors may give the person subject to the Regulations a brief account of reasons for their action, and shall promptly do so at his request.

## BB.10 CLEARING ACTIVITIES

BB.10.1 Only certain categories of membership are eligible to be clearing members for the purposes of the Regulations in relation to the IPE ETS, on the basis set out below:

- (a) Individual Participants may not be clearing members, and must therefore have in place a clearing agreement with a General Participant in order to enter into Contracts on the IPE ETS;
- (b) Trade Participants may elect to be clearing members for the purpose of clearing own business (subject to them also being members of the Clearing House) or non-clearing members, in which case they must have in place a clearing agreement with a General Participant in order to enter into Contracts on the IPE ETS as permitted under Rule BB.6.2(a) or to accept an allocation of Contracts as permitted under Rule BB.6.2(d);
- (c) General Participants may elect to be clearing members for the purpose of clearing own business and/or client business (subject to them also being members of the Clearing House) or non-clearing members, in which case they must have in place a clearing agreement with a General Participant in order to enter into Contracts on the IPE ETS as permitted under Rule BB.6.1(a) or to accept an allocation of Contracts as permitted under Rule BB.6.1(d).
- (d) For the avoidance of doubt, in order for a General Participant to be able to provide clearing services (pursuant to a clearing agreement) to another Member who is the holder of an Emissions Trading Privilege, the General Participant must also be the holder of an Emissions Trading Privilege.

# CONTRACT RULES: IPE ECX CARBON FINANCIAL INSTRUMENTS FUTURES CONTRACT

---



## SECTION Y - CONTRACT RULES: IPE ECX CARBON FINANCIAL INSTRUMENTS FUTURES CONTRACT

- Y.1 Contracts for the Transfer of Carbon Emission Allowances between Holding Accounts
- Y.2 Quantity
- Y.3 Other Definitions
- Y.4 Price
- Y.5 Carbon Emissions Allowance Transfer Request
- Y.6 Delivery under a Carbon Emissions Allowance Contract
- Y.7 Exclusion of Liability
- Y.8 Payment under a Carbon Emissions Allowance Contract
- Y.9 Seller's Obligations
- Y.10 Buyer's Obligations
- Y.11 Buyer's and Seller's Security
- Y.12 Failure to Perform and/or Delay in Performance of Obligations under a Carbon Emissions Allowance Contract
- Y.13 Arbitration and Dispute Resolution
- Y.14 Force Majeure

**Y.1 CONTRACTS FOR THE TRANSFER OF CARBON EMISSION ALLOWANCES BETWEEN HOLDING ACCOUNTS**

- (a) The IPE ECX Carbon Financial Instruments futures Contract Rules contained in this Section Y, and the provisions of Sections I and Z, are applicable to the trading of Carbon Emissions Allowance Contracts.
- (b) A Carbon Emissions Allowance Contract shall be for the sale by the Seller and purchase by the Buyer of Carbon Emissions Allowances, for transfer from the Holding Account of the Seller to the Holding Account of the Buyer during the Delivery Period specified in the Carbon Emissions Allowance Contract in accordance with, or pursuant to, these IPE ECX Carbon Financial Instruments futures Contract Rules, the Administrative Procedures and the Clearing House procedures. For the purposes of these IPE ECX Carbon Financial Instruments futures Contract Rules, Transfer of Carbon Emissions Allowances as between Holding Accounts of the Buyer and the Seller maintained in one or more Registries pursuant to Y.6 shall constitute "delivery".
- (c) The Exchange shall from time to time determine the Registries to and from which delivery may be made under a Carbon Emissions Allowance Contract. For the avoidance of doubt, the Registries so determined by the Exchange may exclude one or more of the national registries established pursuant to the Scheme and the Registry Regulations. The Exchange shall from time to time issue a list of such Registries and may, at any time, upon such notice as considered appropriate by the Exchange and notified to Members, add or withdraw a Registry from such list (and any such change may, according to its terms, have effect on existing as well as new Carbon Emissions Allowance Contracts).
- (d) The Clearing House shall from time to time determine and notify Members of one or more Registries and Holding Accounts which it will use for the delivery of Carbon Emission Allowances under a Carbon Emissions Allowance Contract in accordance with Clearing House procedures.
- (e) The Exchange shall from time to time, in its absolute discretion, determine the Allowance Types for the purposes of identifying the Carbon Emission Allowances which may be traded and delivered under a Carbon Emissions Allowance Contract. The Exchange shall from time to time issue a list of such Allowance Types and may, at any time, upon such notice as considered appropriate by the Exchange circulated to Members, add or withdraw an Allowance Type from such list (and any such change may, according to its terms, have effect on existing as well as new Carbon Emissions Allowance Contracts).
- (f) The Exchange may offer contract months for trading of Carbon Emissions Allowance Contracts on the Market or otherwise pursuant to the Regulations as the Exchange may determine from time to time.

**Y.2 QUANTITY**

- (a) Subject to Rule Y.2(b), Carbon Emissions Allowance Contracts shall be for one or more lots of Carbon Emission Allowances to be delivered during the Delivery Period as specified in the Carbon Emissions Allowance Contract (it being understood that a lot refers to 1000 Carbon Emission Allowances, each such Carbon Emission Allowance being an entitlement to emit one tonne of carbon dioxide equivalent gas).
- (b) The Exchange may, in its absolute discretion, determine from time to time that Carbon Emissions Allowance Contracts shall be traded and delivered in a minimum number of lots or multiples thereof.

