

## Chapter 1253 European Union Allowance (EUA) Futures

### 1253100. SCOPE OF CHAPTER

This chapter is limited in application to European Union Allowance (EUA) Futures. The procedures for trading, clearing, delivery and settlement not specifically covered herein or in Chapter 7 shall be governed by the general rules of the Exchange.

The provisions of these rules shall apply to all EUAs bought or sold for future delivery on the Exchange with delivery at the Union Registry.

The terms “seller” and “buyer” shall mean the seller of the physical product and the buyer of the physical product, respectively. The seller’s Clearing Member and buyer’s Clearing Member may utilize a Designee to perform their respective and necessary obligations with regard to transferring and accepting allowances at the Union Registry in accordance with Rule 1253103.

The EU ETS is based on Directive 2003/87/EC of the European Parliament and of the Council of 13 October 2003 establishing a scheme for greenhouse gas emissions allowance trading within the Community and amending Council Directive 96/61/EC, which entered into force on 25 October 2003, as amended from time to time (the “Directive”).

The term “Authorised Representative” shall have the meaning in the Registry Regulation.

The term “Clearing House Registry Account” shall mean the Trading Account of the Clearing House at the Union Registry as notified by the Clearing House from time to time.

The term “Communication Link” shall mean the electronic exchange of messages/notifications (1) by which a buyer and seller communicate with the Union Registry, and/or (2) by which the Union Registry communicates with EUTL.

The term “Designee” means a third party appointed by a Clearing Member to effect the delivery or receipt of EUAs into a Registry Account in place of such Clearing Member in respect of an open long position or an open short position and who in each case is permitted to make or take delivery of EUAs to or from the Clearing House.

The term “EUA” or “European Union Allowance” shall mean an allowance to emit one metric tonne of carbon dioxide or an amount of other greenhouse gas equivalent set out in the Directive during a specified period valid for the purposes of meeting the requirements of the Directive and transferable in accordance with the Directive that is valid for settlement of obligations under the Directive and as may be determined and notified by the Exchange in its absolute discretion as valid for trading and delivery under the contract and which shall be applicable to existing and new contracts upon such notification by the Exchange.

The term “EUTL” shall mean the independent transaction log provided for in Article 20(1) of the Directive, which automatically checks, records and authorizes all transactions between accounts in the Union Registry, the operation of which is further detailed in the Registry Regulation.

The term “Registry Account” shall mean a valid Trading Account at the Union Registry within the meaning of the Registry Regulation, where the national administrator is the Netherlands or such other national administrator as agreed by the Clearing House from time to time.

The term “Registry Regulation” shall mean the Commission Delegated Regulation (EU) 2019/1122 of 12 March 2019 supplementing the Directive as regards the functioning of the Union Registry.

The terms “Trusted Account” and “Trading Account” shall have the meaning given in the Registry Regulation.

The term “Union Registry” shall mean the single EU Registry operated pursuant to the Registry Regulation for the accounting of transactions under the EU ETS in a standardized and secured electronic database to track the issue, holding, transfer and cancellation of EUAs.

For purposes of these rules, unless otherwise specified, times referred to herein shall refer to and indicate the prevailing time in the Netherlands.

## **1253101. CONTRACT SPECIFICATIONS**

The European Union Allowance (EUA) Futures contract physically delivers European Union Allowance (EUAs) via Trading Accounts maintained at the Union Registry.

## **1253102. TRADING SPECIFICATIONS**

Trading in European Union Allowance (EUA) Futures is regularly conducted in all calendar months. The number of months open for trading at a given time shall be determined by the Exchange.

### **1253102.A. Trading Schedule**

The hours for trading shall be determined by the Exchange.

### **1253102.B. Trading Unit**

The contract unit shall be one thousand (1,000) EUAs for a delivery made by transfer through the Union Registry.

### **1253102.C. Price Increments**

The minimum price fluctuation shall be €0.01 per EUA (€10 per contract). Prices shall be quoted in Euros and Euro cents per EUA. Prices shall be exclusive of any taxes or duties that may be applied to a transaction.

