# ICE Futures Abu Dhabi
# Delivery Limits & Position Limits
## Guidance

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## Version History

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# ICE Futures Abu Dhabi
# Delivery Limits & Position Limits Guidance

## 1.    PURPOSE OF DOCUMENT

This Delivery Limits & Positions Limits Participant Guidance ("Guidance") has been developed to provide Members and market participants (Participants) with details of the Delivery Limit and Position Limit regime which ICE Futures Abu Dhabi Limited (IFAD Exchange) has adopted. IFAD is a Recognised Investment Exchange (RIE) and is regulated by the Financial Services Regulatory Authority (FSRA) in the Abu Dhabi Global Market ("ADGM"). IFAD is subject to various rules and regulations issued by the FSRA, including the ADGM Market Infrastructure Rulebook (MIR).

On 27 September 2022 the FSRA introduced a number of regulatory and legislative changes in ADGM, which included the introduction of a Position Limits and position reporting regime. Updates were included in MIR which set out in MIR 3.3.7 the requirement for Position Limits to be introduced on all commodity derivatives and physically settled derivatives for the purposes of mitigating the risk of market abuse in the market where the derivative is admitted to trading or the actual underlying itself.

The Guidance contains details on:

1.  the Delivery Limits and Position Limits imposed by IFAD;

2.  How the Delivery Limits and Position Limits operate;

3.  How a Participant may apply for an exemption to either the Delivery Limit or Position Limit

## 2.    LIMITS IMPOSED BY THE EXCHANGE

### Delivery Limits

There are mandatory Delivery Limits imposed on the IFAD Murban Crude Oil Futures Contract, see Table 1.

The mandatory Delivery Limit imposed takes effect at 1:30pm (UK), following expiry of the Contract on the day of expiry i.e. it will apply to the final position (either Long or Short) after taking into account all EFPs permissibly posted in respect of the Delivery month.

Accountability Levels are not imposed by the Exchange on the physically delivered energy contracts. The Exchange may, however, request further information from Participants should it have concerns about the size of a position held in any month or across a Contract.

Members must ensure that they have performed all necessary position management in accordance with Rule G.17 prior to expiry to ensure that the open positions are accurate.

## Position Limits

The Exchange is required by the FSRA under MIR 3.3.7[1] to implement Position Limits in respect of a Commodity Derivative, or other relevant Derivative that is physically settled.

The Exchange will adopt one single Position Limit for the physically delivered energy contracts, to be applicable across the entirety of the curve of the contract.

The calculation of the Position Limit is based on a percentage of deliverable supply and also takes into account the Exchange's delivery limit regime and exemptions regime. This will allow Participants to manage their positions across the full curve of the contract maturity months, whilst the Delivery Limit applies to the front month. Please see Table 1 for details of the Position Limits in place at IFAD.

No person may hold or control positions in the spot month period, net long or net short, in excess of the levels specified in this document, unless an exemption is obtained from the Exchange Market Oversight Department (see below for further details). Failure to observe Exchange Position Limits will be a breach of Exchange Rules and may lead to disciplinary action. Where positions are held across multiple Clearing Members, the Exchange Position Limits will apply to the aggregated net position (see details below). Nothing in this Guidance will limit the authority of the Exchange under Rule J.9 to direct or require any person to limit, reduce or liquidate any position where the Exchange determines such action to be necessary to prevent or reduce the threat of price manipulation, excessive speculation, price distortion or disruption of delivery or the cash settlement process.

## 3. APPLICATION OF EXCHANGE LIMITS

## Aggregation of positions across multiple clearers

The Exchange will monitor positions held by Members or their clients across multiple Members. Where positions are held across multiple Members, the aggregated net position across those Members will count for the purposes of all Delivery Limits and Position Limits.

For the avoidance of doubt, when referring to aggregation of positions with respect to Delivery Limits and Position Limits, the Exchange considers the aggregated net long and the aggregated net short position held across those Participants. Please note that the Exchange expects positions to be managed and closed out as necessary prior to expiry. The Exchange shall make enquiries where Participants are holding long and short positions in the expiring physically delivered energy contracts to confirm intentions. Participants holding such positions will be expected to make and take delivery of the physically delivered energy contracts respectively.

## Linked and independent accounts

In addition to aggregating positions held by the same account across multiple clearers, the Exchange will also aggregate separate accounts or sub accounts under common ownership or control. This will mean that positions held by different business units within a client or Member, or positions held by affiliate

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[1] https://en.adgm.thomsonreuters.com/sites/default/files/net_file_store/ADGM1547_10111_VER06270922.pdf

companies of a client or Member, shall be aggregated and be subject to the respective Delivery Limits or Position Limits. However, if such positions are independently controlled, then the positions will not be aggregated.

