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<sup>1</sup> Inserted 12 February 2008

<sup>2</sup> Amended 22 May 2006

<sup>3</sup> Amended 18 September 2014

<sup>4</sup> Amended 28 April 1999, 7 December 2005

<sup>5</sup> Amended 28 April 1999, 18 September 2014

<sup>6</sup> Amended 19 August 1999, 18 September 2014

<sup>7</sup> Amended 18 September 2014

<sup>8</sup> Amended launch of ICE Clear 2008

<sup>9</sup> Amended launch of ICE Clear 2008, 3 September 2014

<sup>10</sup> Amended 15 December 2003, 22 April 2005, 7 February 2006, 21 April 2006, 12 May 2006, 17 July 2006, 13 October 2006, 21 May 2007, 14 March 2008, 4 December 2008, 3 September 2014

<sup>11</sup> Added 15 December 2003

<sup>12</sup> Amended 14 April 1999, 3 September 2014

<sup>13</sup> Inserted 19 August 1999, amended 3 September 2014

<sup>14</sup> Effective 23 September 2003, amended 10 August 2006, 4 June 2014, [05 January 2015](#)

<sup>15</sup> Inserted 23 September 2003, 7 December 2005, amended 10 August 2006, Launch of ICE Clear 2008, [Amended 05 January 2015](#)

<sup>16</sup> Inserted 23 September 2003, 7 December 2005


<sup>17</sup> Inserted 19 August 1999

<sup>18</sup> Inserted 10 December 2009, amended 3 September 2014

<sup>19</sup> Inserted 4 June 2014, amended 3 September 2014, 18 September 2014

<sup>20</sup> Inserted 4 June 2014, amended 18 September 2014

<sup>21</sup> Inserted 3 September 2014, 18 September 2014

<sup>22</sup> Inserted  2014

## I.1 ADMINISTRATIVE PROCEDURES

All Contracts shall be subject to such Administrative Procedures as may from time to time be adopted by the Directors, provided always that, if any conflict between Administrative Procedures and the Contract Rules shall arise, the provisions of the Contract Rules shall prevail and provided further that no Administrative Procedure shall be adopted other than for the regulation of administrative matters affecting Contracts (which shall include, without limitation, all such matters as are regulated by the Administrative Procedures first adopted with this Contract Rule). The Directors may at their discretion at any time revoke, alter or add to the Administrative Procedures and any such amendment shall be circulated to the Members and shall have such effect on existing as well as new Contracts as the Directors may direct.

## I.1B ADMISSION OF A CONTRACT TO TRADING<sup>23</sup>

The Exchange will only admit a Contract to trading if the Exchange believes the Contract satisfies the requirements of Paragraph 7A(2) and (3) of the Recognition Requirements.

## I.2 OTHER CONTRACTS

In respect of any Contract (other than one made on the Market or made with the Clearing House, “a main Contract”) the Contract Rules and Administrative Procedures shall be modified (without prejudice to any other terms of any such Contract) so as to facilitate the performance of a main Contract in accordance with the Contract Rules and Administrative Procedures.

## I.3 CONTRACT MONTHS OR CONTRACT DATES

Trading shall be permitted in respect of such spot and forward months (“contract months”) or spot and forward dates (“contract dates”) in a particular Contract as the Exchange shall determine from time to time, including such groups of contract months and groups of contracts dates as determined by the Exchange from time to time.

## I.4 GENERAL<sup>24</sup>

- (a) The construction of the Contract Rules and Administrative Procedures shall not be affected by the headings thereto which are for convenience only.
- (b) In the Contract Rules and Administrative Procedures, references to the Exchange in the context of delivery rights and obligations shall be read as reference to the Clearing House where the context so dictates, including, without limitation, where there is reference to situations where the Clearing House becomes counterparty to delivery rights and obligations pursuant to the Clearing Membership Agreements (as defined in the Clearing House Rules) and/or the Regulations (be this due to a Clearing Member being declared a defaulter, or following the expiry of an open contract on the market or otherwise). For the avoidance of doubt, the Contract Rules and Administrative Procedures are not intended to vary the terms of any Clearing Membership Agreement (as defined by the Clearing House Rules) and, in the event of any conflict between the terms of such documents/agreements, the terms of the Clearing Membership Agreement (as defined in the Clearing House Rules) shall prevail over the Contract Terms and Administrative Procedures.

## I.5 WAR OR GOVERNMENT INTERVENTION<sup>25</sup>

- (a) If the Directors after consultation with the Clearing House determine in their absolute discretion that one of the following conditions is satisfied, that is to say:
  - (i) a state of war exists, or is imminent or threatened and is likely to affect the normal course of business;

<sup>23</sup> Inserted 12 February 2008

<sup>24</sup> Amended 18 September 2014

<sup>25</sup> Amended 28 April 1999, 7 December 2005

- (ii) a government of any nation, state or territory, or any alliance of government, or any institution of such government or alliance, has proclaimed or given notice of its intention to exercise controls which appear likely to affect the normal course of business; or
- (iii) The European Union or an institution thereof has introduced, varied, terminated or allowed to lapse any provision, so as to be likely to affect the normal course of business, or has given notice of its intention to do so;

then Contracts for such contract months or contract dates as the Directors shall specify (which may if the Directors so determine include Contracts under which a tender has been made) shall, upon the Directors' formal announcement that such condition is satisfied, be invoiced back at the official quotation in respect of each such contract month or contract date fixed by the Clearing House for the date of the announcement or for such one of the six Business Days (not counting any day on which there was no official quotation) immediately preceding the date of the announcement as the Directors shall in their absolute discretion specify in the announcement.

- (b) In respect thereof, accounts shall be made up by the Clearing House on that basis for each Member contracting with it. Settlement of such accounts shall be due immediately and shall be treated as complete and final notwithstanding any further change of circumstances.
- (c) In the case of a contract month or contract date for which there is no official quotation, Contracts shall, for the purpose of this Rule, be invoiced back at the market value as determined by the Directors.
- (d) The Directors' formal announcement under this Rule shall be made by notice posted on the Market.
- (e) The decision of the Directors under this Rule as to the price at which Contracts are invoiced back shall be binding on both parties and no dispute as to such price may be referred to arbitration but the completion of invoicing back shall be without prejudice to the right of either party to refer disputes arising out of a Contract to arbitration under the Arbitration Rules.

### 1.6 NEW LEGISLATION<sup>26</sup>

- (a) If the Directors shall, after consultation with the Clearing House, in their absolute discretion determine that a change of legislative or administrative provisions of the United Kingdom, the European Union, any country or group of countries, any international organisation or institutions or market organisations in any country or group of countries, (including without prejudice to the generality of the foregoing a change in respect of duties or taxes) has affected, is affecting or is likely to affect the normal course of business or the performance of the Contract Rules and Administrative Procedures, the Directors shall have the power (without prejudice to their powers under any other provision of the Regulations) to vary the Contract Rules and Administrative Procedures (including without limitation, those of any existing Contract) in any way they deem necessary or desirable for the restoration or preservation of the orderly course of business.
- (b) Such variation may be made notwithstanding that it may affect the performance or value of existing Contracts (or such existing Contracts as may be specified by the Directors). Without limiting their powers hereunder, the Directors will use their best endeavours to keep any such variation to the minimum that they consider reasonably necessary to deal with the situation.
- (c) The Directors' powers under this Rule shall be exercisable by notice posted on the Market. Any variation made under this provision shall take effect at such time and for such period as the Directors shall prescribe, but (without prejudice to the preceding paragraph) shall not take effect earlier than the posting up of the notice on the Market.
- (d) Every Contract affected by a variation under this Rule shall remain in full force and effect subject to such variation and shall not be treated as frustrated or repudiated except so far as may be allowed in the Directors' notice.

