

# SUBMISSION COVER SHEET

Registered Entity Identifier Code (optional) 13-162 Date: April 29, 2013

**IMPORTANT:** CHECK BOX IF CONFIDENTIAL TREATMENT IS REQUESTED. ☐

## ORGANIZATION

New York Mercantile Exchange, Inc. ("NYMEX")

## FILING AS A:



DCM



SEF



DCO



SDR



ECM/SPDC

## TYPE OF FILING

### • Rules and Rule Amendments



Certification under § 40.6 (a) or § 41.24 (a)



"Non-Material Agricultural Rule Change" under § 40.4 (b)(5)



Notification under § 40.6 (d)



Request for Approval under § 40.4 (a) or § 40.5 (a)



Advance Notice of SIDCO Rule Change under § 40.10 (a)

### • Products



Certification under § 39.5(b), § 40.2 (a), or § 41.23 (a)



Swap Class Certification under § 40.2 (d)



Request for Approval under § 40.3 (a)



Novel Derivative Product Notification under § 40.12 (a)

## RULE NUMBERS

Chapters 260 ("Central Appalachian Coal Futures"), 506 ("Gulf Coast Sour Crude Oil Futures") and 1108 ("Western Canadian Select (WCS) Crude Oil Futures")

## DESCRIPTION

Revisions to three NYMEX physically-delivered futures product chapters (260, 506, 1108) in connection with CFTC Core Principle 7 ("Availability of General Information") compliance.

April 29, 2013

**VIA E-MAIL**

Ms. Melissa Jurgens  
Office of the Secretariat  
Commodity Futures Trading Commission  
Three Lafayette Centre  
1155 21st Street, N.W.  
Washington, D.C. 20581

**Re: Regulation 40.6(a) Rule Certification. Revisions to Three (3) NYMEX Physically-Delivered Futures Product Chapters (260, 506, 1108)  
NYMEX Submission No. 13-162**

Dear Ms. Jurgens:

New York Mercantile Exchange, Inc. ("NYMEX" or the "Exchange") is self-certifying revisions to the following three (3) NYMEX physically-delivered futures product chapters:

- Chapter 260 – Central Appalachian Coal Futures
- Chapter 506 – Gulf Coast Sour Crude Oil Futures
- Chapter 1108 – Western Canadian Select (WCS) Crude Oil Futures

The revisions will become effective on May 14, 2013, and are being adopted to ensure the Exchange's rules are in compliance with CFTC Core Principle 7 ("Availability of General Information") which requires that DCMs make available to the public accurate information concerning the contract market's rules and regulations, contracts and operations. In connection with CFTC Core Principle 7, the Exchange launched a Rulebook Harmonization Project with the goal of eliminating old, erroneous and obsolete language, ensuring the accuracy of all listed numerical values (e.g, trading units, tick sizes, etc.) and harmonizing the language and structure of the NYMEX product chapters with the product chapters of Chicago Mercantile Exchange Inc. ("CME") and Board of Trade of the City of Chicago, Inc. ("CBOT") to the best extent possible. This exercise was already completed for the CBOT product chapters in 2008, in connection with the CME/CBOT merger, and a similar review was recently completed for the CME product chapters. Revisions to additional NYMEX and Commodity Exchange, Inc. ("COMEX") product chapters will be forthcoming later this year.

While the majority of the revisions are stylistic in nature, the substantive revisions include the following changes:

- Clarified and, in certain instances, corrected references to clearing member and position holder
- Inserted boilerplate references to position limits and accountability levels
- Removed references to disciplinary and arbitration procedures (already covered in Exchange Chapters 4 and 6)
- Removed references to Force Majeure (already covered in Exchange Chapter 7B)
- Removed references to Delivery/Advisory Committee (obsolete)
- Aligned language relating to delivery margins with current Exchange rules and practices
- In Chapter 260, removed language pertaining to spread trading (obsolete)

- In Chapter 506, harmonized "Termination of Trading" section, pertaining to liquidation by mean of Exchange for Related Position ("EFRP"), with the language in the Light Sweet Crude Oil futures product chapter
- In Chapter 506, added language pertaining to the timing of payment (harmonized with the Light Sweet Crude Oil futures product chapter)
- In Chapter 1108, expanded the EFRP transaction period, for liquidation purposes only, through 3:30 p.m. on expiration day (the current rule does not allow liquidation via EFRP after termination of trading at 2:30 p.m.)
- In Chapter 1108, corrected the timeliness in the "Delivery Procedures" section, such that deadlines for Notice of Intention to Accept and Deliver and Delivery instructions were moved up by 30 minutes
- In Chapter 1108, added previously omitted section relating to payment instructions

The Market Regulation Department and the Legal Department collectively reviewed the DCM Core Principles as set forth in the Commodity Exchange Act ("Act"). During the review, the Exchange has identified that the changes described above may have some bearing on the following Core Principles:

Compliance with Rules: The changes resulted from a comprehensive review of the existing product chapters, with the goal that the product chapters be completely accurate and for the most part harmonized across products and CME Group Inc. subsidiary exchanges as a result of the revisions. Product terms and conditions were reviewed to ensure accuracy and obsolete and inaccurate information was modified or removed.

Availability of General Information: The revised NYMEX product chapters are part of a larger Core Principle 7 project undertaken to ensure that the product chapters are accurate and remain in compliance with Core Principle 7. Notice regarding the revised product chapters will be disseminated to the marketplace via the issuance of a Special Executive Report and will highlight any changes deemed material.

