



Explanatory Note

Settlement prices publication End-of-day report

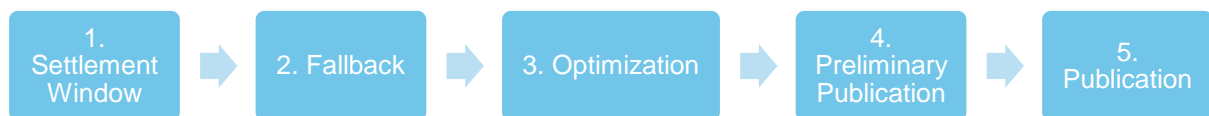
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At the end of each business day, ICE Endex establishes settlement prices for the markets it operates. These settlement prices are published as part of the End of Day Report, an automatically derived report publishing the full curve of tradable contracts available at ICE Endex. The settlement prices are used by the Clearing House, ICE Clear Europe, to calculate margins for the relevant contracts.

The purpose of this note is to explain the methodology of establishing these settlement prices. This is for information only, and on the sole condition that any errors and/or omissions in this document shall not be the basis for any claim, demand, or cause of action. In all circumstances, in the event of contradiction between the ICE Endex Rulebook and the Explanatory Note, the ICE Endex Rulebook shall prevail.

The settlement prices are established on the basis of the following steps:



(1) Settlement prices established by means of the settlement window are prices based on trades fulfilling pre-defined conditions (as detailed later in this document), leading to a higher transparency of the calculation input;

(2) Settlement prices established by means of the fallback methodology are prices resulting from a market assessment.

Settlement prices before their publication are displayed on the trading platform as preliminary settlement prices to market parties, and subject to a 5-minute window that allows market participants to submit remarks on the curve level. Once the 5-minute window is closed the settlement prices are final and will be published.

1. Settlement Window Methodology

The basic principle underpinning the settlement window-methodology is that settlement prices will be based on trades executed in the order book during a pre-defined time period, complying with the minimum total traded volume requirement as set per individual market. The settlement price resulting from the settlement window shall be the volume weighted average price of the trades executed during that pre-defined time period.

Only transactions executed in the order book of the ICE Endex Platform are taken into account for calculating the prices. However, ICE Endex may consider settlement prices of equivalent products in the settlement window methodology.

Block trades, EFPs and EFSs reported by means of the Block Trade Facility are disregarded. Trades which have been cancelled during the settlement window will not be included in the calculations either. As part of its responsibilities as an operator of a Regulated Market under MiFID, ICE Endex will monitor market developments during the settlement window and will not consider individual trade prices in case they are not in line with the actual conditions of the market.

2. Fallback Methodology

Where no valid trades are available during the settlement window, the preliminary settlement prices for a contract period may, at the discretion of ICE Endex, be determined by taking the following factors into consideration (listed in random order):

- *Trades during the settlement window*
Trades during the settlement window, where the total volume does not surpass the minimum traded volume threshold.
- *Quotes submitted during the settlement window*
The price and volume of the bid and ask quotes during the settlement window.
- *Implied Price*
If applicable, the implied price of the missing strip will be used as preliminary settlement price.
- *Trading activity during the day*
The market activities (quotes, trades and market trend) during the day will be used as input.
- *Market activity in equivalent products*
Trades and Orders observed in equivalent products listed.
- *External sources*
The latest market activities (quotes, trade and market trend) as available by external data provider(s) will be used as input.
- *Correlated Market as proxy*
The market trend of the market of which price formation in the past has shown to be most heavily correlated will be used as input.
- *Price assessment*
This is a discretionary assessment combining multiple sources (from market parties, market trend and/or previous settlement) of input.

3. Basics of the optimisation step

Since the settlement prices are established by ICE Endex for the prime purpose of allowing the Clearing House to risk manage positions, in some circumstances the settlement prices, as determined by either the settlement window or alternative sources, may need to be adjusted to ensure they are free of arbitrage. The free-of-arbitrage requirement is set by the Clearing House in order to cater for a secure and correct margining process. Contracts with overlapping delivery periods will need to be consistent. Furthermore, the settlement price of the composite contracts will need to be cascaded into monthly settlement prices for the purpose of building a forward curve with a monthly granularity.

The month which has traded the higher volume of the first two months contracts will be the designated contract from which the settlement is anchored, provided that the volume traded during the designated settlement period is equal to or exceeds a level determined by the Exchange from

time to time. For the emission futures contracts the month which has traded the higher volume of the first two December contracts will be the designated contract from which the settlement is anchored.

4. Preliminary publication of settlement prices

The above-mentioned forward curve is supplied to the market as a range of preliminary settlement-prices first, through the trading platform. As from this moment, the members have a 5-minute window of opportunity to raise potential concerns on the price-curve. If no concerns are raised in this 5-minute window, the curve will be final. If comments are received that are considered valid and Market Supervision has decided to amend the preliminary settlement, the new settlement prices will again be published on the trading platform with again a 5-minute window of opportunity for the market to raise concerns. In case none have been raised in this 5-minute window, the curve will become final. If, however, in the 5-minute window valid comments are received and Market Supervision had to amend the settlement prices, an additional 5-minute unofficial window will be published until no further comments have been received.

To allow for timely processing, comments and remarks on the preliminary settlement prices must be addressed directly to the Market Supervision team reachable at +44 (0)20 7382 8200, Option 3.

5. Publication of settlement prices

After ICE Endex has established settlement prices for all contracts (in strips of months), the settlement prices are automatically published in the End of Day Report at the ICE Report Centre: www.theice.com.

6. Determination of settlement prices in the event of a system outage

In the event of a business interruption which leads to suspension of the Market, ICE Endex will determine settlement prices in accordance with the procedures set out below.

ICE Endex 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.

- I. If trading on the ICE Endex Platform is suspended at any time during the 5 minutes prior to the start of the scheduled designated settlement period, then ICE Endex 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.
- II. If trading on the ICE Endex Platform has been suspended and ICE Endex is not able to schedule a resumption of trading at least 5 minutes prior to the start of the scheduled designated settlement period, ICE Endex will immediately announce that the basis of settlement values will be an assessment of value at the scheduled time by using the Fallback Methodology as described under section 2.