Participants may request that the Exchange treat accounts or groups of accounts as independently controlled, and therefore not contributing to the same delivery limit or position limit. Such requests must be supported with sufficient information to satisfy the Exchange that this is the case. The Exchange's decision as to whether to aggregate or treat positions as independent will be final.

## Treatment of omnibus accounts

Where Members or Reporting Firms use 'omnibus' accounts to represent a summary of the positions in one or many underlying accounts held by:

a)      an affiliate organisation of the Member, or

b)      a client of the Member

It is important to note that the individual underlying accounts must be identified, and their positions reported.

Where the underlying accounts' positions of the Member's client are reported under the same Firm Code as the Member's main reporting, it is not necessary to report the positions in the omnibus account.

Where the underlying accounts' positions are reported directly under a different Firm Code, either by an affiliate or client of the Member, it is necessary to report both those positions and the position held in the omnibus account.

Reportable positions within omnibus accounts must be fully disclosed to the Exchange. Failure to do so will result in the Exchange treating all positions in the account as if they were under common ownership or control, and therefore aggregated for the purposes of Delivery Limit and Position Limit calculations.

## Exemptions to Delivery Limits and Position Limits

All applications for exemptions from the Delivery Limits and Position Limits must follow the procedures laid down in Rule J.3 and, as a minimum, will include a description of the size and nature of the exemption, an explanation of the nature and extent of the applicant's business, and an undertaking that the applicant will comply with any limitations imposed by the Exchange in regard to the positions. The Exchange may require additional information as it believes necessary to make a fully informed decision to grant or refuse the application.

The Exchange may grant exemptions from the Delivery Limits and Position Limits, at its sole discretion, for Participants who can demonstrate a commercial need and an ability to execute deliveries that are greater than the limit or if the nature and extent of the applicant's business necessitates it.

The determination of whether to approve an application for an exemption from the Delivery Limit and Position Limit is solely that of the Exchange and is final and binding.

A Member acting on behalf of a client, a Member or the client itself may submit an application for an exemption to the Exchange. Market participants may apply to the Exchange for an exemption through their clearer or directly, but in the latter case should advise their clearer that they have done so. If this is not

done at the application stage, the Exchange will disclose the fact and size of exemptions to clearers. Members who have clients with positions that exceed the Delivery Limits or the Position Limits who have not applied for an exemption on behalf of that client should confirm with the Exchange whether or not an exemption has been granted to that client. It will not be necessary for a client with positions across multiple Members to make multiple applications.

Where the application is submitted by a Member on behalf of a client, if the exemption is granted, it will be in respect of the client's net Futures equivalent position as aggregated across all Members.

Acceptance, by the Exchange, of an exemption is on the proviso that certain obligations are met. A Participant may be asked to provide details pertaining to any positions held in the physical market and/or other exchanges or markets, which the Exchange deems relevant to the approval of the exemption. Failure to do so may lead to the exemption being revoked by the Exchange.

## How to Make an Application for Exemption

Applications for exemptions to either the Delivery Limits or Position Limits must be made in writing to the Exchange Market Oversight department as soon as the applicant believes that it is likely to exceed the Delivery Limit but in the case of Delivery Limits, five days prior to the expiry of the previous contract month. The Exemption form can be downloaded from the included link: https://www.ice.com/publicdocs/futures/IFAD_Energy_Delivery_Limit_Exemption_Form.pdf

Completed forms should be emailed to:  Compliance-IFAD-MarketOversight@TheIce.com

## 4. BREACHES TO EXCHANGE LIMITS

**Position Limits**

Where a Position Limit has been breached, consideration will be given to the provisions of MIR 3.3.9, which states that the Exchange should take account of:

(a)     any position whether held directly, or indirectly, that is controlled by the Participant;

(b)     any position held by a third party in a nominee capacity but acting, pursuant to an express or implied agreement or understanding, as if such position were held by the Participant; and

(c)     any position held in respect of a relevant Derivative contract, calculated on a Derivative equivalent basis.

In addition to the above, the Exchange will also consider whether there are any exemptions granted to the particular Participant.

Once a breach of the Position Limit is identified by the Exchange, the FSRA will be immediately provided with a notification of the breach together with details of the Participant holding the position.

Concurrently, the Exchange will notify the Participant that they have breached the Position Limit and that the position must be reduced in an appropriate manner without causing undue instability in the market.  In

addition to directing the Participant to reduce their position, under MIR 3.3.11, the Exchange may also consider the following actions to correct the Participant's position:

a) a restriction on any further increase in the Participant's positions; or

b) such other trading conditions and restrictions as the Exchange may consider necessary to ensure compliance with the relevant Position Limit.

