

CONTRACT RULES: ICE FUTURES JAPANESE POWER FINANCIAL OPTIONS CONTRACTS

SECTION 7R1 - CONTRACT RULES: ICE FUTURES JAPANESE POWER FINANCIAL OPTIONS CONTRACTS¹

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7R1.1 SCOPE

The Rules in this Section 7R1 and Section 7R2 shall apply to the following Contracts:

Japanese Power Financial Options Contracts	Japanese (Tokyo Area) Power Financial Base Average Price Options
	Japanese (Kansai Area) Power Financial Base Average Price Options

Each option shall be a put option or a call option in respect of one or more lots for the product and contract month and at the strike price specified.

7R1.2 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:

“option”	a put option or a call option;
“put option”	a right upon the exercise of which the Buyer of the option becomes the Seller under a Futures Contract, and the Seller of the option becomes the Buyer under a Futures Contract;
“call option”	a right upon the exercise of which the Buyer of the option becomes the Buyer under a Futures Contract, and the Seller of the option becomes the Seller under a Futures Contract;
“strike price”	the price payable under the Futures Contract resulting from exercise of an option;
“in-the-money option”	an option where the strike price is greater (in the case of a put option) or is less (in the case of a call option) than the current futures market price for the product and contract month;
“out-of-the-money option”	an option where the strike price is less (in the case of a put option) or is greater (in the case of a call option) than the current futures market price for the product and contract month;
“expiry date”	in respect of an option, the date when the option will, unless exercised, expire.

7R1.3 STRIKE PRICE

- (a) The strike price shall, in the case of the ICE Futures Japanese Power Financial Options Contracts, be in multiples of Yen per kWh or such other multiple as may from time to time be prescribed by the Exchange.
- (b) In the case of the ICE Futures Japanese Power Financial Options Contracts:
 - (i) when options in respect of a contract month are available for trading for the first time twenty one strike prices, or such greater number as may for the time being be determined by an authorised Exchange Official, will be listed of which one will be the nearest to the previous Trading Day’s official settlement price for the product and contract month with a further ten or more above and ten or more below that price.
 - (ii) prior to the commencement of trading each day, the strike price nearest to the previous day’s official settlement price for the product and contract month and the next ten (or, at the discretion of an authorised Exchange Official, more than ten) strike prices higher and the next ten (or, at the discretion of an authorised Exchange Official, more than ten) strike prices lower than that strike price, shall (unless they are already listed) be included in the listed strike prices.

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- (iii) During any Trading Day, an authorised Exchange Official may list one or more strike prices nearest to the last strike price listed for the product and the contract month.
- (d) Trading shall not be permitted at strike prices other than those listed for the relevant product and contract month.

7R1.4 EXERCISE

- (a) A Buyer may exercise an option for one or more lots on expiry of the relevant ICE Futures Japanese Power Financial Options Contract by giving to the Clearing House an exercise notice in respect thereof.
- (b) On the expiry date instructions to exercise or abandon an option may be given to the Clearing House in the case of the relevant ICE Futures Japanese (Tokyo Area) Power Financial Base Options and Japanese (Kansai Area) Power Financial Base Options Contract no later than one hour after the cessation of trading in options of the relevant kind.
- (c) After the cessation of trading on the expiry date, in options of the relevant kind, and unless instructions to exercise or abandon an option have been given under paragraph (b) above, the options reference price will be as follows:
 - i. The Japanese (Tokyo Area) Power Financial Average Price Options that are in-the-money options with reference to that day's final settlement price for the relevant futures business will be automatically exercised. Exceptions to this provision may be made by the Clearing House's clearing procedures.
 - ii. The Japanese (Kansai Area) Power Financial Average Price Options that are in-the-money options with reference to that day's final settlement price for the relevant futures business will be automatically exercised. Exceptions to this provision may be made by the Clearing House's clearing procedures.
- (d) The exercise of an ICE Futures Japanese Power Financial Options Contract will give rise to a corresponding ICE Futures Japanese Power Financial Futures Contract between Buyer and Seller at the strike price of the option and in the relevant contract month.

7R1.5 PREMIUM PAYMENT DUE SUBSEQUENT TO EXPIRY

In the case of an ICE Futures Japanese Power Financial Options Contract, the traded premium is debited by the Clearing House from the account of the Buyer and credited to the account of the Seller after the expiry or the exercise of the option. The Clearing House will issue a statement of the premium paid or payable to or by it, as the case may be.

7R1.6 PAYMENTS DUE SUBSEQUENT TO EXPIRY

On the morning of the Trading Day following exercise of an ICE Futures Japanese Power Financial Options Contract, the Clearing House may call for cover for margin in respect of the resulting futures Contract.

7R1.7 PREMIUM

- (a) The premium for an option shall be in Yen per kWh subject to a minimum fluctuation of 0.01 Yen per kWh
- (b) In respect of each strike price of each ICE Futures Japanese Power Financial Options Contract and contract month, an official settlement premium will be established in accordance with section 2.5.2 of the Trading Procedures.

7R1.8 ABANDONMENT

An option may not be abandoned by the Buyer in advance of expiry.