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<sup>26</sup> Amended 28 April 1999, 18 September 2014

- (e) Any notice published by the Directors under this Rule may be varied or revoked by a subsequent notice.

### **I.7 ARBITRATION<sup>27</sup>**

- (a) Subject to any provision in the Contract Rules establishing an alternative forum for dispute resolution or prior procedural step for resolution of any dispute (which forum or steps shall apply only to disputes under open Contracts of the relevant kind) or the Clearing House Rules, any dispute arising out of or in connection with a Contract shall (subject to any contrary provision in the Contract Rules or Administrative Procedures, including without limit Rules I.18 (a) and (l)) be referred to and finally resolved by arbitration under Section H.
- (b) In any case where an invoicing back price has been fixed in accordance with the Contract Rules or Administrative Procedures, the fixing of such price shall not limit the jurisdiction of the board of arbitration to make such award as it deems fit in the circumstances.
- (c) All cash settlements and invoicing back prices fixed by the Exchange under the Contract Rules shall be final and binding on all parties. No dispute arising from or in relation to any cash settlement or invoicing back price fixed by the Exchange under the Contract Rules shall be referred to arbitration under Section H but the completion of cash settlement or invoicing back shall be without prejudice to the right of either party to refer any other dispute arising out of the Contract to arbitration under Section H or to any action under the Clearing House Rules.
- (d) Nothing in these Regulations shall be deemed to be a waiver of the exclusion of the Exchange's liability in damages for anything done or omitted in the discharge of its regulatory functions, pursuant to Section 291 of the Financial Services and Markets Act 2000.

### **I.8 GOVERNING LAW<sup>28</sup>**

Every Contract and non-contractual rights shall be governed by and construed in accordance with English law.

### **I.9 CONTRACT SECURITY**

The Clearing House may call for such additional margin at any time and from time to time as may be deemed necessary to facilitate the security of a Contract.

### **I.10 EXCHANGE MONITORING**

In order to assist the Exchange in monitoring the performance of Contracts (but without obliging it to do so and without prejudice to any other power which it might have) the Exchange may, at any time and from time to time, require Members and the Clearing House to supply to it such information as it thinks fit. The Exchange may require such information to be supplied to it through the Clearing House.

### **I.11 DIRECTORS' POWERS**

The provisions of these Contract Rules shall be without prejudice to any powers given to the Directors by other provisions of the Regulations.

### **I.12 SETTLEMENT TO MARKET<sup>29</sup>**

At the request of the Exchange or otherwise, the Clearing House may apply a system of settlement or marking to market or revaluation to Contracts in accordance with the Clearing House Rules. Accordingly, references in the Contract Rules and Administrative Procedures to:

<sup>27</sup> Amended 19 August 1999, 18 September 2014

<sup>28</sup> Amended 18 September 2014

<sup>29</sup> Amended launch of ICE Clear 2008

- (a) a Contract shall be construed as including settlement obligations arising in accordance with the Clearing House's system;
- (b) the price at which the Buyer or Seller contracted to buy or sell shall be construed as the price for the time being registered on behalf of the Buyer or Seller by the Clearing House under such system;

and all terms of a Contract shall be construed to allow the application of such a system.

### I.13 APPLICATION OF GENERAL RULES AND REGULATIONS<sup>30</sup>

- (a) Each Contract shall be subject to the Articles and the Regulations. Each Contract shall also be subject to the Clearing House Rules. The Clearing House Rules shall prevail in the event of any inconsistency between the Clearing House Rules and the Contract Rules. The Clearing House Rules provide that the Clearing House is a party as principal to each Contract, whether as Buyer or Seller and that its counterparty is the relevant Clearing Member (or Sponsored Principal and Sponsor acting jointly). The Contract Rules and Administrative Procedures made under them shall be construed accordingly and, in particular, references to "Buyer" and "Seller" shall include the Clearing House unless the context otherwise requires.
- (b) The provisions of neither the Convention relating to a Uniform Law on the International Sale of Goods, of 1964, nor the United Nations Convention on Contracts for the International Sale of Goods, of 1980, shall apply to Contracts.

### I.14 FURTHER AMENDMENT OF CONTRACT RULES<sup>31</sup>

- (a) In respect of any Contract the Contract Rules may from time to time be amended in accordance with the Articles without prejudice to any right contained elsewhere in the Regulations to amend the Contracts Rules. Such an amendment may according to its terms have effect on existing as well as new Contracts, and in such case all Contracts declared to be affected shall forthwith (or at such time as the terms of the amendment shall indicate) automatically be modified in conformity to the amendment.
- (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, the ICE Futures Richards Bay Coal Futures Contract, the ICE Futures globalCOAL Newcastle 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;
  - (ii) contract months which, in the case of Futures Contracts for other products (excluding products mentioned in Sections S, W, Y and II), and in the case of Options Contracts (other than Emission Options) for all products (excluding products mentioned in Sections S, W, Y and II), are for the time being more distant than the sixth forward contract month;
  - (iii) [Deleted 7 February 2006];
  - (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;

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<sup>30</sup> Amended launch of ICE Clear 2008, 3 September 2014

<sup>31</sup> Amended 19 August 1999, 7 March 2001, 15 December 2003, 22 April 2005, 7 February 2006, 21 April 2006, 12 May 2006, 17 July 2006, 13 October 2006, 14 March 2008, 4 December 2008, 3 September 2014

- (v) contract months which, in the case of a Contract containing the terms set out in Section Y and II, are for the time being more distant than the third forward contract month; or
  - (vi) contract months which, in the case of Emission Options, 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.

### I.14A REGULATORY FUNCTIONS

- (a) Where the Directors consider that circumstances have arisen, or are reasonably likely to arise, in which it would be desirable for any of the Contract Rules and Administrative Procedures to be varied in the interests of ensuring the orderly operation and evolution of the Market or pursuant to any of the Exchange's other regulatory functions, the Directors shall have the power (without prejudice to their powers under any other provision of the Regulations) to vary any of the Contract Rules and/or Administrative Procedures in any way they deem appropriate to respond to such circumstances in accordance with the Exchange's regulatory functions. Such circumstances may include, without limitation:
- (i) where the provisions for the specification, pricing, settlement or other aspects of a Contract are no longer representative of practices in the underlying market to which a Contract relates;
  - (ii) where, without changes to the provisions for the specification, pricing, settlement or other aspects of a Contract, there is a risk of material detriment being caused to the market for that Contract, whether in terms of liquidity, reputation or otherwise;
  - (iii) where a Contract may, without variation, cease to be a viable hedging tool; or
  - (iv) where any aspect of the current business on the Market in respect of any Contract is, in light of any other current or anticipated circumstances, at risk of being conducted otherwise than in an orderly manner and/or so as to afford proper protection to participants in the Market and such risk may be addressed by changes to the Contract Rules and/or Administrative Procedures.
- (b) Such variation may be made notwithstanding that it may affect the performance or value of existing Contracts (or such existing Contracts as may be specified by the Directors). Without limiting their powers hereunder, the Directors will use their reasonable endeavours to keep any such variation to the minimum that they consider reasonably necessary to respond to the circumstances in question.
- (c) The Directors' powers under this Rule shall be exercisable by notice posted on the Market. Any variation made under this provision shall take effect at such time and for such period as the Directors shall prescribe, but (without prejudice to the preceding paragraph) shall not take effect earlier than the posting of the notice on the Market. The Directors shall seek to give Members prior notice but, where deemed necessary, changes may take effect immediately upon the posting of such notice or at such other time as the Directors prescribe.
- (d) Every Contract affected by a variation under this Rule shall remain in full force and effect subject to such variation and shall not be treated as terminated or frustrated or repudiated except so far as may be allowed in the Directors' notice.
- (e) Any notice published by the Directors under this Rule may be varied or revoked by a subsequent notice.

