

**SECTION J1 - CONTRACT RULES: ICE FUTURES LOW SULPHUR GASOIL FUTURES CONTRACT<sup>1</sup>**

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<sup>1</sup> Inserted 19 September 2011

<sup>2</sup> Amended 2 January 2015, 17 March 2015

<sup>3</sup> Amended 14 November 2012

<sup>4</sup> Amended 14 November 2012

<sup>5</sup> Amended 3 September 2014

# **J1** CONTRACT RULES: ICE FUTURES LOW SULPHUR GASOIL FUTURES CONTRACT

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# CONTRACT RULES: ICE FUTURES LOW SULPHUR GASOIL FUTURES CONTRACT

# J1

## J1.1 QUALITY<sup>6</sup>

### (a) Low Sulphur Gasoil

For the January 2012 and subsequent contract months, under the ICE Futures Europe Low Sulphur Gasoil Contract, gas oil shall be delivered in the contract month, in bulk and free of all liens and claims, be of merchantable quality conforming to the following specification:

SPECIFICATION	SUMMER	WINTER	TEST METHOD	
			EN	ASTM
Min Density (kg/l)	0.8200		EN ISO 3675, EN ISO 12185	ASTM D 4052
Max Density (kg/l)	0.8450			
Sulphur (ppm)	max 10 ppm		EN ISO 20846, EN ISO 20884	ASTM D 5453
Appearance	Clear and Bright		Visual	Visual
Cloud (°C)	max +5	max -7	EN 23015	ASTM D 2500
CFPP (°C)	max -2	max -22	EN 116	ASTM D 6371
Distillation:	% vol		EN ISO 3405	ASTM D 86
Recovered at 250 °C	< 65			
Recovered at 350 °C	min 85			
Recovered at 95%	max 360			
Cetane Index	min 46		EN ISO 4264	ASTM D 4737
Cetane Number	min 51		EN ISO 5165, EN 15195	ASTM D 613
Flash (°C)	min 56		EN ISO 2719	ASTM D 93 A
Colour	max 2.0		ISO 2049	ASTM D 1500
Lubricity (uM)	max 460		EN ISO 12156-1	ASTM D 6079
Conductivity (pS/M) @ 20 °C	min 50		DIN 51412-2	ASTM D 2624
Water (ppm)	max 200		EN ISO 12937	ASTM E 1064
Viscosity (cST) @ 40 °C	2 - 4.5		EN ISO 3104	ASTM D 445
Copper Corrosion (Grade)	max 1		EN ISO 2160	ASTM D 130
Oxidation stability: (g/M <sup>2</sup> )	max 25		EN ISO 12205	ASTM D 2274
Carbon Residue (% mass)	max 0.3		EN ISO 10370	ASTM D 4530
Acid Number (mgKOH/G)	max 0.2		DIN 51558 - part1	ASTM D 664
Ash (% mass)	max 0.01		EN ISO 6245	ASTM D 482
Particulate matter (ppm)	max 24		EN 12662	IP 440
Poly Aromatics (% mass)	max 8		EN 12916	ASTM D 6591
FAME (% mass)	max 0.3		EN 14078	ASTM D 7371
Notes	Apr 1st - Sep 30th	Oct 1st - Mar 31st		

Relevant contract delivery months

Apr, May, Jun, Jul, Aug, Sep

Oct, Nov, Dec, Jan, Feb, Mar

<sup>6</sup> Amended 2 January 2015, 17 March 2015

### J1.2 QUANTITY

Contracts shall be for one or more lots of 100 tonnes but delivery shall be by volume, 118.35 cubic metres of gas oil being delivered per 100 tonnes of contract quantity (118.35 cubic metres of gas oil being equivalent to 100 tonnes of gas oil at a density of 0.845 kilogrammes per litre at 15°C in accordance with EN ISO 3675/ASTM D 4052).

The contract price shall be based upon gas oil with a density of 0.845 at 15°C (tested in vacuum under EN ISO 3675/ASTM D 4052).

