

# ICE Clear Europe<sup>sm</sup>

## Clearing Rules

~~11 November 2021~~ [\[●\]](#)

## *Part 7 – Settlement and Delivery of Futures*

### *Part 7 Settlement and Delivery of Futures*

Part 7 of the Rules does not apply to CDS Contracts or FX Contracts. References to Contracts in this section are to F&O Contracts. References to any Account in this section are references only to an Account in which F&O Contracts may be recorded and the terms 'Customer Margin Account', 'Customer Position Account', 'Proprietary Margin Account' and 'Proprietary Position Account' shall be construed accordingly. References to Customers in this section are solely to Customers of F&O Clearing Members in relation to F&O Contracts. This Part 7 applies to Sponsored Principals in the same way as it applies to Clearing Members.

#### *Rule 701 Determination of Exchange Delivery Settlement Price for Futures*

- (a) The Clearing House will specify the Exchange Delivery Settlement Price for any Future Set.
- (b) The Exchange Delivery Settlement Price will generally be determined on the basis of data provided and published by the Market on which the Contract in question is traded and in accordance with applicable Market Rules, subject to Rule 701(c).
- (c) The Clearing House shall be entitled to determine the Exchange Delivery Settlement Price itself, at its discretion, if:
  - (i) a Market fails on any day to determine an Exchange Delivery Settlement Price;
  - (ii) a Market fails to provide the Clearing House with necessary data for determination of an Exchange Delivery Settlement Price;
  - (iii) there has been a Force Majeure Event, Illegality or Impossibility;
  - (iv) ~~(iii)~~ there is an error in data provided by a Market; or
  - (v) ~~(iv)~~ the Clearing House ~~at its discretion~~ otherwise considers it appropriate to do so.

Any Exchange Delivery Settlement Price determined by the Clearing House under this Rule 701(c) will be communicated to affected Clearing Members.

- (d) The Clearing House shall be entitled at its discretion to amend any previously communicated Exchange Delivery Settlement Price itself, including in respect of Contracts which have already been settled or delivered, if:
  - (i) a Market or other external pricing source has made an error in or amends the Exchange Delivery Settlement Price or the basis for, or any element or input data in respect of, the same; or
  - (ii) there has been an error by the Clearing House.

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In any such circumstances, revised payments may be ordered by the Clearing House, including in respect of settled or delivered Contracts. Any amended Exchange Delivery Settlement Price determined by the Clearing House under this Rule 701(d) will be communicated to affected Clearing Members and any revised payments ordered by the Clearing House in connection therewith will be promptly processed by the Clearing House as part of its business as usual operational processes.

### ***Rule 702 Cash Settlement***

- (a) A Futures Contract shall be settled in cash if:
  - (i) pursuant to the applicable Contract Terms it can be settled only in cash; or
  - (ii) pursuant to the applicable Contract Terms it may be settled in cash and the Clearing Member opts to settle the Contract(s) in cash.
- (b) Without prejudice to any contractual netting under Rule 406 or the Clearing Procedures, cash settlement for a Set of Futures Contracts shall occur separately, and separate payment obligations shall accrue, in respect of a Clearing Member's:
  - (i) net position in the relevant Set in respect of each of its Proprietary Accounts;
  - (ii) gross buy positions in the relevant Set in respect of each of its Customer Accounts (if applicable);
  - (iii) gross sell positions in the relevant Set in respect of each of its Customer Accounts (if applicable);
  - (iv) net position in the relevant Set in respect of each Individually Segregated Sponsored Account for which it acts as a Sponsor (if applicable).
- (c) Provided that all Margin payments in respect of the Set have been paid by the Clearing Member to the Clearing House or repaid by the Clearing House, the amount payable for cash settlement of any Future shall be the net gain or loss, as the case may be, based on the price at which Open Contract Positions were last recorded on the Clearing House's books and the Exchange Delivery Settlement Price or, in relation to Contracts entered into on the same day as the day of settlement, the difference between the Exchange Delivery Settlement Price and the price at which the relevant Contract was bought or sold. Each cash settlement shall occur in accordance with the Contract Terms.
- (d) Neither the Delivery Procedures nor the requirements of Rule 703 shall apply to any Contract which is settled in cash in accordance with this Rule 702.