**Y.3 OTHER DEFINITIONS**

In these IPE ECX Carbon Financial Instruments futures Contract Rules and the related Administrative Procedures set out in Section Z, the following terms shall bear the meanings set out opposite each:

<i>“Account Holder”</i>	means a person who has a person holding account in the registries system as referenced in the Registry Regulations;
<i>“Acquiring Registry”</i>	means, in relation to a Carbon Emissions Allowance Contract, the Registry at which the Holding Account of the Buyer is maintained as specified in the relevant Transfer Request;
<i>“Allowance Type”</i>	means any type of allowance, determined and notified to Members by the Exchange from time to time. For any Allowance Type, the Exchange may specify such criteria as it deems appropriate, including without limitation the type, nature and source of an allowance, the scheme and/or mechanism pursuant to which such allowance has been issued and the originating or issuing registry;
<i>“Authorised Representative”</i>	means a natural person authorised pursuant to Article 23 of the Registry Regulations to represent an Account Holder and submit process requests to a Registry on behalf of such Account Holder;
<i>“Buyer”</i>	means the purchaser of Carbon Emission Allowances under a Carbon Emissions Allowance Contract, and shall include the Clearing House as appropriate;
<i>“Carbon Emissions Allowance”</i>	means an allowance to permit the emission of one tonne of carbon dioxide equivalent during the relevant period, which falls within an Allowance Type;
<i>“Carbon Emissions Allowance Contract”</i>	<i>means a Contract made pursuant to these IPE ECX Carbon Financial Instruments futures Contract Rules for the delivery of Carbon Emissions Allowances;</i>
<i>“Carbon Emissions Allowance Delivery Amount”</i>	means for each Margin Account an amount reflecting the gross number of Carbon Emissions Allowances which are to be delivered by a Seller for any Delivery Period in respect of all Carbon Emissions Allowance Contracts to which it is party as Seller;
<i>“Clearing House procedures”/“Procedures”</i>	means the procedures of the Clearing House from time to time in force as prescribed under the General Regulations;
<i>“Clearing House Directions”</i>	means any instructions or requests that the Clearing House may issue to the Buyer or Seller from time to time in respect of the delivery of Carbon Emission Allowances under a Carbon Emissions Allowance Contract;
<i>“Community Independent Transaction Log” “CITL”</i>	means the independent transaction log established, operated and maintained pursuant to Article 5 of the Registry Regulations and Article 20 of Directive 2003/87/EC, for the purpose of recording the issue, transfer and cancellation of allowances under the Scheme;
<i>“Communication Link”</i>	means the electronic exchange of messages/notifications (1) by which a Buyer and Seller communicate with a Registry, and/or (2) by which a Registry communicates with CITL, and/or (3) by which CITL communicates with the UNFCCC Independent Transaction Log (where applicable), which in any case is necessary to facilitate a Transfer;
<i>“Delivery Costs”</i>	means an amount payable by a Buyer or Seller which is attributable to a Transfer Request Failure or Transfer Request Delay, agreed upon in accordance with Rule Y.12. For Transfer Request Failures such reasonable costs may include, but will not be limited to, any losses, costs, damages and expenses suffered or incurred by the Buyer or Seller as a result of it taking steps to acquire or dispose of Carbon Emission Allowances in the event of a Transfer Request Failure. Delivery Costs resulting from Transfer Request Failures and Transfer Request Delays shall not under any circumstances include any Excess Emissions Penalties which a Buyer or Seller may incur



under the Scheme;

<i>"Delivery Period"</i>	means the period beginning at 19.00 hours on the business day following the last trading day of a Carbon Emissions Allowance Contract and ending at 19:30 hours on the third business day following that last trading day. Where a Transfer Request Delay occurs, the period shall end at such later time as the Clearing House may direct under Rule Z.6, which in any event shall not be a time beyond 19.30 hours on the fourth business day after the last trading day. During this period delivery of Carbon Emission Allowances is to take place in accordance with the terms of these IPE ECX Carbon Financial Instruments futures Contract Rules, the Administrative Procedures and the Clearing House procedures;
<i>"Directive"</i>	means Directive 2003/87/EC of the European Parliament and the Council of 13 October 2003 establishing a scheme for greenhouse gas emissions allowance trading and amending Council Directive 96/61EC, as amended from time to time;
<i>"European Union"</i>	<i>means the international organisation of European states established by the</i>
<i>"EU"</i>	<i>Treaty on European Union 1992 as amended from time to time;</i>
<i>"Excess Emissions Penalties"</i>	means any excess emissions penalties for which a person may be liable for failure to surrender sufficient allowances to cover its emissions during any period pursuant to Article 16 of the Directive, as implemented by relevant national law;
<i>"Exchange Delivery Settlement Price" (EDSP)</i>	means, in respect of a Carbon Emissions Allowance Contract, the settlement price determined by the Exchange in accordance with the Administrative Procedures;
<i>"Holding Account"</i>	means a person holding account maintained by a Registry pursuant to the Registry Regulations in order to record the holding and transfer of Carbon Emission Allowances;
<i>"Initiating Registry"</i>	means, in relation to a Carbon Emissions Allowance Contract, the Registry at which the Holding Account of the Seller is maintained from which the Transfer is to be made, as specified in the relevant Transfer Request;
<i>"Margin Account"</i>	means, in relation to a Clearing Member, either its House or Client margin account, in which the positions in its Position-Keeping Accounts are notionally recorded by the Clearing House for the purpose of calling margin on that Clearing Member's positions in accordance with the Clearing House procedures;
<i>"Originating Registry"</i>	means, in relation to any Carbon Emissions Allowance, the Registry through which such Carbon Emissions Allowance was originally issued pursuant to the Scheme. The Exchange shall from time to time determine that Carbon Emission Allowances issued by certain Originating Registries may be transferred under a Carbon Emissions Allowance Contract. The Exchange shall from time to time issue a list of such Originating Registries and may, at any time, upon such notice as considered appropriate by the Exchange and notified to Members, add or withdraw an Originating Registry from such list (and any such change may, according to its terms, have effect on existing as well as new Carbon Emissions Allowance Contracts);
<i>"Position-Keeping Account"</i>	means any account within the Clearing House's clearing system (commonly known as CPS) in which an Exchange Member's positions with the Clearing House are recorded, being either: (1) any of the following commonly designated Position-Keeping Accounts: H, N, S, L, or G (and, in the case of a non-clearing Member, including an identifying three letter Member mnemonic); or, (2) any other account that the Clearing House makes available within its clearing system from time to time;
<i>"Random Selection"</i>	means the automated mechanism used by the Clearing House to create a list setting out, in random order, all the Buyers for a Delivery Period for the