### J1.3 SCOPE

- (a) In this Section J1 and in Section K1 “product” shall mean low sulphur gas oil.
- (b) Such Contracts shall be for the sale and delivery by the Seller to the Buyer of product meeting the contract specification and in accordance with, or as otherwise allowed under, the Contract Rules and Administrative Procedures. Delivery shall be into barge (or otherwise provided in Rule J1.7) out of a recognised storage installation or refinery in the Amsterdam, Rotterdam or Antwerp area, including Flushing and Ghent, at the Seller’s option, or by any other means in accordance with the Contract Rules, upon a delivery day nominated by the Buyer in accordance with Administrative Procedures from the sixteenth to the last day of the contract month inclusive.

### J1.4 OTHER DEFINITIONS

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

“Calendar Year Contract”	means a strip of 12 consecutive contract months commencing January and ending with December;
“Inspector”	an inspector selected or nominated under Rule J1.10(a);
“installation”	a storage installation or refinery recognised by the Exchange under Rule J1.7(a);
“nominated delivery day”	the day nominated by the Buyer and notified to the Seller in accordance with Rule K1.7;
“Quarter Contract”	means three consecutive contract months 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);
“tender day”	the meaning first given in the Administrative Procedures.

### J1.5 ORIGIN

Product of any origin shall be deliverable. Delivery of product of certain origins may result in an adjustment to the contract price in accordance with Regulation J1.6(b).

**J1.6 PRICE**

- (a) (i) The contract price shall be in United States dollars and cents per tonne with minimum fluctuations of 25 cents per tonne.
- (ii) The contract price shall be inclusive of the cost of delivery of the product as part of a single delivery of not less than the specified amount onto the Buyer's barge (any extra costs resulting from loadings of less than the specified amount at a single delivery shall be for the account of the Buyer). But where the Seller tenders a parcel of less than the specified amount any such extra costs shall be for his account. All other costs are for the account of the Buyer except where otherwise provided in the Contract Rules or the Administrative Procedures.
- The specified amount shall be 500 tonnes.
- (iii) The Contract shall be exclusive of any value added tax or excise duty that may be or become payable on the sale or delivery of the product. Any such tax or duty shall be borne by the Buyer.
- (iv) Any compulsory stock requirement from time to time in force in any country shall be the Buyer's responsibility.
- (v) If delivery is made from or at an installation in Flushing or Ghent such discount shall be allowed from the contract price as the Directors shall determine from time to time.
- (b) With regard to import duty, the following provisions shall apply to the products mentioned:

The contract price shall be for EU qualified product. Unless the tender documents show that import duty has been paid, or the product tendered is exempt, there shall in every case be deducted from the Contract Price the notional amount of EU import duty.

The amount deducted shall be calculated at the appropriate rate of such import duty in force on the last day of trading of the contract month by reference to the number of lots valued on the basis of the Clearing House's official quotation on the immediately preceding Trading Day. Where such adjustment is made, the Buyer shall be responsible for payment of import duty to the collecting authority.

**J1.7 INSTALLATIONS AND MODES OF DELIVERY<sup>7</sup>**

- (a) For the purposes of the Contract Rules and Administrative Procedures a recognised storage installation or refinery is a customs and excise bonded storage installation or refinery in the Amsterdam, Rotterdam or Antwerp area, including Flushing and Ghent, with an ex-shore facility capable of accepting and delivering barges (an "installation"). In recognising an installation, apart from verifying that the installation meets the criteria specified above, the Exchange does not undertake any due diligence or inspections of the installation in relation to its suitability, fitness for purpose, condition, environmental standards, liabilities or controls, arrangements for conferring property or contractual entitlements, arrangements or timings for loading or delivery, rights in respect of fractional entitlements, property co-mingling, insolvency protections, insurance cover or otherwise. Members should make their own enquiries to satisfy themselves as to any of the above matters as they relate to any installation. Members should not rely in any way on any action taken by the Exchange in relation to the recognition process. The Exchange may, at any time, and

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<sup>7</sup> Amended 14 November 2012

without giving reason, upon such notice as considered appropriate by the Directors circulated to Members, withdraw the recognition of any installation or group of installations.

