

**CIRCULAR
07/053 R06**

02 May 2007

Category:
Regulations**Attachments:**
Contract Rules,
Administrative
Procedures and Rule
amendments**Summary of content**Contract Rules, No
Cancellation Range and
Reasonability Level
relating to ICE Middle
East Sour Crude Futures**For more information
please contact:**Jackie Ryan
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jackie.ryan@theice.com**Contract Rules and Procedures, No Cancellation Range and Reasonability Level information for ICE Middle East Sour Crude Futures**

Circular 07/041 dated 19 April 2007 advised Members of the launch, subject to regulatory approval, of ICE Middle East Sour Crude Futures on Monday 21 May 2007. The purpose of this Circular is to advise Members:

- (i) that regulatory approval has been received;
- (ii) that the Reasonability Level will be 85 cents and the No Cancellation Range will be 25 cents; and
- (iii) of the Contract Rules, Administrative Procedures and amendments consequential to the launch of ICE Middle East Sour Crude Futures which are attached.

Further information in relation to minimum volume threshold for Block Trades and client reporting levels will be issued in due course.

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 upon the launch of the Contract.

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

Signed:

Patrick Davis
Company Secretary

CONTRACT RULES: ICE FUTURES MIDDLE EAST SOUR CRUDE OIL FUTURES CONTRACT



SECTION GG - CONTRACT RULES: ICE FUTURES MIDDLE EAST SOUR CRUDE OIL FUTURES CONTRACT

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GG.6	Cash Settlement Price
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GG.1 SCOPE

The Rules in this Section GG and in Sections I and GG shall apply to Contracts for the ICE Futures Middle East Sour Crude Oil Futures Contract.

GG.2 DEFINITIONS

In the Contract Rules and the Administrative Procedures the following terms shall bear the meanings set opposite them below, if not inconsistent with the subject or context:

“barrel”	42 US gallons;
“Buyer”	the party acquiring a long position;
“Calendar Year Contract”	means a strip of 12 consecutive contract months commencing January and ending with December;
“lot”	1000 barrels of crude oil of the quality referred to in Rule GG.3;
“Platts Crude Oil Marketwire”	means the daily periodical published by Platts (a McGraw Hill Company) which contains, among other things, bid/offer spread price assessments of key benchmark crude oil including Dubai crude oil;
“Quarter Contract”	means three consecutive contract months and grouped as follows: January, February and March (first quarter); April, May and June (second quarter); July, August and September (third quarter); and October, November and December (fourth quarter);
“Seller”	the party acquiring a short position;

GG.3 REFERENCE QUALITY

The Contract shall be referable to Dubai crude oil for delivery published under the heading “Key Benchmarks” in Platts Crude Oil Marketwire, or as otherwise determined by the Exchange from time to time.

GG.4 PRICE

The contract price shall be in United States dollars and cents per barrel with a minimum fluctuation of one cent per barrel or as otherwise determined by the Exchange from time to time.

GG.5 QUANTITY

- (a) A Contract shall be for one or more lots.
- (b) The Exchange may, in its absolute discretion, determine from time to time that the ICE Futures Middle East Sour Crude Oil Futures Contract shall be traded in a minimum number of lots or multiples thereof.

GG.6 CASH SETTLEMENT PRICE

The Exchange shall publish a cash settlement price on the day following the last day of trading for the contract month. Subject to the Contract Rules and Administrative Procedures, the cash settlement price shall be determined by the Exchange as the mid point between the Dubai bid/offer prices for the relevant contract month assessed at the Singapore market close and reported under the heading “Key benchmarks (\$/bbl)”

in the issue of Platts Crude Oil Marketwire that reports prices on the last day of trading of the relevant contract month.

Where the mid point so determined results in a cash settlement price of three decimal places, such cash settlement price shall not be rounded to two decimal places, but shall remain as, and be published as, three decimal places.

GG.7 CASH SETTLEMENT OBLIGATIONS

(a) ICE Futures Middle East Sour Crude Oil Futures contracts remaining open in the relevant contract month at cessation of trading on the last trading day for the contract month shall be subject to the cash settlement procedure set out in this Rule.

(b) In respect of every lot comprised in the contract, the following payments shall be made:

Where the cash settlement price

(i) exceeds the contract price, payment by the Seller to the Clearing House,

(ii) exceeds the contract price, payment by the Clearing House to the Buyer,

(iii) is less than the contract price, payment by the Clearing House to the Seller,

(iv) is less than the contract price, payment by the Buyer to the Clearing House,

of an amount calculated by multiplying the difference between the cash settlement price and the contract price by 1000.

(c) All payments to be made hereunder shall be made in such manner and by such time as the Clearing House may determine. They shall be made no later than two Trading Days following the date of publication of the cash settlement price.

PROCEDURES: ICE FUTURES MIDDLE EAST SOUR CRUDE OIL FUTURES
CONTRACT



SECTION HH - PROCEDURES: ICE FUTURES MIDDLE EAST SOUR CRUDE OIL FUTURES
CONTRACT

HH.1

Cessation of Trading

HH.1 CESSATION OF TRADING

- (a) Subject to Rule HH.1(c), trading in a contract month shall normally cease at 08:30 hours GMT/09:30 hours BST (or at any other time determined by the Exchange from time to time), on the day which is either:
 - (i) the last Trading Day of the second month preceding the contract month; or,
 - (ii) if a cash settlement price pursuant to GG.6 will not be available for that day due to a public holiday in Singapore (or for any other reason determined by the Exchange), the next preceding Trading Day for which a cash settlement price is available pursuant to GG.6, or any other day determined by the Exchange at its sole discretion.