<i>Mechanism</i>	purpose of providing the order in which the Clearing House shall transfer Carbon Emission Allowances to the Holding Accounts of such Buyers upon the credit of the Clearing House's nominated Holding Account with the Carbon Emission Allowances from the Sellers' Holding Accounts in the relevant Delivery Period. The list so provided may also be used to identify one or more Buyers in the event of a failed or delayed delivery by the Clearing House pursuant to Rule Y.12;
<i>"Registry"</i>	means any registry established in order to ensure the accurate accounting of the issue of holding, transfer, acquisition, surrender, cancellation, and replacement of Allowances under the Scheme, which has been identified as a Registry by the Exchange from time to time for the purposes of these IPE ECX Carbon Financial Instruments futures Contract Rules;
<i>"Registry Regulations"</i>	means the EU Commission Regulation (EC) No 2216/2004 for a standardised and secured system of registries pursuant to Directive 2003/87/EC of the European Parliament and of the Council and Decision 280/2004/EC of the European Parliament and of the Council, as amended from time to time;
<i>"Required Authorisations"</i>	means all governmental and other licences, authorisations, permits, consents, contracts and other approvals (if any) that are required to enable a Seller and/or a Buyer (as appropriate) to fulfil any of its obligations under a Carbon Emissions Allowance Contract;
<i>"Relevant Authority"</i>	means any body or authority established in any relevant jurisdiction from time to time to administer the Scheme in that jurisdiction;
<i>"Scheme"</i>	means the scheme for transferring allowances established pursuant to the Directive, as implemented by relevant national law;
<i>"Seller"</i>	means the seller of Carbon Emissions Allowances under a Carbon Emissions Allowance Contract, and shall include the Clearing House as appropriate;
<i>"Transfer"</i>	means the transfer of all Carbon Emission Allowances required to be delivered under a Carbon Emissions Allowance Contract from one Holding Account to another under and in accordance with the Scheme;
<i>"Carbon Emission Allowance Transfer Request" ("Transfer Request")</i>	means a request to effect a Transfer submitted by the Seller to the Initiating Registry in respect of a Delivery Period in the manner required by the Registry Regulations and otherwise in accordance with these IPE ECX Carbon Financial Instruments futures Contract Rules, the Administrative Procedures and the Clearing House procedures;
<i>a "Transfer Request Delay"</i>	<p>is deemed to have taken place where:</p> <p>a) in the case of a Seller other than the Clearing House, the Seller makes a Transfer Request for a Delivery Period after 19.00 hours on the first business day after the last trading day or such later time as the Clearing House may provide pursuant to Rule Z.6(d), but before 19.00 hours on the second business day after the last trading day, in compliance with a Clearing House Direction or otherwise;</p> <p>b) in the case of a Buyer other than the Clearing House, the Buyer's Holding Account is credited after 19.30 hours on the third business day after the last trading day and on or before 19.30 hours on the fourth business day after the last trading day in compliance with a Clearing House Direction or otherwise; and,</p> <p>c) the Clearing House has declared that there is a Transfer Request Delay in accordance with Rule Z.6(c) or Z.7(c);</p> <p>provided in each case, that a Transfer Request Delay will cease to exist where a Transfer Request Failure takes place;</p>
<i>a "Transfer Request Failure"</i>	<p>is deemed to have taken place where:</p> <p>a) in the case of a Seller other than the Clearing House, the Seller has failed</p>

to make a valid Transfer Request for a Delivery Period by 19.00 hours on the second business day after the last trading day or such later time as the Clearing House may provide pursuant to Rule Z.6(d); or

b) in the case of a Buyer being the Clearing House, the Buyer's Holding Account has not been credited by 19.00 hours on the third business day after the last trading day or such later time as the Clearing House may provide pursuant to Rule Z.6(d); or

c) in the case of a Buyer other than the Clearing House, the Buyer's Holding Account has not been credited by 19.30 hours on the fourth business day after the last trading day; or

d) the Clearing House has declared that there is a Transfer Request Failure in accordance with Rule Z.6(d) or Z.7(c);

*"UNFCCC Independent Transaction Log"* means the independent transaction log established, operated and maintained by the Secretariat of the United Nations Framework Convention on Climate Change;

#### **Y.4 PRICE**

- (a) The price of a Carbon Emissions Allowance Contract shall be in Euros and Euro cents per Carbon Emission Allowance. Carbon Emissions Allowance Contracts may be traded with minimum fluctuations of €0.05 (5 cents) per Carbon Emission Allowance.
- (b) The price of a Carbon Emissions Allowance Contract shall be exclusive of any charges payable by either the Buyer or the Seller to any third party in respect of the maintenance of Holding Accounts, submission of Transfer Requests or effecting Transfers.
- (c) The price of a Carbon Emissions Allowance Contract shall be exclusive of any Value Added Tax or any other duty that may be or become payable on the sale or transfer of Carbon Emission Allowances under a Carbon Emissions Allowance Contract and any such duties shall be borne by the Buyer.

#### **Y.5 CARBON EMISSION ALLOWANCE TRANSFER REQUEST**

For any Delivery Period in relation to which a Member is party as Seller to one or more relevant Carbon Emissions Allowance Contracts, the Seller shall submit, for each Margin Account, one Transfer Request in respect of the Carbon Emissions Allowance Delivery Amount for that Margin Account in accordance with:

- (a) Rule Y.6;
- (b) Rule Z.6, (or where the Seller is the Clearing House, in accordance with Rule Z.7); and,
- (c) the Registry Regulations, the Clearing House procedures and any Clearing House Directions.

#### **Y.6 DELIVERY UNDER A CARBON EMISSIONS ALLOWANCE CONTRACT**

For a Delivery Period:

- (a) in respect of a Carbon Emissions Allowance Contract to which the Clearing House is party as the Buyer, delivery shall be effected upon the completion of the Transfer and confirmation by the Acquiring Registry of the credit to the Clearing House's nominated Holding Account of Carbon Emission Allowances in accordance with Registry Regulations and with Rule Z.6 as appropriate. The Seller shall effect the Transfer by submitting a Transfer Request in accordance with these IPE ECX Carbon Financial Instruments futures Contract Rules, and in particular Rule Z.6, stipulating the receiving account as the Clearing House's Holding Account in the Registry nominated by the Clearing House as the Acquiring Registry for that Transfer.