### I.15 TRADE EMERGENCY PANEL<sup>32</sup>

- (a) In the event of the Exchange, whether by its Compliance Officer or otherwise, identifying or suspecting the development or possible development of a situation or practice referred to below, it shall forthwith refer the matter to a panel (the Trade Emergency Panel) being a minimum of three

<sup>32</sup> Inserted 14 April 1999, amended 3 September 2014

people comprising: the Compliance Officer; the Chief Executive; two Clearing House senior executives nominated for this purpose by the Clearing House; or lay directors of the Exchange. The Panel may take such professional advice as it sees fit in coming to any decision.

- (b) If in the opinion of the Trade Emergency Panel an excessive position or unwarranted speculation or any other undesirable situation or practice affecting or capable of affecting the Market is developing, or has developed, it may take any steps whatsoever to provide for, correct or check the further development of such situation or practice and may give directions to any Member or non-Member Sponsored Principal accordingly. Such steps may (without prejudice to the generality of this Rule), if the Trade Emergency Panel thinks fit, extend to trading which occurred before or on the date that such step is instigated.
- (c) A Member or non-Member Sponsored Principal contravening a direction of the Trade Emergency Panel under this Rule shall be liable to the same sanctions (including expulsion or suspension from membership) as if a breach of the Regulations were committed.

### I.16 DEFINITIONS AND INTERPRETATION<sup>33</sup>

- (a) In this Rule I.16 and in Rules I.17 to I.20, and specific contract terms in other sections of these rules, unless the context otherwise requires:

#### WORDS

"Party"

"Chairman"

"Delivery Committee"

#### MEANINGS

means the Seller or the Buyer under a Contract, which shall not include the Clearing House (except where the context otherwise requires);

means the person for the time being appointed by the Directors (or by any committee to whom such powers have been delegated by the Directors) as the Chairman of the Delivery Committee under Rule C.13.1(a), or, in his absence, one of the Directors;

means the committee for the time being appointed by the Chairman under Rule C.13.2.

- (b) Any discretion that may be exercised by a person or body under Rules I.17 to I.20, will be exercised in the absolute discretion of such person or body.

### I.17 NON-PERFORMANCE<sup>34</sup>

- (a) Subject to Rules J.12(b) or J1.12(b), if it appears to the Clearing House that a Party has, or may have, failed to perform its obligations under a Contract, the Clearing House will, as soon as practicable, take such steps as it deems appropriate to achieve an amicable settlement between the Parties to the affected Contracts. If such steps have not led or are not likely to lead to settlement within five days of the failure (or apparent failure) having come to the attention of the Clearing House, the Clearing House will refer the matter to the Exchange. Subject to Rules I.17(aa) and (c), if a reference is made to the Exchange under this Rule I.17(a) the Exchange will refer such matter to the Delivery Committee under Rule I.18(a).
- (aa) If a reference is made to the Exchange under Rule I.17(a) but an amicable solution is notified to the Exchange by the Parties involved prior to the referral of the matter to the Delivery Committee under Rule I.18(a) by the Exchange, the Exchange will either:
  - (i) refer such matter to the Delivery Committee under Rule I.18(a); or
  - (ii) not refer such matter to the Delivery Committee under Rule I.18(a) but may make such determination as it appears to the Exchange, in its discretion, to be expedient concerning the settlement of such Contract and shall notify its determination to the Parties and to the Clearing House. Such determination shall be binding on the Parties and the Clearing House and no dispute as to such determination may be referred to arbitration, but this shall be

<sup>33</sup> Inserted 19 August 1999, amended 3 September 2014

<sup>34</sup> Inserted 19 August 1999, Amended with Effective February 2002 delivery, 23 September 2003, 10 August 2006, 05 January 2015

without prejudice to the right of either Party to refer any other failure (or apparent failure) of a Party in the performance of its obligations under a Contract or any related dispute to arbitration under the Arbitration Rules;

- (b) Subject to Rule I.17(c), if it comes to the attention of the Exchange, other than pursuant to Rule I.17(a), that a Party to a Contract has, or may have, failed to perform its obligations under a Contract, the Exchange may refer such matter to the Delivery Committee under Rule I.18(a).
- (c) If the Exchange becomes aware that a Seller has, or may have, failed to perform its obligations under a Contract to lodge documents in conformity with Rules K.11 or K1.11, the Exchange shall endeavour to procure the Buyer to accept such documents as are lodged, whether before or after the time stipulated in Rule K.11(a) or Rule K1.11(a). If the Buyer's agreement to this:
- (i) is obtained, the Exchange will not refer such matter to the Delivery Committee under Rule I.18(a) but will make such determination as it appears to the Exchange, in its discretion, to be expedient concerning the settlement of such Contract and shall notify its determination to the Parties and to the Clearing House. Such determination shall be binding on the Parties and the Clearing House and no dispute as to such determination may be referred to arbitration, but this shall be without prejudice to the right of either Party to refer any other failure (or apparent failure) of a Party in the performance of its obligations under a Contract or any related dispute to arbitration under the Arbitration Rules; or
- (ii) is either not obtained, or not obtained in writing or in such other form as the Exchange may require, the Exchange shall refer such matter to the Delivery Committee under Rule I.18(a).
- (d) If the Exchange becomes aware that a Seller has, or may have, failed to perform its obligation under a Contract to deliver a tender in conformity with Rule I.22; ~~or~~ Rule K.2, or Rule K1.2, the Exchange shall endeavour, after consultation with the Clearing House, to agree a time with the Seller by which the Seller will deliver a tender to the Clearing House. If no agreement is reached the Exchange may impose a time by which the Seller will deliver a tender to the Clearing House. If the tender is not received by the Clearing House by the agreed or imposed time, the Clearing House shall, at its sole discretion, select a Buyer who has a position open at the cessation of trading to match the Seller who has failed to submit the tender to the Clearing House in accordance with Rule I.22 for the purposes of allocation of tenders pursuant to Rule I.22(c) or in accordance with Rule K.2 or Rule K1.2 for the purposes of allocation of tenders pursuant to Rule K.4 or Rule K1.4. The Clearing House shall notify the Seller of the identity of the Buyer, and shall notify the Buyer: (i) of the Seller's identity; and, (ii) the Seller's failure to provide a tender in accordance with Rule I.22; ~~or~~ Rule K.2 or Rule K1.2.

The Clearing House shall, as soon as practicable, take such steps as it deems appropriate to facilitate an amicable settlement between the Buyer and Seller of the affected Contracts. If such steps have not led or are not likely to lead to settlement by 09:00 hours on the Business Day following the day of the failure by the Seller to provide a tender in accordance with Rule I.22; ~~or~~ Rule K.2 or Rule K1.2, the Clearing House shall refer the matter to the Exchange.

The Exchange shall refer such matter to the Delivery Committee under Rule I.18(a).