### ***Rule 703 Delivery***

- (a) In relation only to Futures which are not settled in cash pursuant to Rule 702, the Delivery Procedures and the requirements of this Rule 703 shall apply. The relevant

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Market may, on the Clearing House's behalf, administer any matter or exercise any right granted to the Clearing House under this Rule 703 or the Delivery Procedures.

- (b) The Buyer and Seller shall each make such payments and deliveries and deliver such tenders, notices and invoices as are required pursuant to the Delivery Procedures and Market Rules. In the event that the Exchange Delivery Settlement Price for a Contract subject to delivery is set at a negative price, the roles of the Buyer and the Seller as set forth in the Rules, Delivery Procedures, Contract Terms and Market Rules shall be reversed solely in respect of the payment obligation related to that Exchange Delivery Settlement Price.
- (c) The passing on by the Clearing House of such tenders or such other documents shall not constitute acceptance by the Clearing House of such tenders or such documents if the Clearing Member to which the Clearing House passed on such tender or documents rejects the same where permitted to do so. In the event of such rejection, the Clearing House shall also be entitled to reject the tenders or other documents. Similarly, where a Clearing Member who is a Buyer under a Contract rejects a Deliverable delivered to it, the Clearing House as Buyer under the corresponding back to back Contract shall be entitled, if to do so would be in accordance with the applicable Contract Terms, to take the same action as against the Seller under that Contract and the Clearing House shall not be deemed to have accepted such delivery until the relevant Buyer has accepted delivery under the first Contract.
- (d) Subject to Rule 703(c), no tender received by the Buyer may be withdrawn or substituted by the Seller except with the consent of the Buyer or otherwise in accordance with the Contract Terms and Procedures.
- (e) Full compliance with the Delivery Procedures applicable to the Contract in question and, where applicable, Market Rules shall amount to a good discharge of the rights, liabilities and obligations of the parties under such Contract (but shall be without prejudice to any rights, liabilities or obligations of any party to a Contract in relation to breach of warranty, representation, damaged goods, under-delivery, over-delivery or otherwise).
- (f) The Clearing House may, at its discretion, direct a Clearing Member who is a Seller under a Contract subject to delivery to deliver the Deliverable that is the subject matter of such Contract to another Clearing Member that is a Buyer. The Seller and Buyer shall each be bound by any such direction. Delivery in accordance with any such direction shall be deemed to constitute delivery by the Seller to the Clearing House and from the Clearing House to the Buyer for the purposes of the Contract or Contracts in question (but title shall not pass unless and until the time specified in the Delivery Procedures). All payments in relation to such Contracts shall nonetheless be made only to and from the Clearing House by the Clearing Members concerned (except with the prior written consent of the Clearing House).
- (g) If an invoice has not been prepared or delivered when payment becomes due pursuant to a Contract, payment shall be made and received on account, pending the issue of that invoice.

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- (h) Where a Clearing Member ~~that is a Buyer or Seller under~~which is party to a Contract subject to delivery is declared a Defaulter or is subject to grounds for declaring an Event of Default or Force Majeure Event, the ~~rights, liabilities and obligations of the Defaulter and any Clearing Member that is not a Defaulter with delivery positions in the same Set in respect of such performance may at the option of the Clearing House, or shall in accordance with the Delivery Procedures, be discharged and there shall arise in place of the same an obligation to account as between the Clearing Member and the Clearing House for a settlement amount. The Clearing House shall be entitled to substitute an obligation to account for such settlement amount, or a proportion thereof, for the Clearing House's rights, liabilities and obligations in respect of performance of~~Clearing House may at its discretion direct that the delivery obligations under ~~other Contracts subject to tender with other Clearing Members (such Contracts and Clearing Members selected~~such Contract be substituted for cash settlement obligations at a price determined by the Clearing House at its discretion) ~~of the same Set. (and the rights, liabilities and obligations of any Clearing Member with an Account having an opposite delivery position in Contracts in the same Set may, at the discretion of the Clearing House, also be substituted for cash settlement obligations at the same price).~~
- (i) Where a Clearing Member has appointed a Disclosed Principal Member, any delivery, payment or related obligation of the Clearing Member to the Clearing House shall be construed as an obligation of the Disclosed Principal Member and any right to take delivery or receive payment as a right of the Disclosed Principal Member, and terms 'Buyer,' 'Seller' and all other provisions of these Rules relating to deliveries shall be construed accordingly.
- (j) Each Seller shall be deemed to represent and warrant that deliveries to Buyers of Deliverables that are the subject matter of any Contract subject to this Rule are made free of any Encumbrance of or relating to the Seller (or any of its Transferors or Representatives). Sellers shall not be discharged of their delivery obligations in relation to any Contract subject to this Rule unless the Buyer has taken delivery of the Deliverable that is the subject matter of the Contract free of any such Encumbrances.