- (b) in respect of a Carbon Emissions Allowance Contract to which the Clearing House is party as the Seller, delivery shall be effected upon the completion of the Transfer and confirmation by the Acquiring Registry of the credit to the Buyer's nominated Holding Account of Carbon Emission Allowances in accordance with Registry Regulations and Rule Z.7 (a), (b) and, as appropriate, (c). The Clearing House shall effect the Transfer by submitting a Transfer Request in accordance with these IPE ECX Carbon Financial Instruments futures Contract Rules, and in particular Rule Z.7, stipulating the receiving account as the Buyer's Holding Account in the Registry nominated by the Buyer as the Acquiring Registry for that Transfer.

#### **Y.7 EXCLUSION OF LIABILITY**

- (a) Save as specifically provided in these IPE ECX Carbon Financial Instruments futures Contract Rules, the Administrative Procedures, the Clearing House procedures, the Rules and the General Regulations (and to the extent permitted by law), the Exchange and the Clearing House accept no liability in connection with a Carbon Emissions Allowance Contract, its performance, non-performance or its termination whether based on breach of contract, warranty, negligence or tort. In particular, but without limitation, neither the Exchange nor the Clearing House are responsible for or shall have any liability whatsoever to any Buyer or Seller for:
  - (i) the availability, suitability, unavailability or malfunction of a Communication Link or any part thereof ;
  - (ii) the performance or non-performance by a Registry or CITL of their respective obligations under the Registry Regulations or otherwise;
  - (iii) any act or omission of any operator of a Communication Link or any part thereof; or
  - (iv) any act or omission of an Authorised Representative of any other party.
- (b) A person who is not the Buyer, Seller, the Exchange or the Clearing House shall have no right under the Contracts (Rights of Third Parties) Act 1999 to enforce any provision contained in a Carbon Emissions Allowance Contract made pursuant to these IPE ECX Carbon Financial Instruments futures Contract Rules.

#### **Y.8 PAYMENT UNDER A CARBON EMISSIONS ALLOWANCE CONTRACT**

- (a) Subject to delivery under Y.6 and without prejudice to paragraph (b) of this Rule Y.8, the Buyer shall pay the EDSP specified in the Carbon Emissions Allowance Contract. Payment will be made by the time referred to in and in accordance with Rule Z.9.
- (b) Any difference between the EDSP with respect to the Carbon Emissions Allowance Contract and the Contract Price shall be accounted for between the parties to the Carbon Emissions Allowance Contract in accordance with the Clearing House procedures.

#### **Y.9 SELLER'S OBLIGATIONS**

- (a) In respect of a Carbon Emissions Allowance Contract to which the Clearing House is party as the Buyer, the Seller shall:
  - (i) ensure that there are sufficient transferable Carbon Emission Allowances in the Holding Account from which a Transfer is to be made to meet the terms of the relevant Transfer Request at the time the Seller submits such Transfer Request;
  - (ii) deliver to the Holding Account of the Clearing House Carbon Emissions Allowances free and clear of all liens, security interests, claims and encumbrances or any interest in or to them by any other person so as to transfer an unencumbered Carbon Emission Allowances to the Clearing House;
  - (iii) conduct its affairs so as not to give any Registry or any Relevant Authority cause to refuse, reject or cancel (whether in whole or in part) any Transfer Request or to suspend or restrict the Seller's right to request or effect any Transfer (including, without limitation, suspension or cancellation of any relevant Holding Account);

- (iv) ensure that it has and maintains such Communication Links and complies with such other conditions and requirements as are necessary to make Transfer Requests and effect Transfers in accordance with the Scheme and these IPE ECX Carbon Financial Instruments futures Contract Rules, Administrative Procedures and Clearing House procedures;
  - (v) maintain in full force and effect all Required Authorisations at all appropriate times;
  - (vi) have and maintain, during such periods as determined by the Exchange from time to time and at its own cost, one Holding Account for each Margin Account at a Registry;
  - (vii) ensure that the Authorised Representative notified to the Clearing House pursuant to Rule Z.4.(b)(iii) shall be contactable by the Clearing House at all appropriate times during the Delivery Period;
  - (viii) give the Clearing House, for the purposes of delivery under Rule Y.6, any details required by the Clearing House as specified in the Administrative Procedures, the Clearing House procedures or under any Clearing House Direction from time to time;
  - (ix) comply with the applicable provisions of the Registry Regulations, these IPE ECX Carbon Financial Instruments futures Contract Rules, the Administrative Procedures, the Clearing House procedures and any Clearing House Direction in order that the Transfer Request is accepted by the Registry and actioned by the CITL and the Holding Account is subsequently debited during the Delivery Period;
  - (x) notify the Clearing House immediately, in accordance with the Clearing House procedures, if the Seller fails to comply, or may fail to comply, in respect of any delivery obligations or deadlines under these IPE ECX Carbon Financial Instruments futures Contract Rules, the Administrative Procedures, the General Regulations, the Clearing House procedures, or any Clearing House Direction;
  - (xi) make payment of any amounts due and payable pursuant to and in accordance with these IPE ECX Carbon Financial Instruments futures Contract Rules, the Administrative Procedures, the General Regulations or the Clearing House procedures;
  - (xii) perform all other obligations imposed on the Seller under these IPE ECX Carbon Financial Instruments futures Contract Rules, the Administrative Procedures and the Clearing House procedures; and
  - (xiii) be and continue to be a Clearing Member as defined in the General Regulations.
- (b) The Seller shall be responsible for the performance of all of its obligations under the Carbon Emissions Allowance Contract, and shall perform such obligations in a timely manner. The Seller shall be responsible for all actions and omissions of an Authorised Representative acting or purporting to act on its behalf in relation to any Carbon Emissions Allowance Contract or any related obligations.
- (c) Subject to Rule Y.12 any obligation upon the Seller to pay any costs, charges or expenses of any form shall be for its own account and shall include, but not be limited to all fees and charges levied by the Initiating Registry attributable to the Transfer Request or the holding of its Holding Account in respect of a Carbon Emissions Allowance Contract to which the Seller is party.
- (d) In the event that a Buyer is invoiced, or otherwise charged, in respect of a levy, charge or tax attaching to a Carbon Emissions Allowance which has been delivered under the terms of a Carbon Emissions Allowance Contract which arose, or arises in relation to the relevant Carbon Emissions Allowance prior to, or in connection with, its delivery, then the Seller shall indemnify the Buyer in respect of such levy, charge or tax. In the event that the Buyer being invoiced, or otherwise charged in such circumstances is the Clearing House, then the Clearing House, will require the Seller who has delivered the relevant Carbon Emissions Allowance to the Clearing House, under the terms of a Carbon Emissions Allowance Contract, to settle the relevant invoice or charge.