### I.18 DELIVERY COMMITTEE<sup>35</sup>

- (a) The Exchange may, in respect of a delivery under a Contract refer any dispute to the Delivery Committee, but shall refer any matter to the Delivery Committee:
- (i) in the circumstances stated in Rules I.17(a) and I.17(aa)(i);
- (ii) in the circumstance stated in Rules I.17(c)(ii) and I.17(d); or

<sup>35</sup> Inserted 19 August 1999, Amended with Effect February 2002 delivery, 23 September 2003, 7 December 2005, 10 August 2006, Launch of ICE Clear 2008, Amended 05 January 2015



- (iii) if a Party claims under Rules J.16 the relevant Contract Rules that force majeure has occurred hindering or preventing due performance of its delivery obligation under a Contract.

The Exchange will not refer a dispute or matter in respect of a delivery under a Contract to the Delivery Committee if a Party has been declared a defaulter under the default rules or the default rules of the Clearing House. The Exchange will notify the Clearing House and each of the Parties to the affected Contracts that a dispute or matter has been referred to the Delivery Committee.

- (b) Following a reference made to the Delivery Committee by the Exchange under Rule I.18(a), the Exchange may, in its discretion, require both Parties, or either of them, to pay to the Exchange a fee of US\$2,500, unless the Exchange determines, in its discretion, to waive or reduce the fee.
- (c) Following the referral of a dispute or matter to the Delivery Committee, the Chairman shall convene a panel of three members of the Delivery Committee to determine the dispute or matter ("Delivery Panel"). If a dispute or matter is deemed by the Exchange to be one requiring urgent resolution, the Exchange may convene a Delivery Panel. Any member of the Delivery Committee who is appointed to the Delivery Panel shall have no direct or indirect interest in any Party (or any client or underlying client of a Party) or the dispute or matter to be determined. The Chairman or the Exchange, as the case may be, shall appoint one of the members of the Delivery Panel to be the chairman of the Delivery Panel.
- (d) Any objection raised by a Party to any member of the Delivery Committee being appointed to the Delivery Panel shall be determined by the Chairman or the Exchange, as the case may be, at their discretion.
- (e) The Delivery Panel shall meet at any time in person or by telephone.
- (f) The Delivery Panel may, in its discretion, require the Parties to the affected Contracts to present written submissions and evidence in support of their claim, to the Delivery Panel by such time and in such form as the Delivery Panel may direct. An oral hearing will only take place if the Panel in its discretion considers it to be necessary. A Party may be assisted by or represented by any person who may be legally qualified at that oral hearing if the Panel in its discretion considers it to be necessary. The Delivery Panel will determine the dispute or matter on such evidence as it thinks is relevant, notwithstanding that such evidence may not be admissible in a court of law, and make one or more of the directions contemplated by Rule I.18(i) below.
- (g) The Delivery Panel may obtain legal advice from the Exchange's legal advisers.
- (h) The Delivery Panel may obtain expert advice from any of the individuals who are on the pool of Gas Oil and Fuel Oil product experts, appointed by the Exchange. The identity of a Party will not be disclosed to an expert nor will the identity of any expert be disclosed to a Party. Each Party will have the opportunity to respond to the substance of any expert advice obtained by the Delivery Panel.
- (i) Following the determination of any dispute or matter pursuant to Rule I.18(f), the Delivery Panel shall report in writing its findings, (which shall include, as may be appropriate, whether a Party has failed to perform its delivery obligations under a Contract or whether an event of force majeure has occurred under Rules J.16 the relevant Contract Rules, hindering or preventing the performance of its delivery obligations under a Contract), to the Exchange, the Clearing House and to each of the Parties to the affected Contracts.

The Delivery Panel may either at the same time or in advance of its written findings being available, make any one or more of the following directions, except that if it determines that an event of force majeure has occurred which has hindered or prevented the performance of a Contract by 5 Business Days after the due date for delivery of the product under a Contract, the Delivery Panel shall only be entitled to make the direction referred to in paragraphs (ii) and (iii) below:

- (iv) direct a Party as to how delivery under the affected Contracts should proceed;

- (vii) direct the Clearing House to invoice back one or more of the affected Contracts at a price to be set by the Delivery Panel in its discretion, taking into account any information it considers to be relevant for this purpose which may have been supplied by the Exchange. The price for invoicing back may at the Delivery Panel's discretion take account of any compensation that it may consider should be paid to or by a Party.

In the event of any delay to the invoicing back process, the Delivery Panel may at its discretion, in advance of it setting a price for invoicing back, and in agreement with the Clearing House, direct the Clearing House to make an interim payment to a party. The amount of the interim payment will be set by the Delivery Panel at its discretion. In such an event the price for invoicing back shall take account of the interim payment as appropriate; or

- (iii) direct any of the Parties to pay to the Exchange costs in an amount determined by the Delivery Panel in its discretion. Such costs may include, but shall not be limited to: the fees and expenses of the Chairman; the expenses of members of the Delivery Panel or any expert; any legal costs; and expenses which the Exchange or the Clearing House may incur or be subjected to in respect of such dispute or matter.
- (j) The determination of a matter by the Delivery Panel shall be without prejudice to the powers of the Exchange to take such action under Section E as it considers in its discretion appropriate. Without prejudice to the foregoing, in the case where the Delivery Panel finds that a Party has failed to perform its obligations under a Contract, the Exchange may impose a fixed fine in accordance with the Schedule of Common Offences (Delivery Conduct) or issue a fine under Rule E.10(d).
- (k) A Party shall comply with any finding, determination or direction made by the Delivery Panel under this Rule I.18. A direction by the Delivery Panel made under Rules I.18(i)(i) and (ii) shall be immediately binding upon the Parties to the affected Contracts. Any finding, determination or a direction by the Delivery Panel made under Rule I.18(i)(iii), shall be deemed conclusive and binding upon expiry of the time permitted for appeal or receipt by the Secretary of any earlier written notice that such right of appeal will not be exercised. Any Party who refuses or fails to comply with or perform any finding, determination or direction made under this Rule I.18, shall be deemed to have infringed this Rule and such infringement will constitute a breach of the Regulations by such Party and may be the subject matter of disciplinary proceedings under Section E.
- (l) In respect of a dispute or matter which has been referred to the Delivery Committee under Rule I.18(a) and determined by a Delivery Panel, no finding, determination or direction made under Rule I.18 in respect of such dispute or matter, including, without limit, any issue or dispute arising out of or in connection with the invoicing back price determined by the Delivery Panel under Rule I.18(i)(ii), shall be referred to arbitration under the Arbitration Rules. This Rule I.18(l) shall be without prejudice to the right of a Party to refer any other matter or dispute to arbitration under the Arbitration Rules.
- (m) In the event of a member of the Delivery Panel:
  - (i) becoming directly or indirectly interested or involved in any Party (or any client or underlying client of a Party) or the dispute or matter to be determined other than as a result of being a member of the Delivery Panel;
  - (ii) dying; or
  - (iii) in any other way being or becoming, in the opinion of the Exchange, incapacitated from acting on the Delivery Panel

the Chairman or the Exchange may appoint another person to take such Delivery Panel member's place, and the Delivery Panel shall thereupon proceed to determine the dispute or matter as if such other person had been originally appointed to the Delivery Panel.

