

**SECTION 7H2 - PROCEDURES: ICE FUTURES UKA DAILY FUTURES CONTRACT<sup>1</sup>**

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<sup>1</sup> Inserted 19 May 2021.

**7H2.1 DETERMINATION OF THE EXCHANGE DELIVERY SETTLEMENT PRICE (EDSP)**

- (a) Subject to Rule 7H2.1(b), the EDSP which is determined by the Exchange in respect of a Daily UK Carbon Emissions Allowance Contract shall be the settlement price established by the Exchange on the Contract Date.
- (b) Notwithstanding Rule 7H2.1(a), the Exchange may, in its absolute discretion, determine in respect of the Daily UK Carbon Emissions Allowance Contract, at any time prior to the Delivery Period, a price other than that specified in Rule 7H2.1(a) as the EDSP.

**7H2.2 CESSATION OF TRADING**

- (a) Subject to Rule 7H2.2(b), trading in respect of a Contract Date shall normally cease at 17:00 hours on the relevant Contract Date.
- (b) If at any time dealings on the Market in the ICE Futures UKA Daily Futures Contract are suspended on any Business Day, whether by virtue of an order under the Banking Financial Dealings Act 1971 or as a result of a decision of the Exchange under the Regulations or for any other reason, the Exchange may amend the provisions of Rule 7H2.2(a) above accordingly.

**7H2.3 NOTICE OF REGISTRY ACCOUNT DETAILS**

A Clearing Counterparty wishing to trade the Daily UK Carbon Emissions Allowance Contract must notify the Exchange of such request and must notify the Clearing House of its Nominated Holding Account details and Authorised Representative contact details prior to being permitted to trade the Daily UK Carbon Emissions Allowance Contract. Such notification shall be in a form prescribed by the Clearing House and must be submitted by the Member by ten Business Days prior to the day on which the Member wishes to commence trading. Such notice shall include the information above and further include confirmation that the Member will continue to have the relevant Nominated Holding Account(s) during the Delivery Period and is not for any reason prevented from having Transfer Requests accepted or actioned.

**7H2.4 SELLER'S DAILY UK CARBON EMISSIONS ALLOWANCE DELIVERY CONFIRMATIONS**

- (a) In respect of all positions in any Position-Keeping Account which remain open at 17:30 hours on the Contract Date and on which position maintenance is to be performed by 17:45 hours on that day, the Seller shall, in accordance with this Rule 7H2.4, submit their delivery intentions via the relevant Clearing House system to the Clearing House not later than 17:45 hours on the last day of trading.
- (b) The submission of delivery intentions shall be in such form as may from time to time be prescribed by the Clearing House and shall include:
  - (i) for each Margin Account: (1) the number of lots; and (2) the equivalent number of UK Carbon Emissions Allowances that are to be specified in the Transfer Request relating to such Margin Account which shall form the UK Carbon Emissions Allowance Delivery Amount of the Transfer Request in respect of a Margin Account; and
  - (ii) confirmation that details of the Nominated Holding Account to which the Transfer will be made are those previously notified to the Clearing House pursuant to Rule 7H2.3 and that it is not for any reason prevented from having

Transfer Requests for transfer from the Nominated Holding Account accepted or actioned;

- (iii) such other details as are required by the Exchange, the Clearing House and the Registry from time to time in accordance with their respective Regulations, Rules and procedures.

### **7H2.5 BUYER'S DAILY UK CARBON EMISSIONS ALLOWANCE DELIVERY CONFIRMATIONS**

- (a) In respect of each position remaining open at 17:45 hours on the Contract Date and on which position maintenance is to be performed by 17:45 hours on that day, the Buyer shall, in accordance with this Rule 7H2.5, submit their delivery intentions via the relevant Clearing House system to the Clearing House not later than 17:45 hours on the last day of trading.
- (b) The submission of delivery intentions shall be in such form as may from time to time be prescribed by the Clearing House and shall include:
  - (i) for each Margin Account: (1) the number of lots; and (2) the equivalent number of UK Carbon Emissions Allowances that are to be specified in the Transfer Request relating to such Margin Account, which shall form the UK Carbon Emissions Allowance Delivery Amount of the Transfer Request in respect of a Margin Account;
  - (ii) confirmation that details of the Nominated Holding Account to which the Transfer will be made are those previously notified to the Clearing House pursuant to Rule 7H2.3 and that it is not for any reason prevented from having Transfer Requests for transfer to the Nominated Holding Account accepted or actioned;
  - (iii) such other details as are required by the Exchange, the Clearing House and the Registry from time to time in accordance with their respective Regulations, Rules and procedures.

### **7H2.6 SUBMISSION OF TRANSFER REQUESTS BY THE SELLER**

- (a) The Seller, except where the Seller is the Clearing House, shall ensure that those Transfer Requests (details of which are referred to in the Seller's submission of their delivery intentions) are made to the Registry by such means as the Registry may direct from time to time. The Transfer Requests shall, in respect of the Delivery Period, specify all the details required under and pursuant to the Registry Regulations, Contract Date identification information and such other information as the Clearing House or the Registry may direct from time to time as a pre-requisite for the Transfer Request to be accepted.

Where the Seller (except where the Seller is the Clearing House) holds one or more Daily UK Carbon Emissions Allowances Contracts in one or more Position-Keeping Accounts with the same Delivery Period, the Seller shall calculate a separate UK Carbon Emissions Allowance Delivery Amount in respect of each relevant Margin Account and accordingly submit separate Transfer Requests in relation to each of the relevant Margin Accounts, but otherwise in accordance with Rule 7H1.5 and this Rule 7H2.6.