## Y.10 BUYER'S OBLIGATIONS

- (a) In respect of a Carbon Emissions Allowance Contract to which the Clearing House is party as the Seller, the Buyer shall:
- (i) conduct its affairs so as not to give any Registry or any Relevant Authority cause to refuse, reject or cancel (whether in whole or in part) any Transfer Request or to suspend or restrict the Buyer's ability to receive any Transfer (including, without limitation, suspension or cancellation of any relevant Holding Account);
  - (ii) maintain in full force and effect all Required Authorisations at all appropriate times;
  - (iii) ensure that it has and maintains such Communication Links and complies with such other conditions and requirements as are necessary to effect Transfers in accordance with the Scheme and these IPE ECX Carbon Financial Instruments futures Contract Rules, Administrative Procedures and Clearing House procedures;
  - (iv) have and maintain during such periods as determined by the Exchange from time to time and at its own cost, one Holding Account at a Registry for each Margin Account;
  - (v) ensure that the Authorised Representative notified to the Clearing House pursuant to Rule Z.5(b)(ii) shall be contactable by the Clearing House at all appropriate times during the Delivery Period;
  - (vi) give the Clearing House details of the Holding Account for the purposes of delivery under Rule Y.6 and in accordance with the Administrative Procedures and any other details required by the Clearing House as specified in the Administrative Procedures or the Clearing House procedures from time to time;
  - (vii) comply with the applicable provisions of the Registry Regulations, these IPE ECX Carbon Financial Instruments futures Contract Rules, the Administrative Procedures, the Clearing House procedures and any Clearing House Direction in order that the Transfer Request input by the Clearing House is accepted by the Initiating Registry, actioned by the CITL and the Holding Account of the Buyer updated by the Acquiring Registry for a Delivery Period;
  - (viii) notify the Clearing House immediately, in accordance with the Clearing House procedures, if the Buyer fails to comply, or may fail to comply, in respect of any delivery obligations or deadlines under these IPE ECX Carbon Financial Instruments futures Contract Rules, the Administrative Procedures, the General Regulations, the Clearing House procedures or any Clearing House Direction;
  - (ix) make payment of any amounts due and payable pursuant to and in accordance with these IPE ECX Carbon Financial Instruments futures Contract Rules, the Administrative Procedures, the General Regulations or the Clearing House procedures;
  - (x) perform all other obligations imposed on the Buyer under these IPE ECX Carbon Financial Instruments futures Contract Rules, the Administrative Procedures and the Clearing House procedures; and
  - (xi) be and continue to be a Clearing Member as defined in the General Regulations. .
- (b) The Buyer shall be responsible for the performance of all of its obligations under the Carbon Emissions Allowance Contract, and shall perform such obligations in a timely manner. The Buyer shall be responsible for all actions and omissions of an Authorised Representative acting or purporting to act on its behalf in relation to any Carbon Emissions Allowance Contract or any related obligations.
- (c) Subject to Rule Y.12 any obligation upon the Buyer to pay costs, charges or expenses of any form shall be for its own account and shall include, but not be limited to, all fees and charges levied by

the Acquiring Registry attributable to the Transfer Request and its Holding Account in respect of a Carbon Emissions Allowance Contract to which the Buyer is party.

**Y.11 BUYER'S AND SELLER'S SECURITY**

The Buyer and the Seller may be required to put up such security as the Clearing House may from time to time require pursuant to the General Regulations.

**Y.12 FAILURE TO PERFORM AND/OR DELAY IN PERFORMANCE OF OBLIGATIONS UNDER A CARBON EMISSIONS ALLOWANCE CONTRACT**

- (a) Delivery Costs shall be payable by the Buyer or Seller, as the case may be, in the event of a Transfer Request Failure or Transfer Request Delay;
- (b) The Clearing House will, in its absolute discretion, take such steps as it deems appropriate to facilitate a mutually acceptable resolution with a Buyer or Seller, as the case may be, as to the amount and payment of Delivery Costs, as appropriate;
- (c) The Clearing House may take such steps in accordance with the terms of this Y.12, without prejudice to the provisions of these IPE ECX Carbon Financial Instruments futures Contract Rules and any other steps or sanctions which may be taken or applied under the Regulations (including, without limitation, the provisions of Sections D and E of the Regulations), or the General Regulations and default rules of the Clearing House;
- (d) The Exchange and/or the Clearing House shall, under no circumstances, be liable for any indirect or consequential loss or loss of profits;
- (e) The Clearing House may, by Clearing House Directions, instruct a Buyer or Seller that partial settlement is to take place under a Carbon Emissions Allowance Contract to which they are party, in which case the provisions of this Rule Y.12 as to Transfer Request Failures or Transfer Request Delays may apply to part only of such Carbon Emissions Allowance Contract where relevant.

**Y.13 ARBITRATION AND DISPUTE RESOLUTION**

The Buyer and the Seller acknowledge that, subject to Rules Y.12(f) any disputes relating to the Carbon Emissions Allowance Contract shall be determined in accordance with the arbitration provisions in the Rules.