- (b) Instead of taking delivery into barge the Buyer may, at his option:-
  - (i) where the installation has suitable facilities, take delivery into coaster (in which case references in the Contract Rules (other than this Rule) and Administrative Procedures to a barge shall include a coaster); or
  - (ii) where there is a suitable connecting pipeline and the operator of the pipeline agrees, at his own expense take delivery by inter-tank transfer (either between tanks in the installation nominated by the Seller or between a tank in that installation and a tank in an installation nominated by the Buyer); or
  - (iii) where the terms of business of the installation allow, at his own expense take delivery by transfer without movement of the product in the tank in which the product lies.
- (c) The Directors may from time to time define the meaning of the word “coaster” for purposes of this Rule and may vary any such definitions. Such a definition published by the Directors and not withdrawn by them before the coming into force of this Rule shall be deemed to have been announced under this Rule.
- (d) However, in accordance with Rule J1.9 (alternative delivery procedure), delivery may be made by any other means or in any other location.

### J1.8 EXCLUSION OF LIABILITY IN RESPECT OF INSTALLATIONS<sup>8</sup>

The Exchange shall have no liability whatsoever for the condition of installations, for their availability or suitability for the storage of product or for the performance by operators of such installations of any responsibilities they may assume towards Members or other persons pursuant to the Contract Rules except for liability for fraud or bad faith on the part of the Exchange or any liability on the part of the Exchange which cannot lawfully be excluded. Persons placing product into installations or taking delivery of product from the same shall accordingly have no claim against the Exchange for any loss or damage thereby incurred or suffered, however such loss or damage may be caused.

### J1.9 ALTERNATIVE DELIVERY PROCEDURE (“ADP”)

- (a) Notwithstanding any other provision of the Contract Rules and Administrative Procedures, a Seller may agree with the Buyer to whom his tender is allocated by the Clearing House in accordance with Administrative Procedures to make delivery of product of a specification other than that provided for or in a manner or at a place or on terms other than those specified in the Contract Rules and Administrative Procedures.
- (b) In the event that the Seller and Buyer do so agree, they shall each immediately give notice of that fact to the Clearing House in such form and containing such details as may from time to time be prescribed by the Clearing House.
- (c) Upon receipt of such notices, the Clearing House shall liquidate the parties’ Contracts at a settlement price agreed between the parties and cease, in respect of any arrangement made by the parties under this Rule, to owe any obligation towards the Seller or the Buyer, whether under any Contract or otherwise.

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<sup>8</sup> Amended 14 November 2012

- (d) Without prejudice to the foregoing, the Seller and Buyer may, with the consent of the Clearing House, arrange to pass documents relating to and to make payment for the product through the Clearing House.

**J1.10 DETERMINATION OF QUALITY AND QUANTITY**

(a) **Generally**

A panel of independent inspectors shall be listed by the Exchange as authorised to determine the quality and quantity of product delivered.

The Inspector shall be selected by the Seller from two of the panel proposed by the Buyer, provided that if the Seller objects to both of the Buyer's preferences and the parties cannot agree upon an alternative, the Exchange shall nominate the Inspector and this nomination shall be binding on the parties.

(b) **Delivery into barge**

The quality and quantity of product delivered shall be determined by the Inspector upon loading by in-line samples taken, and by metering, between the shore tank and the barge's flange.

(c) **Delivery by inter-tank transfer**

The quality of product delivered shall be determined upon delivery by the Inspector by samples taken within the Seller's tank immediately before pumping begins. The quantity shall be determined by the Inspector by metering at or near the outlet valve of the Seller's tank.

(d) **Delivery in tank without movement of the product**

The quality and quantity of product delivered shall be determined by such means as the Seller and Buyer may agree, provided that any independent inspection shall be by the Inspector. If the Seller and Buyer cannot agree on a means of determination, the means shall be determined by the Inspector.

- (e) Save fraud or manifest clerical error and subject to any second inspection under paragraph (f) below, the Inspector's determination shall be final and binding on all parties. If the product is found to meet the quality specification, the Seller and Buyer shall share equally the cost of inspection. If it is not, the Seller shall pay the cost of inspection. The cost of determining the quantity of product delivered shall be borne equally by the Seller and the Buyer. All such costs shall be settled directly between the parties involved and the Inspector.

