



ICE Endex EFP and EFS Trades Policy

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Contents

1. General	3
2. Permitted use of EFP and EFS Trading Facilities	4
3. Factors to be considered.....	5
4. Reporting time requirements.....	5
5. Reporting to ICE Endex	5
6. Governance of this Policy	6
Appendix 1 - Frequently Asked Questions.....	7

This policy (the “Policy”) provides details and requirements regarding the use of the Exchange for Physicals (“EFPs”) and Exchange for Swaps (“EFSs”) for ICE Endex contracts, and the factors to be considered when bringing bilateral positions on-exchange.

This Policy shall be read in conjunction with the relevant provisions of the Market Rules of ICE Endex (the “Market Rules”). The additional conditions and standards set out in this Policy form an integral part of the Market Rules and vice versa. In case of any discrepancy between this Policy and the Market Rules, the Market Rules shall prevail. Capitalized terms used in this Policy shall have the same meaning as attributed to them in the Market Rules unless defined otherwise in this Policy.

1. General

- 1.1 Members should have appropriate systems and controls in place to ensure that EFPs and EFSs are registered in accordance with the Market Rules. Failure to do so may render the Member liable to disciplinary action by ICE Endex and, potentially, by regulatory authorities.
- 1.2 ICE Endex may require Members to supply evidence of the underlying physical or swap transaction either prior to or following registration of the trade, and reserves the right, at its discretion, to unilaterally refuse registration. Documentation relating to the physical or OTC component of the EFP and EFS must be retained by the Member. If the Member is not directly responsible for the execution, it must have in place appropriate arrangements to promptly provide ICE Endex with the required information.
- 1.3 ICE Endex may request further documentation or request sight of documentary evidence to support the underlying physical or swap transaction and to confirm the legitimacy of the underlying transaction. Members will appreciate that the processing of such trades will be significantly quicker on most occasions if such documentation is available at the time of requesting the registration. Notwithstanding any such request, ICE Endex may retrospectively audit and inspect a random sample of accepted EFP and EFS to ensure that there was a legitimate underlying transaction.
- 1.4 When submitting the relevant details to ICE Endex for registration, Members will be deemed to represent to ICE Endex that there is a Contingent Agreement to Trade in respect of the EFP or EFS being reported for registration with ICE Endex (pursuant to article IV. 1.9 of the Market Rules).

2. Permitted use of EFP and EFS Trading Facilities

- 2.1 The key uses of the EFP and EFS facilities are as follows:
- To permit bilaterally traded physical transactions to be converted using ICE Endex contracts in a single contingent transaction
 - To enable holders of bilateral swap positions to replace them with the equivalent in ICE Endex contracts, or the reverse.
 - To facilitate hedging: by enabling the organisation of simultaneous transactions in a financial asset or instrument and an appropriate number of offsetting futures contracts.
- 2.2 Participants involved in an EFP or EFS must be separately controlled (see Appendix 1 for further details).
- 2.3 For EFP and EFS trades (including options), there must be evidence of a bona fide pre-existing physical or swap agreement that is capable of being independently settled on its own terms, i.e. its completion is not directly dependent on the transaction being registered on ICE Endex.
- 2.4 The underlying physical contract must be properly documented and available for production to ICE Endex on demand. In this context, proper documentation is a legally binding bilateral contract between market participants. The contract should be either an industry standard contract, or one whose terms are of an equivalent standard identifying:
- the underlying product being traded;
 - the price or prices involved; and
 - the arithmetical reconciliation of the underlying to the futures regarding the quantity and the price of the futures being posted.
- 2.5 For EFS trades (including options), the underlying contract requirement may be satisfied by providing order documentation such as, but not limited to:
- order slips (either trader or broker);
 - confirmation notes;
 - copies of electronic confirmations (email, instant message);
 - copies of a trader's blotter.
- 2.6 The futures or options traded need not be in the same month as specified in the original contract, but where a different month is used - for example, because of unanticipated delays in making a delivery - the change in the futures or options to be used should be noted in an update to the underlying contract.
- 2.7 If the price at which an EFP or EFS to be registered is not at current market price or within the high/low range of the day, ICE Endex may request further information to ensure that the transaction is a legitimate use of the facility.
- 2.8 Members should ensure they hold sufficient funds at ICE Clear Europe to offset any negative variation margin which results from the posting of an EFP and EFS. ICE Clear

