Cocoa Delivery Procedures

1 Introduction

1.1 These Cocoa Delivery Procedures describe the delivery mechanics in respect of Cocoa Futures Contracts made available for trading on the Exchange as set out in the Exchange Agricultural Products Contract Module, Chapter DA01, and shall apply to Clearing Members entering into Cocoa Futures Contracts with the Clearing House. Clearing Members are obliged to make or take Physical Delivery as set out in the Exchange Agricultural Products Contract Module, Chapter DA01 and these Cocoa Delivery Procedures in respect of open positions at the end of the last trading day.

1.2 Deliveries under these Cocoa Delivery Procedures shall be effected through the transfer of entitlement to possession of Cocoa held in a Valid form at Licensed Warehouses. This will be achieved by the transfer of CME Europe Warrants between the Depository Accounts of Clearing Members and the Clearing House.

2 Interpretation

2.1 Capitalised terms used and not otherwise defined within these Cocoa Delivery Procedures shall have the same meaning as in the Exchange Rules or, as the case may be, the Exchange Agricultural Products Contract Module.

2.2 In these Cocoa Delivery Procedures:

a) “Exchange Agricultural Products Contract Module” shall mean the agricultural products Contract Module published by the Exchange from time to time.

b) “Exchange Rules” means:

i. where used in reference to one or more provisions of the Exchange Rulebook those provisions of the Exchange Rulebook; or

ii. otherwise, the Exchange Rulebook, the Exchange Agricultural Products Contract Module, the Exchange Procedures and any Notices issued pursuant to the Exchange Rulebook and, for the purposes of any Rules concerning non-compliance with or breach of or failure to discharge any of the Rules, shall include provisions of the Membership Agreement.

c) “Notice of Acceptance” a notice provided pursuant to paragraph 6.10 to be made in the form prescribed by the Clearing House from time to time.

d) “Notice of Acknowledgment” a notice provided pursuant to paragraph 6.9 in the form prescribed by the Clearing House from time to time.

e) “Owner” means in respect of any Parcel or Bagged Lot of Cocoa in respect of which one or more CME Europe Warrants is held by the Depository, a person whose name is recorded in Deliveries Plus as entitled to possession of any such CME Europe Warrant. Where two or more CME Europe Warrants are held in respect of a Bulk Parcel and for two or more different “Owners”, each such “Owner” shall be entitled to an undivided share of that Bulk Parcel, such share being X% of the total weight of Cocoa in the Parcel, where X = the weight of Cocoa in the Parcel in respect of which the Depository holds CME Europe Warrants for such “Owner”.
3 Delivery Process

3.1 Physical Delivery shall be effected through the transfer of entitlement to possession of Valid Cocoa held at Licensed Warehouses. This will be achieved in Deliveries Plus by the transfer of CME Europe Warrants between the Depository Accounts of Account Holders. Instructions to transfer a CME Europe Warrant will be given through Deliveries Plus by the making and accepting of nominations, which will operate as instructions to the Depository to debit CME Europe Warrants from the nominated Depository Account of the Account Holder transferor and to credit the nominated Depository Account of the Account Holder transferee. Transfers by way of Physical Delivery in respect of Cocoa Futures Contracts in each case shall be made to or from the Depository Account of the Clearing House. Transfers to or from a Clearing Member for the account of a Client of the Clearing Member may be nominated from the relevant Client Account of the Clearing Member at the Depository.

3.2 The Clearing Member to whose account at the Depository are credited CME Europe Warrants in respect of any Cocoa is entitled to transfer or take Physical Delivery from the relevant Licensed Warehouse of such Bagged or Bulk Cocoa to which such CME Europe Warrants relate.

3.3 Ownership of the Cocoa Beans represented by the CME Europe Warrant shall be transferred to the Clearing House without any Encumbrance.

3.4 Payment of cash in respect of the Physical Delivery of Cocoa Beans shall be made in accordance with paragraphs 6.11 and 6.13 below.

4 Adjustment of the Delivery Price

4.1 The Delivery Price may be adjusted in accordance with the terms of the Cocoa Futures Contract.

5 Delivery Units

5.1 As described in the Exchange Agricultural Products Contract Module, Cocoa Beans may be stored in Lots in the form of Bags or in Bulk (“Bulk Parcels”). A single CME Europe Warrant in respect of a delivery of Bags is issued in respect of each Lot of 10 metric tons. A single CME Europe Warrant in respect of a Bulk Parcel is issued in respect of a single pile of Cocoa Beans where the size of the pile is equal to 500 metric tons, 750 metric tons, 1,000 metric tons, 1,250 metric tons or 1,500 metric tons only.