### I.19 APPEALS PROCEDURE<sup>36</sup>

<sup>36</sup> Inserted 19 August 1999, Amended 23 September 2003, 7 December 2005

- (m~~a~~) A Party to an affected Contract or the Exchange may appeal against any finding, determination or direction made by the Delivery Panel under Rule I.18(i)(i) or (iii). Such notice of appeal shall be lodged in writing with the Secretary within 10 Business Days of the Delivery Panel's finding, determination or direction.
- (n~~b~~) A notice of appeal under Rule I.19(a) shall set out the grounds of the appeal and shall contain a brief statement of all matters relied on by the appealing Party. The grounds of the appeal shall be any one or more of the following:
- (i) the Delivery Panel misdirected itself;
  - (ii) the Delivery Panel's finding, determination or direction under Rule I.18(i)(i) or (iii) was:
    - (aa) one which no reasonable Delivery Panel could have reached; or
    - (bb) based on an error of law, or a misinterpretation of the Regulations, Gas Oil Contract Rules or Administrative Procedures; or
  - (iii) the finding, determination or direction under Rule I.18(i)(i) or (iii) of the Delivery Panel was excessive, insufficient or inappropriate; or
  - (iv) new evidence is available which, had it been before the Delivery Panel, could reasonably have led to a different finding, determination or direction under Rule I.18(i)(i) or (iii). This will not apply if the appealing Party could have produced the evidence to the Delivery Panel had he made reasonable efforts to obtain it,

but no Party may otherwise appeal under Rule I.19(a).

- (o~~e~~) The Secretary shall notify the Chairman of the notice of appeal and the Chairman shall convene a panel ("the Delivery Appeals Panel") comprising the Chairman and two members of the Delivery Committee which shall not include any member of the Delivery Committee who served on the Delivery Panel which made the finding, determination or direction under Rule I.18(i)(i) or (iii) the subject of the appeal. The chairman of the Delivery Appeals Panel will be the Chairman or, if the Chairman served on such Delivery Panel, he will appoint a member of the Delivery Committee to serve in his place on the Delivery Appeals Panel and to be the chairman. Any member of the Delivery Committee who is appointed to the Delivery Appeals Panel shall have no direct or indirect interest in any Party, the dispute or matter determined by the Delivery Panel or the subject of the appeal.
- (p~~e~~) The appealing Party and, if applicable, the other Party may at the discretion of the Delivery Appeals Panel present written submissions in support of, or in contention of, the ground for appeal, to the Delivery Appeals Panel by such time and in such form as the Panel may direct. An oral hearing of the appeal will only take place if the Delivery Appeals Panel in its discretion considers it to be necessary. A Party may be assisted by or represented by another person at that oral hearing if the Panel in its discretion considers it to be necessary. The Delivery Appeals Panel will consider the finding, determination or a direction under Rule I.18(i)(i) or (iii) of the Delivery Panel, review the evidence before the Delivery Panel and such further evidence as may be put to the Delivery Appeals Panel. No new evidence of fact may be adduced unless the Delivery Appeals Panel is satisfied that there is good reason why such evidence was not presented to the Delivery Panel and only if such evidence is relevant, notwithstanding such evidence may not be admissible in a court of law.
- (q~~e~~) The Delivery Appeals Panel may:
- (i) dismiss or allow the appeal;
  - (ii) confirm or amend the finding, determination or a direction under Rule I.18(i)(i) or (iii) (including increasing or decreasing the amount of costs payable by a Party in respect of a direction made under Rule I.18(i)(iii)); or

- (iii) substitute its own finding, determination or direction under Rule I.18(i)(iii) (which may include increasing or decreasing any finding, determination or direction imposed).

Notwithstanding the foregoing, if an appeal is upheld in respect of a direction under Rule I.18(i)(i) or any finding or determination upon which a Delivery Panel made a direction under Rules I.18(i)(i) or (ii), the Delivery Appeals Panel may only direct a Party to pay an amount of compensation or costs as it determines in its discretion to be appropriate.

- (rf) The Delivery Appeals Panel may at any stage approve the settlement of any issue between the Parties to the affected Contracts on such terms as it considers expedient or satisfactory. Any withdrawal of an appeal by an appealing Party must be in writing and lodged with the Secretary. The Chairman or the Exchange may direct such Party to pay to the Exchange costs in accordance with Rule I.19(g).
- (sg) The chairman of the Delivery Appeals Panel may direct a Party to pay to the Exchange costs in an amount determined by him in his discretion. Such costs may include, but shall not be limited to: the fees and expenses of the Chairman; the expenses of any member of the Delivery Appeals Panel or any expert; any legal costs; and expenses which the Exchange or the Clearing House may incur or be subjected to in relation to the appeal.
- (th) The finding, determination or direction of the Delivery Appeals Panel shall be final and binding and there shall be no further appeal. The decision shall be notified in writing to the appealing Party, any other Party to the affected Contracts, the Delivery Panel which made the finding, determination or direction, the Clearing House and the Exchange.
- (ui) A Party shall comply with any decision of the Delivery Appeals Panel. Any Party who refuses or fails to comply with or perform any decision or direction made, or action taken, under this Rule I.19, shall be deemed to have infringed this Rule and such infringement will constitute a breach of the Regulations by such Party and may be the subject matter of disciplinary proceedings under Section E.
- (vj) Following the lodgement of a notice of appeal with the Secretary under Rule I.19(a), the Exchange may, in its discretion require the appealing Party, to pay to the Exchange a fee of US\$2,500, unless the Exchange determines, in its discretion, to reduce or waive the fee.
- (wk) Rules I.18(d), (e), (g) and (h) shall apply to the Delivery Appeals Panel as though the reference therein to the Delivery Panel were to the Delivery Appeals Panel.

### I.20 PUBLICATION OF A DETERMINATION<sup>37</sup>

Notwithstanding Rule A.4.1, the Exchange shall give such publicity as it considers appropriate in its discretion to any finding, determination or direction made by a Delivery Panel or decision or direction made by a Delivery Appeals Panel. This Rule is without prejudice to the right of the Exchange under Rule A.4.3, or otherwise, to disclose confidential information to other regulatory or law enforcement bodies.

### I.21 ENVIRONMENTAL COMPLIANCE AND LIABILITY<sup>38</sup>

- (a) In this Rule I.21, the following terms have the following meanings:
  - (i) [Deleted]
  - (ii) The term “CAS” means the Chemical Abstracts Service.
  - (iii) The term “CLP Regulation” means, as may be amended or supplemented from time to time (including by another law or instrument), Regulation (EC) No 1272/2008 of the European Parliament and of the Council of 16 December 2008 on classification, labelling and packaging of substances and mixtures, amending and repealing Directives 67/548/EEC and 1999/45/EC, and amending Regulation (EC) No 1907/2006.

<sup>37</sup> Inserted 19 August 1999

<sup>38</sup> Inserted 10 December 2009, amended 3 September 2014, 18 September 2014