### **1253102.D. Position Limits, Exemptions, Position Accountability and Reportable Levels**

The applicable position limits and/or accountability levels, in addition to the reportable levels, are set forth in the Position Limit, Position Accountability and Reportable Level Table in the Interpretations & Special Notices Section of Chapter 5.

A Person seeking an exemption from position limits for bona fide commercial purposes shall apply to the Market Regulation Department on forms provided by the Exchange, and the Market Regulation Department may grant qualified exemptions in its sole discretion.

Refer to Rule 559 for requirements concerning the aggregation of positions and allowable exemptions from the specified position limits.

### **1253102.E. Termination of Trading**

Trading in the contract shall terminate at 6:00 p.m. on the last Monday of the delivery month for the expiring contract, except as follows:

If the last Monday of the delivery month occurs on a date on which the Union Registry is closed or not available, an Exchange Holiday or a day on which the administrator of the Union Registry in the Netherlands is not processing transfers (“a Union Registry Holiday”) or, if an Exchange Holiday or Union Registry Holiday occurs on any of the four (4) days following the last Monday of the delivery month, trading shall cease on the penultimate Monday of the delivery month.

If the penultimate Monday of the delivery month occurs on a date on which the Union Registry is closed or not available, an Exchange Holiday or a day on which the administrator of the Union Registry in the Netherlands is not processing transfers (“a Union Registry Holiday”) or, if an Exchange Holiday or Union Registry Holiday occurs on any of the four (4) days following the penultimate Monday of the delivery month, trading shall cease on the antepenultimate Monday of the delivery month.

Any contracts remaining open after the last day of trading must be either:

(a) Settled by delivery which shall take place in accordance with Rule 1253105; or

(b) Liquidated by means of a bona fide Exchange for Related Position (“EFRP”) pursuant to Exchange Rule 538. An EFRP is permitted in the expiring futures contract at any time before 8:00 p.m. on the last day of trading of the expiring futures contract. An EFRP which establishes a futures position for either the buyer or the seller in an expired futures contract shall not be permitted following the termination of trading of an expired futures contract.

### **1253103.**

#### **DELIVERY REQUIREMENTS**

EUA delivery shall comply with all requirements for the electronic transfer of EUAs within the Union Registry in accordance with the Registry Regulation. The Clearing Member shall be responsible for fulfilling the delivery requirements of every contract that it has entered into. A Clearing Member may fulfil delivery requirements itself or it may appoint the buyer or seller (as applicable) to act as Designee(s) in its place to fulfil delivery requirements. The Clearing Member must notify the Clearing House of the appointment of each relevant Designee through submission of a completed Designee Notification Form (signed by an authorized signatory of each of the Clearing Member and the Designee) to the Clearing House. A Clearing Member may appoint multiple Designees such that a different Designee may act in respect of any account or customer account, provided that any single account shall have only a single Designee appointed to effect deliveries in respect of such account. Notwithstanding the use of a Designee, all Clearing Members will remain ultimately responsible for performance of all applicable contract terms specific to the sellers’ Clearing Members and buyers’ Clearing Members, as applicable.

Each Registry Account of any Clearing Member or Designee (buyer or seller) utilized for deliveries under this contract must be established as a Trusted Account of the Clearing House Registry Account prior to any delivery.

### **1253104.**

#### **DELIVERY PROCEDURES**

The Exchange is a party to all deliveries under this contract and will receive EUAs from the seller’s Clearing Member or from one or more Designee(s) (as applicable) into the Clearing House Registry Account. Following receipt from the seller’s Clearing Member or their Designee(s), the Exchange will deliver EUAs to the buyer’s Clearing Member or their Designee(s) from the Clearing House Registry Account to the Registry Account nominated by the buyer’s Clearing Member.