### ***Rule 704 Credit and Debit of Accounts***

- (a) The Clearing House shall make any necessary credits or debits to or from Clearing Members' Proprietary Margin Account and Customer Margin Accounts, as appropriate, arising as a result of each cash settlement and delivery in accordance with Part 3.
- (b) Subject to the Contract Terms and Procedures, any compensation, adjusting payment or other allowance payable by or to either the Buyer or the Seller under the terms of the Contract shall be paid by or to the Clearing House for onward payment to the Buyer or the Seller as the case may be.

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**Rule 705**      *Settlement and Delivery Obligations only in respect of Open Contract Position and Termination of other Contracts*

- (a) Without prejudice to any contractual netting under Rule 406 or the Clearing Procedures, the Clearing House and each Clearing Member shall make cash settlement and delivery only for such number of Contracts as are reflected in the Clearing Member's Open Contract Position separately for the Clearing Member's:
- (i) net position in the relevant Set in respect of each of its Proprietary Accounts;
  - (ii) gross buy positions in the relevant Set in respect of each of its Customer Accounts (if applicable);
  - (iii) gross sell positions in the relevant Set in respect of each of its Customer Accounts (if applicable);
  - (iv) net position in the relevant Set in respect of each Individually Segregated Sponsored Account for which it acts as a Sponsor (if applicable).

No such Open Contract Position (or additional Contracts) may be netted against another Open Contract Position on cash settlement or delivery without the prior written consent of the Clearing House, and subject always to Rule 102(q).

- (b) Upon each of the parties to a Contract having made all necessary payments and deliveries in accordance with these Rules in respect of all Futures Contracts in a Set in relation to which a cash settlement or delivery obligation exists for any account or positions specified in Rule 705(a) then, subject to Rule 701(d), the Clearing Member and the Clearing House shall each be discharged and released from all rights, liabilities and obligations to one another arising pursuant to Futures Contracts belonging to such Set in respect of such account or position.

## ***Part 8 Options***

Part 8 of the Rules does not apply to CDS Contracts or FX Contracts. References to Contracts in this section are to F&O Contracts. References to any Account in this section are references only to an Account in which F&O Contracts may be recorded and the terms 'Customer Margin Account', 'Customer Position Account', 'Proprietary Margin Account' and 'Proprietary Position Account' shall be construed accordingly. References to Customers in this section are solely to Customers of F&O Clearing Members in relation to F&O Contracts that are Options. This Part 8 applies to Sponsored Principals in the same way as it applies to Clearing Members.

### ***Rule 801 Payment of Premium***

- (a) A Buying Counterparty that becomes party to an Option shall be obliged to pay to the Clearing House the premium for the Option at the time specified in the Contract Terms.
- (b) A Selling Counterparty that becomes party to an Option will be credited by the Clearing House with an amount equal to the premium for the Option at the time specified in the Contract Terms.