- (iv) The term "Commodity" means any kind of property which is capable of being delivered pursuant to a Contract.
- (v) The term "EC Number" means any number or other identification assigned to any chemical, substance or material through the European Inventory of Existing Commercial Chemical Substances, the European List of Notified Chemical Substances, the No-Longer Polymers list or otherwise pursuant to Directive 67/548/EEC of the EU.
- (vi) The term "Environment" means all or any of the following media (whether alone or in combination): air (including the air within buildings or other natural or man-made structures whether above or below ground), water (including surface water, sub-surface water, groundwater, coastal, marine or inland waters or waterways, and water within drains, sewers or other natural or man-made structures), land (including surface land, land under water, soil and sub-soil), any natural resource and any ecological systems and living organisms supported by these media.
- (vii) The term "Environmental Law" means, as in force from time to time, any national, federal, supranational, state, regional, provincial, local or other law, treaty, directive or other lawful requirement, including, without limitation, of the EU or any of its member states, and including, without limitation, common law, any statute, ordinance, rule, regulation, code, lawful requirement, guidance, statutory guidance note, published practice or concession, order, judgment or ruling of any Governmental Authority, in each case governing or relating to pollution, the protection of the Environment, noise, nuisance, health, safety or natural resources, or the use, sale, delivery, registration, handling, transportation, treatment, storage, disposal, release or discharge of Hazardous Materials.
- (viii) The term "Environmental Permit" means any licence, approval, authorisation, permission, certificate, certification, registration, notification, waiver, order or exemption that is issued, granted or required under Environmental Law.
- (ix) The term "Governmental Authority" means any Regulatory Authority and any national, federal, supranational, state, regional, provincial, local or other government, government department, ministry, governmental or administrative authority, regulator, agency, commission, secretary of state, minister, court, tribunal, judicial body or arbitral body or any other Person exercising judicial, executive, interpretative, enforcement, regulatory investigative, fiscal, taxing or legislative powers or authority anywhere in the world with competent jurisdiction.
- (x) The term "Hazardous Material" means all chemicals, materials, substances, preparations or articles, whether natural or man-made and whether solid, liquid or gaseous, which are defined or regulated as toxic, hazardous, noxious, radioactive, flammable, corrosive or caustic or as a pollutant, contaminant or waste or words of similar import under any Environmental Law or Environmental Permit, or which may otherwise be capable, whether alone or in combination, of causing harm to any human or other living organism or the Environment.
- (xi) The term "Person" means any individual, partnership, firm, body corporate, association, trust, unincorporated organisation or other entity.
- (xii) The term "REACH" means, as may be amended or supplemented from time to time (including by another law or instrument), Regulation (EC) No 1907/2006 of the European Parliament and of the Council of 18 December 2006 concerning the Registration, Evaluation, Authorisation and Restriction of Chemicals, establishing a European Chemicals Agency, amending Directive 1999/45/EC and repealing Council Regulation (EEC) No 793/93 and Commission Regulation (EC) No 1488/94 as well as Council Directive 76/769/EEC and Commission Directives 91/155/EEC, 93/67/EEC, 93/105/EC and 2000/21/EC (OJ L 396, 30.12.2006). For the avoidance of doubt, "REACH" includes Directive 2006/121/EC of the European Parliament and of the Council of 18 December 2006 amending Council Directive 67/548/EEC on the approximation of laws, regulations and administrative provisions relating

to the classification, packaging and labelling of dangerous substances in order to adapt it to REACH.

- (xiii) The term "Regulatory Authority" means any Governmental Authority which exercises a regulatory or supervisory function under the laws of any jurisdiction in relation to financial services, the financial markets, Exchanges or Clearing Organisations (including, without limitation, the FCA, any Person given powers under the Financial Services and Markets Act 2000, the Bank of England, Her Majesty's Treasury, the Office of Fair Trading, the US Commodity Futures Trading Commission and the Securities and Exchange Commission).
  - (xiv) The term "Safety Data Sheet" has the meaning given to such term by REACH, the Chemicals (Hazard Information and Packaging for Supply) Regulations 2009 of the United Kingdom, as amended, or any other Environmental Law.
  - (xv) [Deleted]
  - (xvi) The term "Transferee" means a Person nominated by a Buyer to whom a transfer or delivery is to be made under a Contract and includes reference to the Buyer where transfer or delivery is to be made to the Buyer.
  - (xvii) The term "Transferor" means a Person nominated by a Seller by whom a transfer or delivery is to be made under a Contract and includes reference to the Seller where transfer or delivery is to be made by the Seller.
- (b) Without prejudice to Rule A.7 of the Regulations, and without prejudice to Rule 111 of the Clearing House Rules, neither the Exchange, nor the Clearing House, is responsible for, and neither shall have any liability whatsoever in respect of, any application, notification, reporting, data or information sharing, registration, certification, authorisation, investigation, remediation or the taking or not taking of any other action or thing that may be required by any Environmental Law or Environmental Permit in respect of any Commodity or Contract. In particular but without limitation, neither the Exchange, nor the Clearing House, shall be responsible for, or have any liability whatsoever in respect of, the taking or not taking of any of the following actions:
- (i) any pre-registration, registration or other action pursuant to REACH in connection with any Hazardous Material or other substance, preparation, article or material that is the subject of, or part of, any Commodity or Contract;
  - (ii) any preparation, reporting or delivery of any Safety Data Sheet in connection with any Hazardous Material or other substance, preparation, article or material that is the subject of, or part of, any Commodity or Contract;
  - (iii) any procurement, registration, notification or reporting of any CAS or EC number in connection with any Hazardous Material or other substance, preparation, article or material that is the subject of, or part of, any Commodity or Contract; or
  - (iv) any classification, re-classification, labelling or packaging, pursuant to the CLP Regulation or other Environmental Law, of any Hazardous Material or other substance, preparation, article or material that is the subject of, or part of, any Commodity or Contract.
- (c) Without prejudice to Rule A.7 of the Regulations, and without prejudice to Rule 111 of the Clearing House Rules, neither the Exchange, nor the Clearing House, is responsible for, and neither shall have any liability whatsoever in respect of:
- (i) the condition, safety or compliance or non-compliance with any Environmental Law or Environmental Permit, or
  - (ii) the presence of any Hazardous Material or occurrence of any contamination related to, or

- (iii) any other liability or obligation arising under Environmental Law or Environmental Permit related to,

any barge, installation, equipment, vehicle, land, water or other location or area used in connection with the sale, delivery, registration, handling, transportation, treatment, management, storage, disposal, release or discharge of any Commodity. Further, neither the Exchange, nor the Clearing House, shall be responsible for, or have any liability whatsoever in respect of the condition or safety of any Commodity delivered pursuant to any Contract.

- (d) Each person subject to the Regulations (other than the Clearing House) delivering a Commodity pursuant to a Contract shall comply, and shall be deemed to represent and warrant that it has complied, fully with any application, notification, reporting, data or information sharing, registration, certification, authorisation, investigation, remediation or the taking or not taking of any other action or thing required by any Environmental Law or Environmental Permit and applicable to such Commodity, including, without limitation, as related to the condition or safety of such Commodity. In particular but without limitation, each person subject to the Regulations (other than the Clearing House) shall comply, and shall be deemed to represent and warrant that it has complied, fully with any and all requirements specified in clauses (b)(i) through (iv) of this Rule I.21 to the extent applicable to such Commodity.
- (e) Neither the Buyer nor the Seller, nor their Transferees or Transferors, shall have any claim against the Exchange or the Clearing House, whether in contract, tort or restitution, as a fiduciary or under any other cause of action, for any loss, liability, cost, damage or expense incurred or suffered as a result of any non-compliance with any Environmental Law or Environmental Permit, the condition of or any hazard posed by any Commodity, or the presence of any Hazardous Material or occurrence of any contamination.