5.2 A Delivery Seller may tender for Physical Delivery only whole numbers of CME Europe Warrants, and the full amount of Cocoa that is covered by each CME Europe Warrant must be subject to the tender. Therefore for Bulk Parcels, except as described in paragraph 5.4 below, only whole piles of Cocoa may be tendered for Physical Delivery.

5.3 In order to be considered Valid for Physical Delivery for a specific Contract Month, Cocoa must be recorded in Deliveries Plus and have had assigned to it a satisfactory Grading result no later than the Business Day prior to the first Business Day of the Contract Month. The period for which the Grading result applies must include the whole Contract Month.

5.4 The Clearing House may allocate a Bulk Parcel to multiple Delivery Buyers. Where this occurs, the Clearing House will act in accordance with the section of the Exchange’s Cocoa Procedures regarding “Split Bulk Parcels”.

6 Delivery Timings

6.1 Clearing Members and their Customers with open short positions at the close of trading on the last trading day must tender positions for Physical Delivery on the Tender Day.
6.2 On the last trading day, Clearing Members must finalise the account allocation of Contracts and notify the Clearing House by 18:00 hours London time.

6.3 Where a Clearing Member or its Customer holds a short position at the close of trading on the last trading day, the Clearing Member must provide the Clearing House with a Notice of Tender through Deliveries Plus by 12:00 hours London time on the Tender Day. Failure to provide a Notice of Tender to the Clearing House by this time will constitute a delivery failure.

6.4 The Notice of Tender shall be made through Deliveries Plus, and shall include the details of:
   i. the identity of the Clearing Member making the Notice of Tender;
   ii. the identity and Notional Sub-Account of the Clearing Member’s Customer;
   iii. the number of Lots being tendered for Physical Delivery; and
   iv. the unique identifier codes of the CME Europe Warrant(s) that are to be delivered.

6.5 As described in the Exchange Agricultural Products Contract Module, a Clearing Member may not amend the details of the Notice of Tender, including the identifier codes of the CME Europe Warrant(s), once such Notice of Tender has been submitted.

6.6 Where a Clearing Member or its Customer holds a long position at the close of trading on the last trading day, the Clearing Member must provide the Clearing House with details via Deliveries Plus of the size of each individual position and the amount of Bagged Lots or the size(s) of Bulk Parcel that each long position can accommodate. This information should be provided to the Clearing House by 10:00 hours London time on the Tender Day. Failure to provide this information will result in the Clearing House being entitled to treat the Clearing Member's long position as a single position for each Account.

6.7 On the Tender Day, following the provision of a Notice of Tender by a Clearing Member, the Clearing House shall by 17:00 hours London time provide a Notice of Allocation to a Clearing Member holding a long position in the relevant Contract Month. In allocating Physical Delivery to a long position holder, the Clearing House shall to the extent possible allocate Physical Delivery requirements to long position holders on a random basis, provided that the Clearing House shall always have regard to the number of Parcels that have been tendered, the size and location of each tendered Parcel, and the apparent size of open long positions, with the intention of minimising the requirement to divide Parcels in order to fulfil Physical Delivery.

6.8 The Notice of Allocation described in paragraph 6.7 shall be made through Deliveries Plus, and shall include the details of:
   i) the identity of the Clearing Member to whom the Cocoa has been allocated;
   ii) the Notional Sub-Account of the Clearing Members Customer to whom the Cocoa has been allocated;
   iii) the identity of the Clearing Member tendering the Cocoa;
   iv) the number of Lots being allocated for Physical Delivery;
   v) the unique identifier codes of the CME Europe Warrant(s) that are to be delivered; and
   vi) the Parcel size (for Bulk only), Bagged or Bulk status, location, and Grading result for the Cocoa Beans being allocated.
6.9 At the same time as making the Notice of Allocation described in paragraph 6.7, the Clearing House shall through Deliveries Plus provide to the Clearing Member who submitted the Notice of Tender a Notice of Acknowledgment which shall include the details of the identity of the Clearing Member to whom the Cocoa has been allocated.

6.10 By 12:00 hours London time on the day following the Tender Day, a Clearing Member who has received from the Clearing House a Notice of Allocation shall provide to the Clearing House through Deliveries Plus a Notice of Acceptance which shall include the details of the identity of the Clearing Member's Customer to whom the Cocoa has been allocated.

6.11 On the Delivery Day, the Clearing Member to whom the Cocoa has been allocated shall by no later than 10:00 hours London time pay the Delivery Value in respect of each allocated Lot in cash from its bank account to the bank account of the Clearing House.