Europe may also require that sufficient funds are held on account to meet any consequential change to initial margin. Failure to do so may result in a refusal by ICE Clear Europe to register the trade in accordance with the Clearing Rules of ICE Clear Europe. To ensure that this requirement is fulfilled, ICE Endex staff will examine all EFPs and EFSs as they are presented for registration and if necessary, registration may be delayed until both ICE Endex and ICE Clear Europe are satisfied that funds in the relevant Member's ICE Clear Europe account are adequate.

3. Factors to be considered

3.1 EFP

ICE Endex will accept that an EFP trade may not have a 'like for like' physical contract against the futures. In such scenarios, the documentation must outline the arithmetical reconciliation of the underlying to the futures regarding the quantity and the price of the futures being posted, i.e. how the price and quantity of the futures correlates to the price and quantity of the physical legs.

3.2 EFS

EFS transactions in respect of options for an expiring contract month cannot be registered after the cessation of trading for the relevant expiring contract month.

Underlying swap contracts cannot be 'contingent' on acceptance by ICE Endex. For example, the underlying swap contract must not be retrospectively cancelled out by a further linked swap that comes into effect if the trade is not accepted by ICE Endex as an EFS.

'Transitory' EFSs, where the original underlying swap contract is offset/cancelled by a back-to-back swap and then replaced by a futures position as part of the same strategy, are permitted. Each swap contract must be able to stand alone if executed singly and must bear genuine economic risk.

4. Reporting time requirements

The reporting time requirements can be found in the [**Block and EFP/EFS Time Frame document**](#).

5. Reporting to ICE Endex

EFPs and EFSs may be reported to ICE Endex by Members through the ICE Block Trade Facility. Affiliate or group companies may be eligible to trade on behalf of a Member if they have specific written permission from the Member, which must have been provided to ICE Endex.

Where the trade is agreed between two different Members, one inputs its own side to the deal and alleges it to the counterparty. The counterparty to the deal is required to accept the alleged trade in the ICE Block Trade Facility. Once accepted by the counterparty it flows through to the clearing system as per the regular process.

Unless otherwise agreed by the relevant Members, trades in single contract months shall be entered by the buyer of the futures. Where there is a multi-legged strategy, the trade should be entered into the ICE Block Trade Facility by the buyer of the front month future.

Any decision by ICE Endex not to register an EFP or EFS trade is final. Registration of a transaction does not preclude ICE Endex from instigating disciplinary procedures in the event that the transaction is subsequently found to have been made other than in compliance with the Market Rules.

For all EFP and EFS Trades, both volume and price will be broadcast to the market, however the price will display an asterisk (*) to indicate trade type EFP/EFS.

For the trade type codes that will be used for registration see the table below:

Transaction Type	Trade Type Code
EFP	E
EFS	S

6. Governance of this Policy

Regulation & Compliance reviews this policy at least annually or earlier if circumstances require. This Policy and any amendment hereto is subject to approval by the Management Board of ICE Endex.

Any questions arising from this policy should be addressed to: ICE Endex Regulation & Compliance, compliance-endex@ice.com

Appendix 1 - Frequently Asked Questions

1. What does “separately controlled” mean?

Genuine separately controlled affiliates must be validated as consistently demonstrable across all aspects of activity. For example, business units would have to report and manage their positions separately for the purposes of position reporting and compliance with ICE Endex position limits. Those positions could not be netted off against each other and would be held separately (gross) to expiry and margined separately.

For example, if one unit held a long position approaching expiry and the other unit was short in the same product, each would have to trade out of the position independently (which they could legitimately do with each other via a cross). All trading activity on ICE Endex would likewise be treated as between separate parties. As such, these affiliate entities or business units could not undertake EFP or EFS trades and then subsequently split the resultant volumes between the affiliates. The expectation of ICE Endex is that each affiliate or business unit would also have independent management and where appropriate, articles of association.