The Exchange will issue a Routine Enquiry under Exchange Rule C.12 to the Member or Persons Subject to the Rules, where they will be requested to provide:

- the reasons for which the party was holding such a large position;

- the reasons as to how holding this position feeds into any trading strategy; and

- where applicable, whether this position is used as a hedging strategy, and details of the other contracts which are being hedged against.

However, if the Exchange is of the view that the Position Limit breach was of such an extent that it caused significant impact to the market, the Exchange may issue a Notice of Investigation without first issuing a Routine Enquiry.

The FSRA will be provided with a further notification containing the above information and updates as to resolution. Additionally, should there be instances where a Participant(s) repeatedly breach the Exchange's Position Limits, the Exchange may seek to initiate an investigation.

**Delivery Limits**

Whilst the requirements of MIR do not extend to how the Exchange would consider a breach of its Delivery Limit, the Exchange considers these breaches using the same criteria as Position Limit breaches (see above).

As noted above, the Clearing House and Exchange continuously monitor for potential Delivery Limit breaches, especially close to expiry. Where it becomes apparent that a Participant will breach the Delivery Limit, the Exchange will take the following actions:

a) notify the FSRA, for their information, of the breach and the relevant Participant;
b) issue a Routine Enquiry to the Participant requesting details of the circumstances of the breach. However, if the Exchange is of the view that the Delivery Limit breach caused a significant impact to the market, it may decide to go directly to issuing a Notice of Investigation to the Participant;
c) keep the FSRA informed with updates as to the outcome of the Routine Enquiry or Investigation.

# LGTR Position reporting

Positions above the required LGTR thresholds (see Reportable Thresholds document for details) must be reported on a daily basis by 2pm (UK time). If the position is in respect of a new account then an account identification form must be submitted which will require:

- Unique and consistent account identification code;

- Unique and consistent account ownership/controller identification;
- Commercial/non-commercial classification of account owner which, where appropriate, must be consistent with the classification notified to the CFTC.

## Client identification and classification

The Exchange requires the submission of Ownership and Control ("OCR") information by Reporting Firms providing details of the Reporting Position Accounts. It is particularly important that any omnibus accounts are noted as such. To identify any Reportable Position Account, reporting Firms must comply with the Exchange's OCR requirements.

## Reporting Instructions

1.  Net Positions: The quantities referenced as reportable levels and Delivery Limits and Position Limits should be calculated and reported on the basis of the net position, long or short, in each Futures contract month, except as specified below;

2.  Gross Positions: In the following cases, the gross long and short position shall be reported:
    (a) Positions in accounts owned or held jointly with another person;
    (b) Positions held in multiple accounts subject to trading control by the same trader; and
    (c) Positions in omnibus accounts.

If the total open long positions or the total open short positions for any Futures contract month carried in an omnibus account is a reportable position, the omnibus account must be reported.

Positions reported to the Exchange by Clearing Members must be equivalent to the Open Interest calculated for that Clearing Member for that Business Day.

## Confidentiality

All data is held in accordance with Rule A.4. Access to data pertaining to Member and client positions is normally restricted to the Exchange Market Oversight department; however certain information may be disclosed to senior Exchange management for regulatory purposes if necessary. Additionally, position data and composite statistics on Open Interest may be compiled and made available either internally or externally if appropriate..

**Table 1**
**ICE Futures Abu Dhabi Delivery and Position Limits**                     <u>Click <span style="color:cyan">HERE</span> for Excel Version</u>

| Rule | Contract Name | Commodity Code | Diminishing Balance contract | Spot Month Limit | Spot Month (ratio) | Single Month Position Limit | Single Month Accountability Level | Single Month Accountability Level Ratio | All Month Position Limit | All Month Accountability Level | All Month Accountability Level Ratio | Aggregate 1 (Positive Correlation) | Aggregate 2 (Negative correlation) | Expiry Limit | Delivery Limit | Reporting Level | Exchange Code |
|------|---------------|----------------|------------------------------|------------------|--------------------|-----------------------------|-----------------------------------|----------------------------------------|--------------------------|-------------------------------|-------------------------------------|-----------------------------------|------------------------------------|--------------|----------------|-----------------|---------------|
| **Oil and Refined products** | | | | | | | | | | | | | | | | | |
| Futures Contracts | ICE Murban Crude Oil Futures | ADM | - | - | | | - | | 202500 | | | - | - | | 7000 | All Positions | AD |
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