6.12 On the Delivery Day, the Delivery Seller shall no later than 11:00 hours London time make a delivery nomination through Deliveries Plus for the transfer of the CME Europe Warrant to the account of the Clearing House. The Clearing House shall accept any valid delivery nomination without delay.

6.13 On the Delivery Day, upon acceptance of the delivery nomination from the Delivery Seller, and subject to having received the payment of the Delivery Value as described in paragraph 6.11, the Clearing House shall:

(i) make a delivery nomination through Deliveries Plus for the transfer of the CME Europe Warrant to the account of the Delivery Buyer, who shall accept such delivery nomination without delay; and

(ii) pay the Delivery Value in respect of each allocated Lot in cash from its bank account to the bank account of the Delivery Seller.

7 Failure to Deliver

7.1 Where a Clearing Member fails to perform its obligations under a Contract and prescribed in these Cocoa Delivery Procedure and the Rules, including but not limited to failure to pay any sum due to the Clearing House in respect of such Contract or failure to complete its Physical Delivery requirements under the Cocoa Futures Contract for any reason, including but not limited to a failure to ensure the accurate, complete and timely submission or acceptance of delivery nominations, the Clearing Member shall take all necessary steps to remedy this failure and shall follow any instructions issued by the Clearing House.

7.2 The Clearing Member shall be liable for and shall indemnify the Clearing House in respect of any additional costs, incurred by the Clearing House in taking any such steps to remedy the failure of the Clearing Member to fulfil its obligations under the Rules. For the avoidance of doubt, such costs may include an administration charge reflecting the Clearing House's internal expenses in relation to the management of the delivery failure arising from the actions or inactions of the Clearing Member.

7.3 Without prejudice to the rights of the Clearing House under the Rules, the Clearing House may liaise with the Exchange and Clearing Members affected by the delivery failure of another Clearing Member and may take any action at its sole discretion under the Rules and these Cocoa Delivery Procedures. In the event of a delivery failure by a Delivery Seller, where the Clearing House is not able to rectify the delivery failure at its sole discretion, the Clearing House may issue a credit note to affected Delivery Buyers for an amount up to the Delivery Value of the failed Physical Delivery.
7.4 In the circumstances set out in paragraph 7.2, the Clearing House shall invoice the relevant Clearing Member(s) and require payment in respect of any such fees and charges in accordance with Rule 4.1.2.

7.5 Notwithstanding that a Clearing Member may be in default in performing its obligations under a Contract, the Clearing House may in its absolute discretion determine not to exercise its rights and powers under the Rules and these Cocoa Delivery Procedures or to delay in exercising such rights and powers. No failure to exercise or delay in exercising such rights and powers shall constitute a waiver of the Clearing House’s rights and powers upon that or any subsequent occurrence, nor shall any partial exercising of such rights and powers prevent the Clearing House from further exercising such rights and powers.

8 Alternative Delivery Arrangements

8.1 Alternative Delivery Arrangements are permitted for Cocoa Futures Contracts as described in the Exchange’s Cocoa Procedures (which form part of the Procedures). Where a Delivery Seller or a Delivery Buyer (the ‘initial party’) wishes to negotiate an Alternative Delivery Arrangement, it shall indicate this intention to the Clearing House through Deliveries Plus no later than 12:00 hours London time on the second Business Day prior to the Delivery Day.

8.2 The Clearing House shall through Deliveries Plus contact the corresponding Delivery Buyer or Delivery Seller (as the case may be) of the Parcel (the ‘second party’), and indicate the intention of the initial party. The second party may in turn indicate that it is willing to open a negotiation.

8.3 Where the second party has indicated that it is willing to negotiate, the Clearing House shall introduce the parties.

8.4 Where the Delivery Seller and the Delivery Buyer agree to Alternative Delivery Arrangements, each party must confirm this to the Clearing House by submitting through Deliveries Plus a Notice of Alternative Delivery to be accepted, must be received by the Clearing House no later than 12:00 hours London time on the Business Day prior to the Delivery Day.

8.5 Where a Notice of Alternative Delivery is received and accepted by the Clearing House, the Clearing House shall remove the Physical Delivery requirements from Deliveries Plus and re-credit any outstanding margin deposits due to the Delivery Seller and the Delivery Buyer. For the avoidance of doubt, where counterparties agree to an Alternative Delivery Arrangement, and submit a valid Notice of Alternative Delivery which is accepted by the Clearing House, the Clearing House shall have no further Physical Delivery, or any other, liability to either party in relation to Contracts in respect of which such Notice of Alternative Delivery has been accepted.