- (f) The Inspector shall seal and retain samples in accordance with local practice. Before samples are disposed of a party may request a second inspection with regard to quality. In such event the party requesting the second inspection shall select a second Inspector and immediately notify the other party and the Clearing House of the requirement for a second inspection and the name of the second Inspector. The second Inspector shall examine samples retained by the first Inspector and shall determine their quality. The party requesting the second inspection shall immediately advise the other party and the Clearing House of the quality of the samples. Save fraud or manifest clerical error, this determination shall be final and binding on all parties. If the first Inspector's determination is in all material respects upheld the party who requested the second determination shall bear the costs thereof. If the first Inspector's determination is in a material respect varied, the costs of the second inspection shall be borne by the Seller if the product is found by the second

Inspector not to meet the quality specifications or by the Buyer if the product is found by the second Inspector to meet the quality specification.

(g) The Buyer may waive any one or more tests for quality entirely at his own risk.

#### **J1.11 SELLER'S OBLIGATIONS**

- (a) The Seller is obliged to:-
- (i) (aa) Not Used.
  - (i) (ab) Not Used.
  - (ii) deliver to the Clearing House all tender documents stipulated in the Administrative Procedures;
  - (iii) (aa) accept any Buyer or Buyers with open positions to whom the Clearing House passes his tender; and
    - (bb) subject to any default on the part of the Buyer, make delivery from or at an installation chosen by the Seller in the location specified in his tender;
  - (iv) have available to him at 00.01 hours on the nominated delivery day a quantity and quality of product sufficient to meet his obligations under the Contract for that nomination in one or more storage tanks at the installation nominated by him;
  - (v) ensure that the product is on delivery of the quality and quantity required by the Contract Rules;
  - (vi) subject to paragraph (b) below, insofar as delivery is not completed within the delivery time normally allowed at the installation, pay any additional storage charges, delivery fees and demurrage in accordance with good industry practice;
  - (vii) deliver product within a quantity tolerance of plus or minus 0.5% of the contract volume of product. Any excess or shortfall over or below the contract volume or weight but within the tolerance shall be accounted for at the Clearing House's official quotation on the Trading Day immediately preceding the date of cessation of trading for the contract month;
  - (viii) deliver to the Clearing House all post-delivery documents stipulated in Administrative Procedures;
  - (ix) generally comply with all relevant provisions of the Contract Rules and Administrative Procedures.
- (b) The obligation set out at paragraph (a)(vi) above shall not be borne by the Clearing House or by any Seller except the Seller who actually arranges delivery of product into barge (or actually makes such other arrangements for delivery as the Buyer may have chosen or agreed to under the Contract Rules). Such Seller shall owe the obligation directly to the Buyer who originally incurs the charges, fees or demurrage and not to any other Buyer save as may be agreed. For the purpose of this paragraph there shall be a contract ("a demurrage contract") between the said Seller and the said Buyer, which shall be governed by and construed in accordance with English law and shall be subject to the Regulations and shall have as consideration on either side the performance by the said Seller and the said Buyer of their respective Contracts for the sale and purchase of



product. The Buyer's claims under a demurrage contract shall be notified to the Seller who is party to it within 90 days of the date of the barge bill of lading or the delivery note. Any dispute arising from a demurrage contract, and any question whether a Seller or Buyer is party to a demurrage contract, shall be referred to arbitration under the Arbitration Rules as if the demurrage contract were a Contract.

- (c) For the purpose of compliance by the Seller and the Clearing House with Belgian VAT legislation, the Seller accepts that the Clearing House issues an invoice ("Self Bill") for and on the Seller's behalf and acknowledges that the implicit acceptance procedure of the self-billing arrangement under Article 6 of the Royal Decree no.1, per January 2004 is applied to the Self Bill upon collection of the Self Bill from the Clearing House by the Seller on the day of payment for the product to which the Self Bill relates, and as provided for in the Belgian VAT authorities Decision E.T. 111.774/HB dated 12 April 2007 obtained by ICE Futures.