### **I.22 FINANCIALS AND SOFTS CONTRACTS WHERE TENDER IS REQUIRED<sup>39</sup>**

- (a) This Rule I.22 shall only apply to Financials and Softs Contracts where tender is required.
- (b) [Deleted]
- (c) A Clearing Counterparty, as Seller in respect of a Financials and Softs Contract shall give a tender to the Exchange, together with such other documents as may be required by the Contract Rules by the time specified in respect of a Financials and Softs Contract for a particular delivery month, and in the form and manner prescribed by the Contract Rules. The Clearing House shall give a tender to the Buyer, together with such other documents as may be required by the Contract Rules by the time specified in respect of a Financials and Softs Contract for a particular delivery month, and in the form and manner prescribed by the Contract Rules.
- (d) A Seller or Buyer shall give to the Clearing House such additional documents or information required by the Contract Rules to be given in respect of a Financials and Softs Contract by the time prescribed by the Contract Rules and in the form and manner specified therein. The Clearing House shall give such additional documents or information to the Buyer or Seller under the terms of such Contract.
- (e) The Clearing House shall be under no obligation to check a tender or documents received from a Clearing Counterparty pursuant to Rules I.22(c) or I.22(d) above. The passing on by the Clearing House of such tender or such documents received from a Seller (or Buyer as the case may be) pursuant to the terms of a Financials and Softs Contract, to a Buyer (or Seller as the case may be) pursuant to the terms of a Financials and Softs Contract, shall not constitute acceptance by the Clearing House of such tender or such documents, and if the Clearing Counterparty to whom it passed on such tender or such documents rejects the same where permitted by Contract Rules, the Clearing House shall be entitled to reject the same as against the Clearing Counterparty from whom it received such tender or such documents.

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<sup>39</sup> Inserted 4 June 2014, amended 3 September 2014, amended 18 September 2014

- (f) Every Buyer who has a Financials and Softs Contract in his name for the applicable or relevant delivery month shall be bound to accept any tender or documents complying with the Contract Rules which is given to him by the Clearing House.
- (g) Subject to Rule I.22(e), no tender may be withdrawn or substituted by the Seller once such tender is received by the Buyer except with the consent of such Buyer or otherwise in accordance with the Contract Rules.
- (h) Under a Financials and Softs Contract:
  - (i) the Buyer shall be obliged to pay his buying price to the Seller in the manner and by the time prescribed by the Contract Rules;
  - (ii) the Buyer shall be obliged to pay the Seller his selling price in the manner and by the time prescribed by the Contract Rules;
  - (iii) subject to the Contract Rules, any compensation, adjusting payment, or other allowance payable by or to either the Buyer or Seller under the terms of the Financials and Softs Contract shall be paid to or by the Clearing House
- (i) Every tender and accompanying documents (except documents which, in accordance with the Contract Rules, a Buyer is obliged to take up and pay for) given by the Clearing House as Seller to a Buyer pursuant to Rule I.22(c) shall for the purposes of these Rules be deemed to comply with the Contract Rules unless the Buyer notifies the Clearing House, by 10.00 hours on the Business Day following the day on which the tender and accompanying documents were given to him by the Clearing House in accordance with the Contract Rules (and unless otherwise set out in such Contract Rules), that the tender and accompanying documents do not so comply, and the Clearing House shall be entitled after receiving such notice, promptly thereafter and notwithstanding that it may do so after 10.00 hours on such Business Day, to notify the Seller from whom it received such tender and accompanying documents that such tender and accompanying documents do not so comply.

### I.23 CURRENCY EVENTS AND ECONOMIC & MONETARY UNION OR SEPARATION<sup>40</sup>

- (a) In this Rule I.23, the following terms have the following meanings:
  - (i) The term "Currency" means the currency or lawful tender for the time being of a State, group of States or a region within a State, and, where the context admits, the currency of a State, group of States or a region within a State prior to the introduction of a new or successor currency for that State, group of States or a region within a State, or the currency of a region prior to such region becoming a State.
  - (ii) The term "Market Conventions" includes, without limit, day count conventions, settlement periods, rate fixing, business day conventions, basis for market quotations and coupon frequency.
  - (iii) The term "State" means a state as that concept is understood in public international law.
- (b) Without prejudice to any step which has been or may be taken or to the powers of the Exchange under this Rule I.23, any other Regulation or the terms of a Contract, the Exchange may:
  - (i) make such changes to the terms of a Contract as the Exchange considers to be necessary or desirable:
    - a. to facilitate the calculation of, trading of, or the payment of amounts under or in respect of Contracts in a different Currency;
    - b. to redenominate lots into a different Currency;

<sup>40</sup> Inserted 4 June 2014, amended 18 September 2014



- c. to reflect changes arising out of or in connection with Market Conventions as a consequence (direct or indirect) of, the introduction of a new or successor Currency or the invalidity or disuse of an existing Currency;
- d. arising out of or in connection with the trading or quotation in a Currency of securities which have been designated by the Directors pursuant to the Contract Rules;
- e. to require bids, offers or the minimum price fluctuation to be quoted in a different Currency,

and shall publish such changes and any applicable exchange rate for relevant Currencies, by notice posted on the Market. Such changes may, without limitation, include changes to the currency in which amounts under a contract shall be paid, the lot size, the currency of the exercise price, Market Conventions and rounding provisions used to calculate the invoicing amount and shall affect existing as well as new contracts as the Exchange may determine;

- (ii) require the discharge, by cash settlement or otherwise, of Contracts which are denominated in a Currency of a State, group of States or a region within a State, at a price determined by the Exchange and the making of new Contracts which are denominated in a different Currency of the same State, group of States or a region within a State, in either case in accordance with procedures implemented by the Exchange from time to time under this Rule I.23, in order to achieve the conversion of contracts to contracts denominated in a new or successor Currency; and
- (iii) in connection with taking steps under the procedures referred to in Rule I.23(b)(ii), require a Member and, through him, one or more clients to enter into one or more contracts which singly or in aggregate may not give rise to the same economic exposure as the contracts discharged pursuant to Rule I.23(b)(ii) (without limit, this could occur where, as a result of implementing conversion procedures, part lots are produced which are rounded up or down to produce whole lots), to enter into contracts which, in aggregate, may be less than or more than the number of discharged contracts, or may require cash settlement of whole or part lots produced as a result of implementing the procedures referred to in Rule I.23(b)(ii).

### **I.24 "BUYER" AND "SELLER" IN THE CONTRACT RULES AND ADMINISTRATIVE PROCEDURES<sup>41</sup>**

- (a) Subject to Rule I.24(b), the terms "Buyer" and "Seller" in the Contract Rules and Administrative Procedures shall be construed as including, in relation to a Contract recorded at the Clearing House in an Individually Segregated Sponsored Account, both or either of the relevant Sponsor and Sponsored Principal.
- (b) Notwithstanding any other provision of the Regulations, Contract Rules or Administrative Procedures:
  - (i) where an Options Contract or where the Contract Rules and Administrative Procedures, make reference to a "Buyer" in the context of the person who is entitled to exercise the option, the term "Buyer" shall be construed as including, in relation to an Individually Segregated Sponsored Account, either the relevant Sponsor or the Sponsored Principal (whichever is authorised to exercise the option or does actually exercise the option); and
  - (ii) where the Contract Rules and Administrative Procedures make reference to:
    - (A) "Buyer" in the context of a person taking delivery, accepting delivery, accepting transfer, serving or receiving any notice, making payment or nominating a "Transferee" (as defined in the relevant Contract Rules and Administrative

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<sup>41</sup> Inserted 3 September 2014, 18 September 2014