- (b) Where a Transfer Request has been submitted in accordance with this Rule 7H2.6, the Seller shall ensure that the Transfer Request is not amended, withdrawn or replaced without the prior consent of the Clearing House.

- (c) Where a Transfer Request has been submitted in accordance with Rule 7H2.6(a) and (b), the Clearing House and the Seller shall promptly, and no later than 16:00 hours on the first Business Day after the Contract Date, check the appropriate reports within the Registry. If either the Seller or the Clearing House considers that the details of the Transfer contained in the Registry report are incorrect or missing it shall immediately inform the other. The Clearing House may take, or require the Seller to take, such steps as appropriate to rectify the situation in compliance with any Clearing House Directions.

Where the Nominated Holding Account of the Clearing House has not been credited by 16:00 hours on the first Business Day following the Contract Date, the Clearing House shall declare and notify to the Seller and the Exchange that the Member is subject to a Transfer Request Delay and that Rule 7H1.12 (c), (d), (e), (f) and (g) shall apply.

- (d) Where the Nominated Holding Account of the Clearing House has not been credited by 16:00 hours on the second Business Day after the Contract Date, the Clearing House shall declare that the Clearing House or the Seller, as appropriate, has failed to meet its delivery obligations and that there is a Transfer Request Failure.

### 7H2.7 SUBMISSION OF TRANSFER REQUEST BY THE CLEARING HOUSE

- (a) Where the Clearing House is the Seller, the Clearing House shall by 16:00 hours on the second Business Day after the Contract Date ensure that the relevant Transfer Requests have been made by it to the Registry by such means as the relevant Registry may direct from time to time.

The Clearing House shall use a Random Selection Mechanism to assign the order of Buyers to whom the Clearing House shall transfer UK Carbon Emissions Allowances under a Daily UK Carbon Emissions Allowance Contract.

- (b) Where a Transfer Request has been submitted in accordance with Rule 7H2.7(a), the Clearing House and the Buyer shall promptly, and no later than 16:00 hours on the second Business Day after the Contract Date, check the appropriate reports within the Registry. If either the Buyer or the Clearing House considers that the details of the Transfer contained in the Registry report are incorrect or missing it shall immediately inform the other. The Clearing House may take, or require the Buyer to take, such steps as appropriate to rectify the situation in compliance with any Clearing House Directions which allow for UK Carbon Emissions Allowances to be delivered by such time as the Clearing House may direct which in any event shall not be a time beyond 16:00 hours on the third Business Day after the Contract Date in relation to the relevant Transfer.
- (c) Where a Transfer Request has not been submitted by the Clearing House or has been submitted but not accepted or actioned by the Registry by 16:00 hours on the second Business Day after the Contract Date, the Clearing House shall advise the Buyer immediately of such non-submission, non-acceptance or non-action. The Clearing House shall declare to the Buyer and the Exchange that the Clearing House or the Buyer, as appropriate, is subject to a Transfer Request Delay and may:
- (i) take, or require the Buyer to take, such steps as appropriate to rectify the situation in compliance with any Clearing House Directions which allow for UK Carbon Emissions Allowances to be delivered by such time which in any event shall not be a time beyond 16:00 hours on the third Business Day after the Contract Date in relation to the relevant Transfer. In the event that the Buyer's Nominated Holding Account has not been credited by 16:00 hours on the third Business Day after the Contract Date in relation to the relevant Transfer the Clearing House shall declare that there is a Transfer Request Failure; or,
  - (ii) declare that the Clearing House or the Buyer, as appropriate, has failed to meet its delivery obligations and that there is a Transfer Request Failure.

Where the Buyer's Nominated Holding Account has not been credited by 16:00 hours on the third Business Day after the Contract Date the Clearing House shall declare to the Buyer and the Exchange that there is a Transfer Request Failure.

## **7H2.8 REGISTRY REGULATIONS AND OBLIGATIONS**

- (a) The Seller shall comply with such requirements and obligations imposed by or under the Registry Regulations in all respects material to the submission of a Transfer Request and to ensure the acceptance of a valid Transfer from its Nominated Holding Account.
- (b) The Buyer shall comply with such requirements and obligations imposed by or under the Registry Regulations in all respects material to ensure the acceptance of a valid Transfer into its Nominated Holding Account.
- (c) If a provision of the Regulations, Administrative Procedures or the Clearing House procedures is inconsistent with a provision of the Registry Regulations, the provision of the Regulations, Administrative Procedures or the Clearing House procedures shall prevail as between the Buyer, Seller, the Exchange and the Clearing House to the extent of such inconsistency and to the extent permitted by law.

## **7H2.9 PAYMENT**

- (a) All sums payable pursuant to Rule 7H1.8(b) shall be paid in such manner and at such times as the Clearing House may determine but in any event shall be paid at the latest on the day after the Contract Date, save that where such day is not a Business Day such sums shall be paid no later than on the next Business Day.
- (b) Subject to Rule 7H2.9(c), in respect of the Contract, the Clearing House shall issue in accordance with its Procedures account documentation to the Buyer and the Seller specifying the amount due from the Buyer in respect of such Contract and any payment due to the Seller in respect of such Contract under Rule 7H1.8(a). All payments due in respect of a Contract under Rule 7H1.8(a) shall be made in accordance with the Clearing House procedures.
- (c) In respect of a Contract, the Clearing House shall, in accordance with its Procedures, issue any account documentation to a party specifying the amount due from/to such party in respect of such Contract under Rule 7H1.12. All payments due in respect of a Contract under Rule 7H1.12 shall be made in accordance with the Clearing House procedures.