2. Are Tri-Partite situations allowed?

Tri-party EFS or EFP Trades, where the middle party (who buys and sells the underlying (cash) to the future) is removed from the exchange-traded transaction are not permitted. In general, the principle is that the counterparties to the futures leg must be the same counterparties to those involved with the underlying basket or OTC transaction. In a tri-party situation, two separate EFSs or EFPs should be entered, with the middle party buying in one transaction and selling in the other transaction. This does not apply to brokered deals, where the middle party never owns the swap or physical.

However, ICE Endex is aware of circumstances where affiliates who are counterparties to the underlying Physical, Cash or OTC transaction leg may legitimately use another affiliate within the same commercial group as an agent to buy and sell the futures leg on their behalf as part of the same ultimate EFP or EFS Trade transaction. In this situation, both commercial group affiliates must have a common ultimate beneficial owner. In such circumstances the expectation would be that these entities have sufficient paperwork (such as a legal master agreement) to document the agreement that the affiliate entities transacting have title to whatever they pass. Any paperwork supporting the EFP or EFS Trade would then reference that such a transaction would be made further to that original legal master agreement.

3. Is it permissible to execute an EFP based on an agreement which amends the physical contract?

Example: Amending the pricing mechanism based on September futures instead of July futures

Yes. An EFP can still be posted using futures in a different month or quantity to that originally envisaged, provided the corresponding change in the physical terms documents this, i.e. there should be a contract amendment noting the roll of the futures. The roll can be in either direction.

4. Is there ever an obligation to agree or post an EFP - for example, to manage a position in a physically delivered contract?

No. An EFP is a bilaterally arranged physical trade settled via futures. Organising an EFP is at the traders' discretion. If you expire a long (short) position in a deliverable contract without arranging an EFP, your position will be matched with a short (long).

5. Do I have to have credit arrangements in place with a counterparty if I am matched?

No, in an Exchange delivery the clearing house stands and passes funds between you and your counterparty.

6. Can I deliver the physical leg of an EFP somewhere other than where the contract originally stated?

Yes, as long as the change has been documented between the parties. Optionally, you can have a delivery location that is left open and subject to later nomination / declaration.

7. For which contracts must there be evidence of a bona fide pre-existing physical or swap agreement that is capable of being independently settled on its own terms?

The definitive list of contracts can be found in the table attached to the ICE Endex Expiry Limits Guidance, found [here](#). A summary of the products is also provided below:

Contract Name	Contract Code
Dutch TTF Natural Gas Futures	TFM

8. Is it acceptable for a participant to close out an existing position at ICE Endex and substitute this exposure with a bilateral OTC swap?

ICE Endex would consider the circumstances of the provision of the OTC swap. If the *bona fide* OTC swap bears genuine economic risk and has been formally agreed with a view to enabling a customer to remove a cleared exposure, then any subsequent agreement during the same conversations by those same counterparties to submit for registration an EFS at ICE Endex would be acceptable. Conservation of working capital is a legitimate economic rationale for such a swap - the purpose is commercially rational and the decision to carry OTC rather than cleared exposure bears economic risk.

All details of the OTC swap, including the time agreed should be properly documented. It would not be acceptable to contingently agree such an OTC swap, pending the successful registration of the EFS trade. The OTC swap must be organised first - ICE Endex would accept this as meeting the stand-alone requirement.

Further to the agreement of the OTC swap, the supporting paperwork with the Swap Agreement can be transmitted to the counterparty after the registration of the EFS trade, provided it references the original time that the OTC swap was agreed. This also means that during the course of the agreement of the OTC swap, legitimate reference can be made to the subsequent intention to submit for registration to ICE Endex an EFS trade, provided such communications also make reference to the intention of the participant to closing out their ICE Endex exposure.

ICE Endex would expect the full swap documentation to be produced upon request, inclusive of the time and date of agreement; this time would necessarily be prior to that of the EFS registration at ICE Endex.