The seller’s Clearing Member or their Designee (as applicable) shall comply with such requirements and obligations imposed by or under the Registry Regulation in all respects material to the submission of the forms noted in this rule. The buyer’s Clearing Member or, where applicable, its Designee(s) shall comply with such requirements and obligations imposed by or under the Registry Regulation in all respects material to ensure the acceptance of a valid transfer into the relevant Registry Account. If a provision of the rules of this Chapter or the Exchange rules is inconsistent with a provision of the Registry Regulation, the provision of the rules of this Chapter and the Exchange rules shall prevail as between the buyer’s Clearing Member, seller’s Clearing Member, and the Exchange to the extent of such inconsistency and to the extent permitted by law.

By transferring EUAs to the Exchange (either directly or through a Designee), the seller’s Clearing Member represents and warrants that, at the time of delivery, it (or its Designee, as applicable) has good and marketable title to such EUAs, that such EUAs are free and clear of all liens, security interests, claims, encumbrances and adverse claims.

**1253104.A. Responsibilities of Clearing Members**

## Notice of Intention to Accept

Exchange Clearing Members having open long positions shall provide the Clearing House with a Notice of Intention to Accept delivery by 10:00 p.m. on the final day of trading of the delivery month. The Notice of Intention to Accept must be in the form prescribed by the Exchange and must be properly completed and indicate the name of the buyer, the number of contracts to be accepted, the Union Registry Account Number for the relevant Registry Account, and any additional information as may be required by the Exchange.

## Notice of Intention to Deliver

Exchange Clearing Members having open short positions shall provide the Clearing House with a Notice of Intention to Deliver by 10:00 p.m. on the final day of trading of the delivery month. The Notice of Intention to Deliver must be in the form prescribed by the Exchange, and must be properly completed, indicate the name of the seller, the number of contracts to be delivered, the Union Registry Account Number, and any additional information as may be required by the Exchange.

**1253104.B. Final Settlement Price**

The final settlement price shall be the basis for delivery.

**1253104.C. Assignment Day**

The Clearing House shall allocate Notices of Intention to Accept and Notices of Intention to Deliver by matching positions, to the extent possible.

The Clearing House shall provide Assignment Notice Reports to the respective Clearing Members on the final day of trading of the delivery month.

**1253105. TIMING OF DELIVERY**

1. The seller's Clearing Member or Designee (as applicable) shall submit a transfer request via the Communication Link instructing the transfer of EUAs subject to delivery to the Clearing House Registry Account the Business Day following assignment and such EUAs shall be received into the Clearing House Registry Account no later than 1:00 p.m. on the second Business Day on which the Union Registry administrator in the Netherlands is processing transfers of EUAs after the final day of trading of the delivery month.
2. The buyer's Clearing Member or Designee (as applicable) shall receive EUAs from the Clearing House Registry Account by 4:00 p.m. on the third Business Day after the final day of trading of the delivery month, except where the national administrator of the Registry Account of the buyer's Clearing Member or Designee (as applicable) is not processing transfers, in which case the transfer to the buyer's Clearing Member or Designee (as applicable) may be delayed.
3. The buyer's Clearing Member shall deposit/transfer Euro currency equal to the full value of the product to the designated Clearing House bank account by 1:00 p.m. on the second Business Day following the last day of trading of the delivery month.
4. For each seller's Clearing Member that has satisfied its obligations under subsection (1) of this rule, the Clearing House shall pay the seller's Clearing Member the full contract value by 4:00 p.m. on the third Business Day following the last day of trading of the delivery month.

The timings for delivery by the Clearing House shall be dependent on the operation of the Union Registry and therefore may be subject to change. The Clearing House shall not be liable for any delay in delivery of EUAs under Rule 1253105. where such delays relate to the delay or failure of processing of transactions by the Union Registry or any national administrator of a Registry Account.

**1253106. DELIVERY MARGINS AND PAYMENT****1253106.A. Definitions**

For purposes of this Rule 1253106:

“Payment Date” shall mean the date on which the Clearing House transfers Payment in connection with a delivery to a seller’s Clearing Member.

“Payment” shall include the final settlement price times the number of contracts times 1,000.

**1253106.B. Margin**

The buyer’s Clearing Member and seller’s Clearing Member shall deposit with the Clearing House margins in such amounts and in such form as required by the Clearing House. Such margins shall be returned on the Business Day following notification to the Exchange that delivery and Payment have been completed.