### ***Rule 802 Determination of Exchange Delivery Settlement Price for Options***

- (a) The Clearing House will specify the Exchange Delivery Settlement Price for any Option Set.
- (b) The Exchange Delivery Settlement Price will generally be determined on the basis of data provided or published by the Market on which the Contract in question is traded, and in accordance with applicable Market Rules.
- (c) The Clearing House shall be entitled to determine the Exchange Delivery Settlement Price itself, at its discretion, if:
  - (i) a Market fails on any day to determine an Exchange Delivery Settlement Price;
  - (ii) a Market fails to provide the Clearing House with necessary data for determination of an Exchange Delivery Settlement Price;
  - (iii) there has been a Force Majeure Event, Illegality or Impossibility;
  - (iv) ~~(iii)~~ there is an error in data provided by a Market; or
  - (v) ~~(iv)~~ the Clearing House ~~at its discretion~~ otherwise considers it appropriate to do so.

Any Exchange Delivery Settlement Price determined by the Clearing House under this Rule 802(c) will be communicated to affected Clearing Members.

(d) The Clearing House shall be entitled at its discretion to amend any previously communicated Exchange Delivery Settlement Price itself, including in respect of Contracts which have already been settled or delivered, if:

(i) a Market or other external pricing source has made an error in or amends the Exchange Delivery Settlement Price or the basis for, or any element or input data in respect of, the same; or

(ii) there has been an error by the Clearing House.

In any such circumstances, revised payments may be ordered by the Clearing House, including in respect of settled or delivered Contracts. Any amended Exchange Delivery Settlement Price determined by the Clearing House under this Rule 802(d) will be communicated to affected Clearing Members and any revised payments ordered by the Clearing House in connection therewith will be promptly processed by the Clearing House as part of its business as usual operational processes.

**Rule 803      *Exercise of Options***

(a) An Option Contract may be exercised only if permitted by the applicable Contract Terms. An Option Contract may be exercised only by a Clearing Member with a Long Open Contract Position or by the Clearing House in respect of a Contract in which it is Long. Option Contracts may only be exercised by a Clearing Member for any Option Set for such number of Contracts as are reflected in the Clearing Member's Open Contract Position, plus any other Option Contracts entered into on the same day as the exercise date, separately for each of the positions on the Clearing Member's:

(i) net position in the relevant Set in respect of each of its Proprietary Accounts;

(ii) gross buy positions in the relevant Set in respect of each of its Customer Accounts (if applicable);

(iii) gross sell positions in the relevant Set in respect of each of its Customer Accounts (if applicable);

(iv) net position in the relevant Set in respect of each Individually Segregated Sponsored Account for which it acts as a Sponsor (if applicable).

(b) Any exercise of an Option Contract shall be in accordance with the applicable Contract Terms. In particular, an Option Contract shall only be exercised:

(i) if it is an Option Contract which in accordance with the applicable Contract Terms is automatically exercised, in which case it will be automatically exercised at the time and in the manner specified in the Contract Terms; or

(ii) if it is an Option Contract not falling in Rule 803(b)(i), at such time as is permitted pursuant to the applicable Contract Terms (whether on the day and by the time prescribed by the applicable Contract Terms or in such period as is

prescribed by the applicable Contract Terms) and in such form and manner as is permitted pursuant to the Contract Terms and the Clearing Procedures (including, where permitted, by manual exercise or the establishment of settings in the Clearing House's systems for the exercise of Options).

- (c) A Long Option Contract may be abandoned by notice to the Clearing House in writing or such other form as is permitted pursuant to the Clearing Procedures or Contract Terms.
- (d) The Clearing House shall be entitled to rely upon any form or electronic communication purporting to give notice of exercise or abandonment of an Option made in accordance with these Rules without any enquiry as to:
  - (i) whether such form or electronic communication complies with the Contract Terms or the requirements of the Clearing Procedures; or
  - (ii) as to the authority of any Representative purporting to exercise an Option on behalf of a Clearing Member or due execution of the relevant form.
- (e) The Clearing House may reject any notice of exercise or abandonment of an Option if such notice does not, or appears not to, comply with the Contract Terms or the Clearing Procedures, notwithstanding any equivalent notice or other prescribed form of exercise that has been provided by the Clearing House to any Clearing Member in respect of the exercise of an Option Contract.
- (f) No notice or other form of exercise or abandonment of an Option received by the Clearing House may be cancelled or withdrawn once the deadline for exercise has passed.
- (g) Part 7 of these Rules shall not apply in relation to Options.