The Exchange shall from time to time publish a list stating, in respect of each contract month, the date and time upon which trading is expected to cease, provided that if at any time after its publication, it should become apparent that a cash settlement price will not be available for a day in the list, due to a public holiday in Singapore (or any other reason determined by the Exchange), the Exchange may, at its discretion, amend the list accordingly.

- (b) Subject to Rule HH.1(c), trading in a group of contract months grouped as a Quarter Contract/Calendar Year Contract shall cease at the time of the cessation of trading of the first contract month comprised in such Quarter Contract/Calendar Year Contract.
- (c) If at any time dealings on the Market in the contract are suspended on any Trading 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 this Rule HH.1(a) accordingly.

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SECTION GG - CONTRACT RULES: ICE FUTURES MIDDLE EAST SOUR CRUDE OIL FUTURES CONTRACT

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SECTION HH - PROCEDURES: ICE FUTURES MIDDLE EAST SOUR CRUDE OIL FUTURES CONTRACT

<u>HH.1</u>	<u>Cessation of Trading</u>
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A.1 DEFINITIONS

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

F.5 EXCHANGE FOR PHYSICALS ("EFPs") EXCHANGE FOR SWAPS ("EFSSs")

(a) (iii) EFPs and EFSSs may take place in respect of any contract month in any product mentioned in Sections Q, U, AA, ~~and~~ CC and GG and be reported to the Exchange up to one hour after the relevant time of cessation of trading on the last day of trading on the ICE Platform of such contract month.

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 the ICE Futures Gasoil Futures Contract, the ICE Futures Brent Crude Futures Contract, the ICE Futures West Texas Intermediate Light Sweet Crude Oil Futures Contract, ICE Futures New York Harbour Heating Oil Futures Contract, ICE Futures New York Harbour Unleaded Gasoline Blendstock (RBOB) Futures Contract, ICE Futures Rotterdam Coal Futures Contract, ~~and~~ the ICE Futures Richards Bay Coal Futures Contract and the ICE Futures Middle East Sour Crude Oil Futures Contract are for the time being more distant than the ninth forward contract month;

SECTION G - TRADING

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 - G.2B [Deleted 8 April 2005]
 - G.2C [Deleted 8 April 2005]
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 - G.19 [Deleted 8 April 2005]
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- G.20 Disorderly Trading
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G.22 ICE FUTURES MIDDLE EAST SOUR CRUDE OIL FUTURES CONTRACT MARKER (“MIDDLE EAST SOUR CRUDE MARKER”)

The Middle East Sour Crude Marker is determined and published daily by the Exchange. It is the trade weighted average price (calculated as detailed in Trading Procedure 2.4.14) of the ICE Middle East Sour Crude Oil Futures Contract trades executed during the one minute period between 08:29 hours and 08:30 hours GMT/09.29hours and 09.30 hours BST, or any other period determined by the Exchange from time to time. The Exchange may, in its absolute discretion, vary the means of calculation of the Middle East Sour Crude Marker or exclude trades from the calculation of the Middle East Sour Crude Marker if the Exchange feels it is in the best interests of the Exchange to do so.

ICE Futures Middle East Sour Crude Oil Futures Contract Marker Trades (“Middle East Sour Crude Marker Trades”)

The Exchange shall determine from time to time those contract months of the ICE Futures Middle East Sour Crude Oil Futures Contract for which Members may execute trades (“Middle East Sour Crude Marker Trade”) at the price determined by the Exchange as the Middle East Sour Crude Marker for the relevant month and the trading hours during which Members may execute Middle East Sour Crude Marker Trades.

TRADING PROCEDURES

Settlement Procedure for the ICE Futures Brent Crude Futures Contract, ~~and~~ the ICE Futures Gasoil Futures Contract and the ICE Futures Middle East Sour Crude Oil Futures Contract

- 2.4.6 The Unofficial Settlement Price 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 practitioner (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 the ICE Platform during the designated settlement period;
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- (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 the ICE Futures Brent Crude Futures Contract, ~~and~~ the ICE Futures Gasoil Futures Contract and the ICE Futures Middle East Sour Crude Oil Futures Contract 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 the ICE Platform 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 Prices will be communicated to the Clearing House forthwith and will become the Exchange Official Settlement Prices thirty minutes thereafter.

2.7 ICE Futures Middle East Sour Crude Oil Futures Contract Marker Trades ("Middle East Sour Crude Marker Trades")

Middle East Sour Crude Marker Trades may be executed daily in the ICE Platform up to 08.29 hours GMT/ 09.29 hours BST (or any other period or time determined by the Exchange from time to time).

Middle East Sour Crude Marker Trades are displayed in the ICE Platform with a price of zero representing the Middle East Sour Crude Marker but appear in TRS as unmatched trades with prices determined by the Exchange from time to time as representing the Middle East Sour Crude Marker. This price is replaced with the Middle East Sour Crude Marker by Exchange staff.

No amendment of the price of the Middle East Sour Crude Marker Trade may be made by Members.