- Procedures), such term shall be construed as including, in relation to an Individually Segregated Sponsored Account, either the relevant Sponsor or the Sponsored Principal (whichever is authorised to take delivery, accept delivery, accept transfer, serve or receive a notice, make payment or nominate a "Transferee" (as defined in the relevant Contract Rules and Administrative Procedures) or actually does so).
- (B) "Seller" in the context of a person who is making delivery, making a transfer, serving or receiving any notice, taking payment or nominating a "Transferor" (as defined in the relevant Contract Rules and Administrative Procedures) such term shall be construed as including, in relation to an Individually Segregated Sponsored Account, either the relevant Sponsor or the Sponsored Principal (whichever is authorised to make delivery, make a transfer, serve or receive a notice, take payment or nominate a "Transferor" (as defined in the relevant Contract Rules and Administrative Procedures) or actually does so).
- (c) The Clearing House Rules set out the rights and liabilities of Sponsored Principals and Sponsors. In particular, Members and non-Member Sponsored Principals should be aware that, notwithstanding any other provision of the Regulations, Contract Rules or Administrative Procedures:
- (i) the relevant Sponsored Principal and Sponsor are each jointly and severally liable, to one another, in each case as principal and without limitation, to the Clearing House in respect of all obligations and liabilities arising in connection with the Individually Segregated Sponsored Account and all Contracts recorded in it;
  - (ii) whether the Clearing House makes any payment or performs any other obligations in connection with an Individually Segregated Sponsored Account or Contract to the Sponsor or the Sponsored Principal or otherwise to the account or to the order of the Sponsored Principal in accordance with Clearing House Rules 1902(c) and 1902(d): (i) such payment or performance to the extent made will satisfy and discharge the obligations of the Clearing House to the Sponsored Principal and any obligations of the Clearing House to the Sponsor; and (ii) where the Sponsor is a Non-FCM/BD Clearing Member (as defined in the Clearing House Rules) and payment or performance is made to the Sponsored Principal (or to its account or order, other than to the account of the Sponsor), such payment or performance to the extent made will be deemed to be in satisfaction and discharge of any related payment or performance obligation of the Sponsor pursuant to the related Customer-CM Transaction (as defined in the Clearing House Rules);
  - (iii) whether the Sponsor or Sponsored Principal makes any payment or performs any other obligation in connection with an Individually Segregated Sponsored Account or Contract to the Clearing House: (i) such payment or performance to the extent made will satisfy and discharge the obligations of both the Sponsor and the Sponsored Principal to the Clearing House; and (ii) where the Sponsor is a Non-FCM/BD Clearing Member (as defined in the Clearing House Rules), such payment or performance to the extent made will be deemed to be in satisfaction and discharge of any related payment or performance obligation of the Sponsored Principal pursuant to the related Customer-CM Transaction (as defined in the Clearing House Rules);
  - (iv) the Clearing House is entitled to receive and act upon instructions, notifications, notices and forms (whether in electronic or paper format) in respect of an Individually Segregated Sponsored Account from either the Sponsor or the Sponsored Principal without further reference to any other party;
  - (v) each of the Sponsor and Sponsored Principal is entitled as a joint holder of the Individually Segregated Sponsored Account to give such instructions, notifications, notices and forms and hereby is deemed to authorise the other to give such instructions, notifications, notices and forms in respect of the Individually Segregated Sponsored Account for such purposes, subject to the Clearing House Rules; and

- (vi) the Disciplinary Proceedings set out in Part 10 of the Clearing House Rules, which apply to Clearing Members (including Sponsors), apply to Sponsored Principals in the same way as they apply to Clearing Members with no Customers (as defined in the Clearing House Rules). In addition, Section E of the Regulations and Rule A.9 apply in respect of disciplinary matters.

### 1.25 RISK DISCLOSURES<sup>42</sup>

These disclosures are provided for information purposes only. The statements are not exhaustive and do not provide all the information that potential users and Members may need to make any decision in relation to using the Exchange or entering into a Contract.

- (a) Potential users of all Contracts should be aware and Members should be mindful when marketing to clients, of the following: The value of investments may go down as well as up; Past performance is not necessarily a reliable indicator of future performance; Parties to Contracts may not get back their original investment and could make losses greater than their initial investment or collateral; Exchange price movements can have a positive or negative impact on the value of Contracts; There are various risks relating to trading derivatives, such as interest rate risk, credit risk, market risk, leverage risk, tax risk and political risk. If in any doubt, seek professional advice; Neither the Exchange nor the Clearing House provides any professional advice; Various Contract Rules and Administrative Procedures contain particular risk disclaimers for historic reasons, but potential users of all Contracts should be aware, and Members should be mindful when granting permission(s) to clients to access the Exchange or when offering the Exchange's products to clients, that the absence of a risk disclaimer in a Contract Rule or Administrative Procedure should not be interpreted as indicating that there is no particular risk in relation to the relevant Contract.
- (b) Potential users of all Contracts must familiarise themselves with and Members should be mindful, when marketing to clients of, the following:
  - (i) the relevant Contract Terms and Administrative Procedures (including Contract Terms and Administrative Procedures of the underlying Futures Contract where they are users or potential users of Options Contracts);
  - (ii) the Regulations, Grading and Warehousekeeping Procedures, Grainstorekeeper Procedures, notices posted on the Market, Clearing House Rules, Clearing House circulars, Clearing House procedures, Index (as defined in the relevant Contract Rule) rules and procedures and Index construction, compilation, calculation and dissemination procedures, as applicable, and any other relevant materials in respect of a particular Contract;
  - (iii) the mechanism by the Exchange or any third party (such as a stock exchange for security-based products) to determine any EDSP (as defined in the relevant Contract Rule) or price which is used as the reference price for an EDSP or to settle a Contract; relevant stock exchanges for security-based products may have alternative arrangements for determining such price in certain circumstances, e.g. due to insufficient liquidity during a closing auction and these alternative arrangements may tend to be applied more frequently to certain securities than to others; and
  - (iv) the controls operating in the cash market during the relevant period (for example, for security-based products, the parameters set by the London Stock Exchange for use in the intra-day auction for each of the constituent stocks which determine whether there will be price monitoring and/or market order extensions), where applicable.
- (c) Potential users of all Contracts must consider and Members should be mindful when marketing to clients of, the risks of holding positions into the expiry of a Contract. Persons holding open positions during any notice period or at expiry will be subjected to delivery obligations in relation to the relevant underlying asset or Contract, or settlement obligations. In particular, such persons should consider their exposure to potentially unfavourable price movements in the expiry and whether to

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<sup>42</sup> Inserted  2014

take steps to neutralise such exposure; for example, taking into account that there may be relatively limited liquidity provision, whether to “roll” or close positions prior to expiry.

- (d) Potential users of all Contracts must assess for themselves or take professional advice in relation to, and Members should be mindful when marketing to clients of, the risks inherent in any investment, and in particular those having possible impact on a Contract’s pricing or value, including:
  - (i) Possible influences on price formation in the underlying securities, cash or physical markets which might affect market movements, the EDSP (as defined in the relevant Contract) or any reference price used for settling the Contract, particularly prior to expiry or any end of day trading. Prices may be affected by information disclosures, news, world events or the trends in other markets.
  - (ii) Trading activity may be affected by the activity of particular market participants who are seeking to obtain price convergence between the EDSP (as defined in the relevant Contract Rule) and prices in securities, cash or physical markets. Such participants might typically seek to achieve this by unwinding their securities, cash or physical positions during the EDSP period at prices which will, in turn, be used to determine the final EDSP. A consequence of this concentrated activity might be that the final EDSP differs from price of any underlying immediately prior to the commencement of the EDSP period, and, in particular, for security-based products, the security’s price or Index (as defined in the relevant Contract Rule) figure immediately following that period.
  - (iii) For security-based products, the Index (as defined in the relevant Contract Rule) figure used to calculate the final EDSP (as defined in the relevant Contract Rule) may differ from the Index level(s) implicit (since the Index is not calculated on a realtime basis) from the prices of relevant stocks during the immediately preceding period. For security-based products, whether or not there is a relevant listing authority (UK or otherwise) which imposes obligations in relation to certain aspects of corporate behaviour or disclosure.