## **J1.12 BUYER'S OBLIGATIONS<sup>9</sup>**

- (a) The Buyer is obliged to:-
- (i) promptly take up and accept any one or more tenders complying with the Contract Rules and Administrative Procedures which are passed to the Buyer by the Clearing House, whether or not they satisfy his preferences;
  - (ii) subject to any default on the part of the Seller, take delivery of the product;
  - (iii) promptly take up documents and make payment to the Clearing House in United States dollars in London by net cash against the documents lodged pursuant to Administrative Procedures;
  - (iv) generally comply with all relevant provisions of the Contract Rules and Administrative Procedures.
- (b) If the Buyer shall fail to make payment in the manner and within the time specified the Clearing House may (without prejudice to any other steps open to it under the Contract Rules, the Clearing House Rules or otherwise) forthwith take any or all of the following steps:
- (i) realise the security or margin furnished to it by the Buyer (all costs, expenses and interest involved in such realisation and delay to be for the account of the Buyer);
  - (ii) sell the product (through any Member or otherwise), any resulting difference in price together with all interest and charges arising from the sale and delay to be for the account of the Buyer;
  - (iii) apply the proceeds of paragraphs (i) and (ii) and any margin held from the Buyer in cash in reduction or satisfaction of the Buyer's obligations, accounting to the Buyer for any security, documents, proceeds or cash remaining.
- (c) For the purpose of the Clearing House and a Clearing Member (where appropriate) remain in out of scope of Dutch VAT, a Buyer declares that in the case of deliveries of product from Amsterdam, Rotterdam or Flushing that the product purchased will not be withdrawn from the excise warehouse regime as described in the Wet op de accijns (the Dutch Excise Act), other

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<sup>9</sup> Amended 3 September 2014

than for a supply on which there is full recovery of VAT according to Article 15 of the Wet op de omzetbelasting 1968 (the Dutch VAT Act as may be amended).

## J1.13 PROPERTY AND RISK

The risk shall pass to the Buyer:-

- (i) in the case of delivery into barge, when the product passes the barge's flange on loading; or
- (ii) in the case of delivery by inter-tank transfer, when the product passes the outlet valve of the Seller's tank; or
- (iii) in the case of delivery by transfer in tank without movement of the product, at the time of passing of property.

Property in the product delivered shall pass to the Buyer when the Buyer's net cash in payment therefor is credited to the Clearing House's account.

## J1.14 EMBARGOES

The product is, or may be, subject to certain destination restrictions imposed by the government of the country of origin. In some instances, governments of importing countries impose restrictions on imports from certain sources. The Buyer shall accept and conform to all such restrictions placed on the product by governments. It is incumbent on the Buyer to familiarise himself with the various restrictions that apply.

## J1.15 BUYER'S SECURITY

Before the time for delivery the Buyer may be required to put up full security to the Clearing House and such security may be in the form of a bank guarantee or cash or such other form as the Clearing House may accept. Interest will be paid on cash at the appropriate Clearing House rate.

## J1.16 FORCE MAJEURE

An event of force majeure shall mean any occurrence outside the control of either party to the Contract which hinders or prevents the performance in whole or in part by the party affected of its obligations hereunder (other than an obligation to make payments), including but not limited to fire, storm, flood, earthquake, explosion, accidents howsoever caused, strike, lockout, work to rule or other industrial dispute, acts of God, acts of government or other national or local authority or a agency thereof, and delays in transportation or communications.

Neither party shall be deemed to be in default of its obligations nor shall any penalty or damages be payable if and to the extent that performance of such obligations is hindered or prevented by an event of force majeure.

If an event of force majeure hinders or prevents the affected party from performing any of its obligations under a Contract it shall immediately notify the Exchange and the Clearing House in writing of such event and the obligations under the Contract which are affected. The Exchange shall refer this matter to either the ~~Delivery-ARC~~ Committee under Rule I.18(a) to determine whether an event of force majeure has occurred which has hindered or prevented the affected party from performing its obligations to deliver under a Contract or otherwise to the Board. If an ~~ARC~~ Delivery Panel of the ~~Delivery-ARC~~ Committee or the Board, as the case may be, determines that an event of force majeure has occurred

which has hindered or prevented the performance of a Contract for a period of 5 days beyond the time limit set out in the Contract Rules or Administrative Procedures, the Contract shall be invoiced back by the Clearing House at a price to be fixed by an ARC Delivery Panel of the ARC Delivery Committee under Rule I.18 or the Directors in their absolute discretion, as appropriate. 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 an event of force majeure or any default or related dispute to arbitration.

# **J1** CONTRACT RULES: ICE FUTURES LOW SULPHUR GASOIL FUTURES CONTRACT

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