**Y.14 FORCE MAJEURE**

- (a) If, before the first Delivery Period, the Scheme is, as a result of official written public pronouncement by any duly authorised body representing the European Union, no longer scheduled to proceed or is to be discontinued, the Clearing House shall invoice back any open contract in accordance with the Clearing House procedures, at a price to be fixed by the Exchange or a body appointed by the Exchange, in its absolute discretion. Such price shall be binding on the parties and no dispute as to such price may be referred to arbitration under the Arbitration Rules.
- (b) Subject to Rule Y.14(e), a Seller who is party to a Carbon Emissions Allowance Contract shall not be liable in respect of any failure on its part to submit a Transfer Request in relation to any Carbon Emissions Allowance Contract, any rejection/non acceptance of a Transfer Request or subsequent failure in the credit of Carbon Emissions Allowances to the Buyer's Holding Account, nor shall a Buyer be liable in respect of any failure on its part to ensure the credit to its Holding Account of all Carbon Emissions Allowances under a Carbon Emissions Allowance Contract if performance of such obligations is prevented by Force Majeure. In such case neither party shall be held to be in default under the Carbon Emissions Allowance Contract and no payment shall be made under Rules Y.8 or Y.12.
- (c) Force Majeure shall, in relation to the Buyer or the Seller as the case may be, mean the occurrence of any event (except as provided otherwise in Rule Y.14(e)), which is outside the reasonable control of such party, and which prevents the debiting and crediting of the Buyer's or Seller's

Holding Accounts at the respective Initiating and Acquiring Registries so that a Transfer cannot be effected during the Delivery Period, or results in an amount other than the Carbon Emissions Allowance Delivery Amount being credited and debited. Without limitation to the foregoing, an event of Force Majeure shall include:

- (i) the provisions of the Scheme being suspended;
  - (ii) a declaration of Force Majeure by the Registry, (being the occurrence of an event outside the reasonable control of a Registry) nominated by the Clearing House as its Initiating and Acquiring Registry for a Delivery Period, so as to prevent a Transfer taking place during that Delivery Period;
  - (iii) subject to Rule Y.14(e)(iv), an Initiating and Acquiring Registry nominated for a Delivery Period by the Clearing House as its Initiating and Acquiring Registry suspending the submission of Transfer Requests or the effecting of Transfers under the Registry Regulations or otherwise;
  - (iv) for the relevant Delivery Period, the inability to make or accept a Transfer due to an interruption in, delay to or permanent halting of a Transfer resulting from the intervention of the CITL or UNFCCC Independent Transaction Log in relation to a Registry nominated by the Clearing House as its Initiating and Acquiring Registry.
- (d) Where a Force Majeure event has arisen in relation to one or more Carbon Emissions Allowance Contracts to which the Clearing House is party as Buyer which prevents the Transfer of Carbon Emission Allowances or performance of other obligations, the Clearing House shall use the Random Selection Mechanism to identify and subsequently notify the relevant Buyers to which the Clearing House is party as Seller, that the Clearing House has declared a Force Majeure event in relation to such Carbon Emissions Allowance Contracts in accordance with these IPE ECX Carbon Financial Instruments futures Contract Rules, and/or the Regulations and/or the General Regulations and/or the Clearing House procedures.
- (e) Subject to Rule Y.14(c), the occurrence of the following events shall not give rise to Force Majeure:
- (i) the refusal or rejection by a Registry or the CITL, for whatever reason, of a Transfer Request submitted by the Seller;
  - (ii) a declaration by one of the Initiating or Acquiring Registries, nominated by the Seller or the Buyer as the case may be, as its Initiating or Acquiring Registry for a Delivery Period, confirming that a Transfer is prevented from taking place during the Delivery Period, if such Registry is not the Registry nominated by the Clearing House as its Initiating and Acquiring Registry for that Delivery Period;
  - (iii) the failure of a Communication Link;
  - (iv) the inability to make a Transfer owing to a problem within the central systems or processes established under the Scheme for the receipt and acceptance of Transfer Requests, but only to the extent that contingency arrangements exist under the Scheme by which the Seller or the Buyer can reasonably be expected to make or accept the Transfer (as the case may be) in accordance with any Clearing House Direction;
  - (v) an insufficient amount of (or in the event that there are no) Carbon Emission Allowances in the Seller's Holding Account to enable the Seller to effect the Transfer, whether caused by non-allocation or low allocation of Carbon Emissions Allowances or for any other reason;
  - (vi) the inability to make or accept a Transfer in relation to a Registry nominated by the Seller and/or Buyer where such Registry is not the Registry nominated by the Clearing House for the Delivery Period, due to an interruption in, delay to or permanent halting of a Transfer resulting from the intervention of the CITL or the UNFCCC Independent Transaction Log.
- (f) A Seller or a Buyer (other than the Clearing House) who is party to a Carbon Emissions Allowance Contract shall not be entitled to relief through the occurrence of an event of Force



Majeure under this Rule Y.14 unless such party has notified the Clearing House and the Exchange, or in the case of the Clearing House, the Clearing House shall not be entitled to relief through the occurrence of an event of Force Majeure under this Rule Y.14 unless the Clearing House has notified the other party and the Exchange, as soon as reasonably practicable after such party or the Clearing House as the case may be, has become aware (or after it ought reasonably to have become aware) of such Force Majeure event, and has continued to seek to perform its obligations in accordance with the Carbon Emissions Allowance Contract (in which event it shall be entitled to such relief with effect from the commencement of such Force Majeure event).

- (g) Upon request by the Clearing House and/or the Exchange, a party seeking Force Majeure relief under this Rule Y.14 shall provide all information required by the Clearing House and/or the Exchange as soon as practicable to assist the Exchange in determining whether an event of Force Majeure has occurred. Whether an event of Force Majeure has occurred shall be determined by the Exchange. Where the Clearing House is not the party seeking relief through the occurrence of an event of Force Majeure, the Exchange shall consult a representative of the Clearing House in its determination.
- (h) If Force Majeure prevents the affected party from performing its obligations under a Carbon Emissions Allowance Contract, the Carbon Emissions Allowance Contract shall be invoiced back by the Clearing House, in accordance with the Clearing House procedures, at a price to be fixed by the Exchange, or a body appointed by the Exchange, in their absolute discretion. Such price shall be binding on the parties and no dispute as to such price may be referred to arbitration but completion of invoicing back shall be without prejudice to the right of either party to refer the question of the existence, extent or duration of the Force Majeure or any default or related dispute to arbitration under the Arbitration Rules.