***Rule 804      Exercise Notices***

The Clearing House will allocate exercise notices to Clearing Members which have or carry Short Open Contract Positions (and Short Contracts not in their Open Contract Position) in the Option Set being exercised, in accordance with the Clearing Procedures.

***Rule 805      Options with Deliverables which are Futures***

- (a) Upon exercise of any Option with a Future as the Deliverable under the Option, one or more Futures Contracts at the Strike Price (or such other price as is required pursuant to the Contract Terms) shall arise pursuant to Rule 401 and in accordance with the Contract Terms for the Option and applicable Market Rules.
- (b) Upon such Futures Contract or Contracts having arisen and all necessary payments having been made by the Clearing Member and Clearing House pursuant to the Clearing Procedures, the rights, obligations and liabilities of the Clearing House and the relevant Clearing Member in respect of the Option shall be satisfied and the Option shall be terminated.

**Rule 806**      *Options with Deliverables other than Futures*

- (a) Upon exercise of any Option with a Deliverable which is not a Future, a Contract for the sale and purchase of the relevant Deliverable (a "**Contract of Sale**") at the Strike Price (or such other price as is required pursuant to the Contract Terms) shall arise pursuant to Rule 401 and in accordance with the Contract Terms for the Option and applicable Market Rules.
- (b) Upon such Contract of Sale or Contracts of Sale having arisen and all necessary payments having been made by the Clearing Member and Clearing House pursuant to the Clearing Procedures, the rights, obligations and liabilities of the Clearing House and the relevant Clearing Member in respect of the Option shall be satisfied and the Option shall be terminated.

**Rule 807**      *Termination of other Contracts*

Upon each of the parties to a Contract having made all necessary payments and becoming party to all resulting Futures Contracts and Contracts of Sale in accordance with these Rules in respect of all Option Contracts in a Set in relation to an account or position specified in Rule 803(a) then, subject to Rule 802(d), the Clearing Member and the Clearing House shall each be discharged and released from all rights, liabilities and obligations to one another arising pursuant to Option Contracts belonging to such Set in respect of such account or position.

**Rule 808**      *Expiry and Abandonment*

- (a) If an Option Contract is not automatically exercised in accordance with Rule 803(b)(i) or exercised by the Clearing Member by the day and time referred to in Rule 803(b)(ii), all the rights, liabilities and obligations of each of the Clearing House and the relevant Clearing Member in respect of any Option shall lapse and the Option shall be terminated and be deemed to be abandoned.
- (b) If notice of abandonment of an Option Contract is given pursuant to Rule 803(c) then, subject to Rule 802(d), all the rights, liabilities and obligations of each of the Clearing House and the relevant Clearing Member in respect of any the Option shall lapse and the Option shall be terminated and be deemed to be abandoned upon the Clearing House updating its books and records in respect of such abandonment.

**Rule 809**      *Deliveries under Contracts of Sale*

- (a) The Delivery Procedures and the requirements of this Rule 809 shall apply to Contracts of Sale.
- (b) The Buyer and Seller under each Contract of Sale shall each make such payments and deliveries and deliver such tenders, notices and invoices as are required pursuant to the Delivery Procedures and Market Rules.
- (c) Full compliance with the Delivery Procedures applicable to the Contract of Sale in question and, where applicable, Market Rules shall amount to a good discharge of the

rights, liabilities and obligations of the parties under such Contract (but shall be without prejudice to any rights, liabilities or obligations of any party to a Contract in relation to breach of warranty, representation, damaged goods, under-delivery, over-delivery or otherwise).

