



Emergency Settlement Procedures

ICE Futures Europe

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Introduction

The purpose of this document is to provide greater clarity and certainty around the processes undertaken by the Exchange to formulate both settlement prices and tradable marker prices in the event of a market suspension or system outage. However, it should be noted that the Exchange reserves the right to take whatever measures it deems appropriate in the interests of the Market. This is important as circumstances and market conditions may vary.

1.1 Current Exchange Practices and Exchanges

During normal conditions, the Exchange settles contracts in accordance with Trading Procedure 2.4 of the ICE Futures Europe Regulations. This stipulates that an unofficial settlement price for ICE Futures Europe Contracts will be determined from trades and orders undertaken during the designated settlement/closing periods. The Regulations further state that the Exchange may consult market participants if it considers that unofficial prices are not an accurate reflection of prevailing values. There is also provision for participants to query the unofficial settlement prices and for the handling of disputes in relation to the unofficial settlement price. It should, however, be stressed that the Exchange has absolute discretion in the determination of settlement prices. Rule G.14 of the Regulations gives the Exchange discretion to suspend the Market in the event of a business interruption or any event where the Exchange believes that suspension is necessary in the best interests of the Market. If this suspension occurs over a designated settlement period, the Exchange also has discretion to determine the settlement prices as it sees fit.

1.2 Determination of settlement prices in the event of a market suspension or system outage

In the event of a business interruption which leads to suspension of the Market, the Exchange will determine settlement prices in accordance with the procedures set out below. The Exchange retains the right to vary these procedures in light of the particular nature of the incident but would seek to announce as quickly as possible any variation to the operating procedures below.

1. If trading on the ICE Platform is suspended at any time during the 5 minutes prior to the start of the scheduled designated settlement or tradable marker calculation period, then the Exchange will determine prices based on trading during the closing minutes prior to the suspension; the relevant period of time will equate to the standard settlement duration as per each respective contract.
2. If trading on the ICE Platform has been suspended and the Exchange is not able to schedule a resumption of trading at least 5 minutes prior to the start of the scheduled designated settlement period, the Exchange will immediately announce that the basis of settlement and/or the marker values will be an assessment of value at the scheduled time.

The Exchange will conduct a poll of a representative sample of its participants of value for the closing minute of the settlement period. The Exchange may consider other sources of price information (e.g. price assessors or reporters or values between other closely correlated contracts). Generally, an average of the assessments will be used although the Exchange may disregard assessments which are at significant variance from the mean.

Where the Exchange is unable to obtain credible prices from the Market, it may take other courses of action to ensure that a viable settlement price is obtained. These other courses of action for deriving settlement prices might include, on a non-exclusive basis, the following:

- (i) using a previous day's settlement price;
- (ii) using values obtained prior to suspension of the ICE Platform;
- (iii) using values obtained by reference to OTC markets or other markets which are not affected;
- (iv) using any other data which the Exchange deems relevant to the settlement of the specific contract

MOC orders are not defined under ICE Futures Europe Regulations and, in the event of suspension of trading during the settlement period, participants will need to discuss with their clients how such orders are handled. However, in order to assist participants and their clients to best manage their positions in such circumstances, the Exchange will permit participants to bilaterally match trades based on the ICE Futures settlement or marker prices and subsequently register them with the Exchange using the EFS facility.

Examples of the implications of the process are given below:

Example 1 LS Gas Oil Futures settlement start time of 16:28

Trading is suspended at 16:00 and will not be able to resume until post 16:23, the Exchange immediately announces that LS Gas Oil settlement will be determined by assessment of values at 16:30.

Example 2 Brent Futures settlement start time of 19.28

Trading is suspended at 19:24, as this is four minutes prior to the start of the scheduled designated settlement period, Brent settlements will be determined on the basis of trading activity prior to the suspension. The Brent designated settlement period is two minutes and hence settlements will be calculated based on trading activity between 19:22-19:24.