## **ADMINISTRATIVE PROCEDURES: IPE ECX CARBON FINANCIAL INSTRUMENTS FUTURES CONTRACT**

---

### **SECTION Z - ADMINISTRATIVE PROCEDURES:**

#### **IPE ECX CARBON FINANCIAL INSTRUMENTS FUTURES CONTRACT**

- Z.1 Determination of the Exchange Delivery Settlement Price (EDSP)
- Z.2 Cessation of Trading
- Z.3 Carbon Emissions Allowance Position Report
- Z.4 Seller's Carbon Emissions Allowance Delivery Confirmations
- Z.5 Buyer's Carbon Emissions Allowance Delivery Confirmations
- Z.6 Submission of Transfer Request by the Seller
- Z.7 Submission of Transfer Request by the Clearing House
- Z.8 Registry Regulations and Obligations
- Z.9 Payment

## **Z.1 DETERMINATION OF THE EXCHANGE DELIVERY SETTLEMENT PRICE (EDSP)**

- (a) Subject to Rule Z.1(b), the EDSP which is determined by the Exchange in respect of a Carbon Emissions Allowance Contract shall be the settlement price established by the Exchange at the cessation of trading on the last trading day for the relevant delivery month.
- (b) Notwithstanding Rule Z.1(a), the Exchange may, in its absolute discretion, determine in respect of the Carbon Emissions Allowance Contract, at any time prior to the Delivery Period, a price other than that specified in Rule Z.1(a) as the EDSP.

## **Z.2 CESSATION OF TRADING**

- (a) Subject to Rule Z.2(b) trading in respect of a delivery month shall normally cease at 17.00 hours on the last trading day for the relevant delivery month, being the last Monday of the delivery month. Where this falls on a non-business day for the contract, or there is a non-business day for the contract in the 4 days immediately following the last Monday, the last trading day shall be the penultimate Monday of the delivery month. Where the penultimate Monday of the delivery month falls on a non-business day for the contract, or there is a non business day for the contract in the 4 days immediately following the penultimate Monday, the last trading day shall be the antepenultimate Monday of the delivery month. The Exchange shall from time to time confirm, in respect of each delivery month, the date upon which trading is expected to cease.
- (b) If at any time dealings on the Market in the Carbon Emissions Allowance Contract are suspended on any business day, whether by virtue of an order under the Banking Financial Dealings Act 1971 or as a result of a decision of the Exchange under the Regulations or for any other reason, the Exchange may amend the provisions of Rule Z.2(a) above accordingly.

## **Z.3 CARBON EMISSIONS ALLOWANCE POSITION REPORT**

Members must submit a Carbon Emissions Allowance Position Report ("CEPR") to the Exchange by 10.30 hours each day in respect of each client with an open position in the nearest delivery month. Members must also include in the CEPR all open positions reflecting any proprietary business, or business of any non-clearing Member on whose behalf the Member clears, held in the nearest delivery month.

The CEPR shall be in such form as may be determined by the Exchange from time to time. It shall include administrative and contact details and the number of lots open in each Position-Keeping Account and, for any non-clearing Member on whose behalf the Member clears, the relevant Margin Account under which the positions for that non-clearing Member are margined. During such periods of time as may be determined by the Exchange from time to time, it shall indicate pursuant to the Carbon Emissions Allowance Contract Rules, these Administrative Procedures, and the Clearing House procedures, whether the Member has a Holding Account for each Margin Account at a Registry to and from which the Exchange may from time to time determine that delivery may be made.

## **Z.4 SELLER'S CARBON EMISSIONS ALLOWANCE DELIVERY CONFIRMATIONS**

- (a) In respect of all positions in any Position-Keeping Account which remain open at 17.00 hours on the last trading day and on which position maintenance is to be performed by 18.00 hours on that day, the Seller shall, in accordance with this Rule Z.4, deliver a Seller's Carbon Emissions Allowance Delivery Confirmation Form to the Clearing House not later than 10.00 hours on the business day following the last trading day.
- (b) The Carbon Emissions Allowance Delivery Confirmation Form shall be in such form as may from time to time be prescribed by the Clearing House and shall include:
  - (i) for each Margin Account: (1) the number of lots; and (2) the equivalent number of Carbon Emissions Allowances that are to be specified in the Transfer Request relating to such Margin Account which shall form the Carbon Emissions Allowance Delivery Amount of the Transfer Request in respect of a Margin Account;

- (ii) for each Transfer Request, details of the Holding Account and Initiating Registry from which the Transfer will be made;
- (iii) for each Holding Account specified, name and contact details of the Authorised Representative;
- (iv) confirmation that the Member will continue to have the relevant Holding Accounts during the Delivery Period at each of the Initiating Registries listed in (ii) and is not for any reason prevented from having Transfer Requests accepted or not actioned; and
- (v) such other details as are required by the Exchange, the Clearing House and the Registry from time to time in accordance with their respective Regulations, Rules and procedures.

## **Z.5 BUYER'S CARBON EMISSIONS ALLOWANCE DELIVERY CONFIRMATIONS**

- (a) In respect of each position remaining open at 17:00 hours on the last trading day and on which position maintenance is to be performed by 18:00 hours on that day, the Buyer shall, in accordance with this Rule Z.5, deliver a Carbon Emissions Allowance Delivery Confirmation Form to the Clearing House not later than 10.00 hours on the business day following the last trading day.
- (b) The Carbon Emissions Allowance Delivery Confirmation Form shall be in such form as may from time to time be prescribed by the Clearing House and shall include:
  - (i) for each Margin Account: (1) the number of lots; and (2) the equivalent number of Carbon Emissions Allowances that are to be specified in the Transfer Request relating to such Margin Account, which shall form the Carbon Emissions Allowance Delivery Amount of the Transfer Request in respect of a Margin Account;
  - (ii) for each Transfer Request, details of the Holding Account and Acquiring Registry to which the Transfer will be made;
  - (iii) for each Holding Account specified, the name and contact details of the Authorised Representative;
  - (iv) confirmation that the Member will continue to have the relevant Holding Accounts during the Delivery Period at each of the Acquiring Registries listed pursuant to (ii) and is not for any reason prevented from having the Holding Accounts updated as a result of Transfer Requests; and
  - (v) such other details as are required by the Exchange, the Clearing House and the Registry from time to time in accordance with their respective Regulations, Rules and procedures.