**1253106.C. Payment**

Any Payment made on the Payment Date shall be based on EUAs that the seller’s Clearing Member is obligated to deliver pursuant to the applicable delivery.

**1253107. VALIDITY OF DOCUMENTS**

The Exchange makes no representation with respect to the authenticity, validity or accuracy of any Notice of Intention to Accept, Notice of Intention to Deliver, or of any document or instrument delivered pursuant to these rules.

**1253108. ALTERNATIVE DELIVERY PROCEDURE**

A seller and buyer matched by the Exchange under Rule 1253104.C. may agree to make and take delivery under terms or conditions which differ from the terms and conditions prescribed by this Chapter. In such a case, Clearing Members shall execute an Alternative Notice of Intention to Deliver on the form prescribed by the Exchange and shall deliver a completed and executed copy of such notice to the Exchange. The delivery of an executed Alternative Notice of Intention to Deliver to the Exchange shall release the Clearing Members and the Exchange from their respective obligations under the rules of this Chapter and any other rules regarding physical delivery.

In executing such notice, Clearing Members shall indemnify the Exchange against any liability, cost or expense the Exchange may incur for any reason as a result of the execution, delivery, or performance of such contracts or such agreement, or any breach thereof or default thereunder. Upon receipt of an executed Alternative Notice of Intention to Deliver, the Exchange will return to the Clearing Members all margin monies held for the account of each with respect to the contracts involved.

**1253109. VAT**

While contract prices shall be exclusive of any taxes or duties, should Value Added Tax (“VAT”) be payable on European Union Allowance (EUA) Futures, the relevant buyer shall be responsible for ensuring that it accounts for such VAT to the relevant tax authority under the reverse charge procedure where applicable.

Prior to entry into any European Union Allowance (EUA) Futures contract, Clearing Members must provide such information reasonably requested by the Clearing House for the purposes of determining the applicability of VAT or other taxes, including but not limited to valid VAT registration details, and for the purposes of accounting for any applicable taxes to a tax authority. The Clearing Member is deemed to represent and warrant that the information it has provided under this Rule is complete and accurate each time a contract is entered into.

Where VAT is due and payable and the reverse charge procedure does not apply, including but not limited to circumstances where VAT must be declared by the buyer under the rules for the “place of service” regarding services rendered in relation to European Union Allowance (EUA) Futures contracts:

1. the Clearing Member must notify the Clearing House prior to entry into any European Union Allowance (EUA) Futures contract; and
2. the buyer must make payment of such VAT to the Clearing House as seller at the same time as the payment of the purchase price.

Where the reverse charge procedure applies, the Clearing Member warrants and represents that the relevant buyer has a valid VAT registration and will account for any applicable VAT to the relevant tax authority under the reverse charge procedure.

The Clearing Member agrees to indemnify the Clearing House in respect of any VAT, interest, penalties and associated costs of the Clearing House in the event that the Clearing House does not receive any applicable VAT from the relevant buyer when due under this rule.

#### **1253110. LIABILITY**

Without prejudice to the generality of the rules of the Exchange, neither the Exchange, the Clearing House nor any of its Affiliates shall be liable to any person for any losses, liabilities, damages, claims, costs or expenses arising from or in connection with:

1. the availability or unavailability or performance or failure to perform of any Communication Link, the Union Registry, any national administrator of the Union Registry, the EUTL or any other part of the infrastructure for the issue, holding, transfer, acquisition, surrender, cancellation, replacement or delivery of EUAs, including for the avoidance of doubt, in relation to any loss or unavailability of EUAs held by the Exchange or transferred to or from the Exchange;
2. the validity or otherwise of any EUA for the purposes of meeting the requirements of the Directive or settlement of obligations under the Directive;
3. any act or omission of the European Commission or other governmental body connected with the EU ETS, the operator of any Communication Link, the Union Registry or any national administrator of the Union Registry or any administrator or the EUTL; or
4. any act or omission of an Authorised Representative or Designee of any party.