- (d) The Clearing House may, at its discretion, direct a Clearing Member who is a Seller under a Contract of Sale subject to delivery to deliver the Deliverable that is the subject matter of such Contract to another Clearing Member that is a Buyer. The Seller and Buyer shall each be bound by any such direction. Delivery in accordance with any such direction shall be deemed to constitute delivery by the Seller to the Clearing House and from the Clearing House to the Buyer for the purposes of the Contract of Sale or Contracts of Sale in question (but title shall not pass unless and until the time specified in the Delivery Procedures). All payments in relation to such Contracts shall nonetheless be made only to and from the Clearing House by the Clearing Members concerned (except with the prior written consent of the Clearing House).
- (e) If a Buyer under a Contract of Sale rejects a Deliverable delivered to it, the Clearing House as Buyer under the similar (effectively, back to back) Contract shall be entitled, if to do so would be in accordance with the applicable Contract Terms, to take the same action as against the Seller under the equivalent Contract and the Clearing House shall not be deemed to have accepted such delivery until the relevant Buyer has accepted delivery under the first Contract.
- (f) Where payment is subject to an invoice under the Contract Terms, if an invoice has not been prepared or delivered when payment becomes due pursuant to a Contract, payment shall be made and received on account, pending the issue of that invoice.
- (g) Where a Clearing Member that is a Buyer or Seller under a Contract of Sale is subject to an Event of Default or Force Majeure Event, the rights, liabilities and obligations of any Clearing Member that is not a Defaulter in respect of such performance shall be discharged and there shall arise in place of the same an obligation to account as between the Clearing Member and the Clearing House for a settlement amount. The Clearing House shall be entitled to substitute an obligation to account for such settlement amount, or a proportion thereof, for the Clearing House's rights, liabilities and obligations in respect of performance of delivery obligations under other Contracts subject to tender with other Clearing Members (such Contracts and Clearing Members selected by the Clearing House at its discretion) of the same Set.
- (h) Upon each of the parties to a Contract having made all necessary payments and deliveries in accordance with these Rules in respect of all Contracts of Sale relating to Options in a Set in relation to which a delivery obligation exists for any account or positions specified in Rule 803(a), the Clearing Member and the Clearing House shall each be discharged and released from all rights, liabilities and obligations to one another arising pursuant to such Contracts of Sale in respect of such account or position.

**Rule 810**      **Cash Settlement**

- (a) Neither the Delivery Procedures nor Rules 803 to 809 apply to Option Contracts which are, according to their applicable Contract Terms, capable of cash-settlement only or which, being Contracts that may be cash-settled at the option of either party, have been designated for cash-settlement by either party.
- (b) An Option Contract shall be settled in cash if:
  - (i) pursuant to the applicable Contract Terms it can be settled only in cash; or
  - (ii) pursuant to the applicable Contract Terms it may be settled in cash and the Clearing Member opts to settle the Contract(s) in cash.
- (c) Cash settlement for a Set of Option Contracts shall occur separately, and separate payment obligations shall accrue, in respect of a Clearing Member's:
  - (i) net position in the relevant Set in respect of each of its Proprietary Accounts;
  - (ii) gross buy positions in the relevant Set in respect of each of its Customer Accounts (if applicable);
  - (iii) gross sell positions in the relevant Set in respect of each of its Customer Accounts (if applicable);
  - (iv) net position in the relevant Set in respect of each Individually Segregated Sponsored Account for which it acts as a Sponsor (if applicable).
- (d) Provided that all Margin payments (and any outstanding premium payments) in respect of the Set have been paid by the Clearing Member to the Clearing House or repaid by the Clearing House, the amount payable for cash settlement of any Option shall be the net gain or loss, as the case may be, based on the difference between the price at which Open Contract Positions are recorded on the Clearing House's books and the Exchange Delivery Settlement Price on the day of settlement or exercise (or, for Contracts entered into on the same day as the day of exercise, the difference between the Exchange Delivery Settlement Price and the price at which the relevant Contract was bought or sold). Each cash settlement shall occur in accordance with the Contract Terms.
- (e) Upon each of the parties to a Contract having made all necessary payments in accordance with these Rules in respect of all Option Contracts in a Set in relation to which a cash settlement obligation exists for any account or positions specified in Rule 810(c), the Clearing Member and the Clearing House shall each be discharged and released from all rights, liabilities and obligations to one another arising pursuant to Option Contracts belonging to such Set in respect of such account or position.

***Rule 811      Credit and Debit of Accounts***

The Clearing House shall make any necessary credits or debits to or from Clearing Members' Proprietary Margin Account and Customer Margin Accounts, as appropriate, arising as a result of each cash settlement and delivery in accordance with Part 3.