## **Z.6 SUBMISSION OF TRANSFER REQUESTS BY THE SELLER**

- (a) The Seller, except where the Seller is the Clearing House, shall ensure that by 19.00 hours on the business day following the last trading day those Transfer Requests (details of which are referred to in the Seller's Carbon Emissions Allowance Delivery Confirmation Form) have been made through the Communication Link to the relevant Registries or by such other means as the relevant Registry may direct from time to time. The Transfer Requests shall, in respect of the Delivery Period, specify all the details required under and pursuant to the Registry Regulations and such other information as the Clearing House or the Registry may direct from time to time as a pre-requisite for the Transfer Request to be accepted.

Where the Seller (except where the Seller is the Clearing House) holds one or more Carbon Emissions Allowances Contracts in one or more Position-Keeping Accounts with the same Delivery Period, the Seller shall calculate a separate Carbon Emissions Allowance Delivery Amount in respect of each relevant Margin Account and accordingly submit separate Transfer Requests in relation to each of the relevant Margin Accounts, but otherwise in accordance with Rule Y.5 and this Rule Z.6.

- (b) Where a Transfer Request has been submitted in accordance with this Rule Z.6, the Seller shall ensure that the Transfer Request is not amended, withdrawn or replaced without the prior consent of the Clearing House.
- (c) Where a Transfer Request has been submitted in accordance with Rule Z.6(a) and (b) the Clearing House and the Seller shall promptly, and no later than 19.00 hours on the second business day after the last trading day, check the appropriate reports within the relevant Registry. If either the Seller or the Clearing House considers that the details of the Transfer contained in the Registry report are incorrect or missing it shall immediately inform the other. The Clearing House may take, or require the Seller to take, such steps as appropriate to rectify the situation in compliance with any Clearing House Directions.

Where a Transfer Request has been submitted after 19.00 hours on the first business day following the last trading day, but before 19.00 hours on the second business day after the last trading day, in compliance with a Clearing House Direction or otherwise, the Seller shall advise the Clearing House immediately of such submission. The Clearing House shall declare and notify to the Seller and the Exchange that the Member is subject to a Transfer Request Delay and that Rule Y.12 shall apply.

- (d) Where a Transfer Request has not been submitted, or has been submitted but such Transfer Request has not been accepted by the Registry by 19.00 hours on the second business day after the last trading day, the Seller shall advise the Clearing House immediately of such non-submission, or non-acceptance. The Clearing House may take, or require the Seller to take, such steps as appropriate to allow for Carbon Emissions Allowances to be delivered in compliance with any Clearing House Directions, which in any event shall not be a time beyond 19.30 on the fourth business day after the last trading day in relation to the relevant Transfer, or declare that the Clearing House or the Seller, as appropriate, has failed to meet its delivery obligations and that there is a Transfer Request Failure.

## **Z.7 SUBMISSION OF TRANSFER REQUEST BY THE CLEARING HOUSE**

- (a) Where the Clearing House is the Seller, the Clearing House shall by 19.30 hours on the second business day after the last trading day ensure that the relevant Transfer Requests have been made by it to its Registry through its Communication Link, or by such other means as the relevant Registry may direct from time to time.

The Clearing House shall use a Random Selection Mechanism to assign the order of Buyers to whom the Clearing House shall transfer Carbon Emissions Allowances under a Carbon Emissions Allowance Contract.

- (b) Where a Transfer Request has been submitted in accordance with Rule Z.7(a), the Clearing House and the Buyer shall promptly, and no later than 19:30 hours on the third business day after the last trading day, check the appropriate reports within the relevant Registry. If either the Buyer or the Clearing House considers that the details of the Transfer contained in the Registry report are incorrect or missing it shall immediately inform the other. The Clearing House may take, or require the Buyer to take, such steps as appropriate to rectify the situation in compliance with any Clearing House Directions.
- (c) Where a Transfer Request has not been submitted by the Clearing House or has been submitted but not accepted or actioned by the Registry by 19.30 hours on the third business day after the last trading day, the Clearing House shall advise the Buyer immediately of such non-submission, non-acceptance or non-action. The Clearing House may take, or require the Buyer to take, such steps as appropriate or to allow for Carbon Emissions Allowances to be delivered by such time as the Clearing House may direct, which in any event shall not be a time beyond 19.30 on the fourth business day after the last trading day in relation to the relevant Transfer, to rectify the situation in compliance with any Clearing House Directions or declare that the Clearing House or the Buyer, as appropriate, is subject to a

Transfer Request Delay or has failed to meet its delivery obligations and that there is a Transfer Request Failure.

## **Z.8 REGISTRY REGULATIONS AND OBLIGATIONS**

- (a) The Seller shall comply with such requirements and obligations imposed by or under the Registry Regulations in all respects material to the submission of a Transfer Request.
- (b) The Buyer shall comply with such requirements and obligations imposed by or under the Registry Regulations in all respects material to ensure the acceptance of a valid Transfer into its Holding Account.
- (c) If a provision of the Rules, Administrative Procedures or the Clearing House procedures is inconsistent with a provision of the Registry Regulations, the provision of the Rules, Administrative Procedures or the Clearing House procedures shall prevail as between the Buyer, Seller, the Exchange and the Clearing House to the extent of such inconsistency and to the extent permitted by law.

## **Z.9 PAYMENT**

- (a) All sums payable pursuant to Rule Y.8(b) shall be paid in such manner and at such times as the Clearing House may determine but in any event shall be paid at the latest on the day after the last trading day, save that where such day is not a business day such sums shall be paid no later than on the next business day.
- (b) Subject to Rule Z.9(c), in respect of the Contract, the Clearing House shall issue in accordance with its Procedures account documentation to the Buyer and the Seller specifying the amount due from the Buyer in respect of such Contract and any payment due to the Seller in respect of such Contract under Rule Y.8(a). All payments due in respect of a Contract under Rule Y.8(a) shall be made in accordance with the Clearing House procedures.
- (c) In respect of a Contract, the Clearing House shall, in accordance with its Procedures, issue any account documentation to a party specifying the amount due from/to such party in respect of such Contract under Rule Y.12. All payments due in respect of a Contract under Rule Y.12 shall be made in accordance with the Clearing House procedures.