As previously discussed with the CFTC, the text of the product chapters set forth in Exhibit A are being provided in clean copy only due to the high number of stylistic changes.

The Exchange certifies that the revisions in Exhibit A comply with the Act and regulations thereunder. There were no substantive opposing views to these proposals.

The Exchange certifies that this submission has been concurrently posted on the Exchange's website at <http://www.cmegroup.com/market-regulation/rule-filings.html>.

Should you have any questions concerning the above, please contact Erin Schwartz, Market Regulation, at 312.341.3083 or via email at [Erin.Schwartz@cmegroup.com](mailto:Erin.Schwartz@cmegroup.com), or Nadine Brown, Market Regulation, at 212.299.2223 or via email at [Nadine.Brown@cmegroup.com](mailto:Nadine.Brown@cmegroup.com). In the alternative, you may contact the undersigned at 212.299.2200 or [Christopher.Bowen@cmegroup.com](mailto:Christopher.Bowen@cmegroup.com). Please reference NYMEX Submission No. 13-162 in any related correspondence.

Sincerely,

/s/Christopher K. Bowen  
Managing Director, Chief Regulatory Counsel

Attachments: Exhibit A – Revisions to NYMEX Product Chapters 260, 506 and 1108

## Chapter 260 Central Appalachian Coal Futures

### 260100. SCOPE OF CHAPTER

This chapter is limited in application to Central Appalachian Coal 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 Central Appalachian coal bought and sold for future delivery on the Exchange.

The terms “seller” and “buyer” shall mean the seller of the physical product and the buyer of the physical product, respectively.

For purposes of these rules, unless otherwise specified, times referred to herein shall refer to and indicate New York time.

### 260101. CONTRACT SPECIFICATIONS

Coal shall mean crushed, bituminous coal, substantially free of any extraneous material, with no intermediate sizes to be added or removed and otherwise meeting the specifications of this contract delivered in accordance with the rules of this contract.

Coal delivered under this contract shall meet the following quality specifications on an as-received basis which shall mean that analysis data is calculated to the moisture condition of the sample as it arrived at the laboratory, and before any processing or conditioning. If the sample has been maintained in a sealed state so that there has been no gain or loss, the as-received basis is equivalent to the moisture basis as sampled (as-received does not refer to grindability and sizing):

Btu (British thermal unit) which shall mean the amount of heat required to raise the temperature of one (1) pound of avoirdupois pure water from fifty-eight and five tenths degrees (58.5) Fahrenheit to fifty-nine and five tenths degrees (59.5) Fahrenheit at a constant pressure of 14.73 pounds per square inch absolute: Minimum 12,000 btu/lb., gross calorific value, with an analysis tolerance (the maximum variation in the delivered quality of coal) of 250 btu/lb below (American Society for Testing and Materials (“A.S.T.M.”) D1989)

Ash: Maximum 13.50%, with no analysis tolerance (A.S.T.M. D3174 or D5142)

Sulfur: Maximum 1.00%, with an analysis tolerance of 0.050% above (A.S.T.M. D4239)

Moisture: Maximum 10.00%, with no analysis tolerance (A.S.T.M. D3302 or D5142)

Volatile Matter: Minimum 30.00%, with no analysis tolerance (A.S.T.M. D5142 or D3175)

Grindability: Minimum 41 Hardgrove Index (HGI) with three-point analysis tolerance below. (A.S.T.M. D409)

Sizing: Three inches topsize, nominal, with maximum fifty five per cent passing one quarter inch square wire cloth sieve to be determined basis the primary cutter of the mechanical sampling system. (A.S.T.M. D4749)

Testing: The tests for Grindability and Sizing are at the buyer's option, with the buyer required to (1) direct its inspection company to collect whatever additional samples are necessary for these tests to be performed according to the specified A.S.T.M. guidelines. The buyer will bear any costs for additional sample collection; and (2) notify the seller whether the test is to be conducted pursuant to Section 105.D.

### 260102. TRADING SPECIFICATIONS

Trading in Central Appalachian Coal 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.

#### 260102.A. Trading Schedule

The hours for trading shall be determined by the Exchange.

#### 260102.B. Trading Unit

The contract unit shall be 1,550 tons. A loading tolerance of sixty (60) tons or two percent (2%), whichever is greater, over the total number of contracts delivered per scheduled delivery pursuant to Section 105.E is permitted.

**260102.C. Price Increments**

The minimum price fluctuation shall be \$0.01 per ton. Prices shall be quoted in dollars and cents per ton.

**260102.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.

**260102.E. Termination of Trading**

No trades in Central Appalachian Coal futures in the expiring contract month shall be made after the close of business four business days prior to the first calendar day of the month for such expiring contract (the "last trade date"). In the event that the originally listed last trade date is declared a holiday, the last trade date will move to the business day immediately prior. Any contracts remaining open after the last trade date must be either:

- (A) Settled by delivery which shall take place at any time beginning no earlier than the first calendar day of the delivery month and no later than a date such that there are a minimum of seven (7) calendar days remaining in the delivery month. Delivery of coal may not be completed after the last calendar day of the delivery month.
- (B) Liquidated by means of a bona fide Exchange for Related Position ("EFRP") pursuant to Rule 538. An EFRP is permitted in an expired futures contract until 10:00 a.m. on the first business day following termination of trading in an expired 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.

**260103. INSPECTION SAMPLING AND WEIGHING**

**260103.A. Inspection**

The buyer and the seller shall each select and bear the cost of its own inspection company to:

- 1. jointly supervise the sampling procedures which are to be done with the delivery facility's mechanical sampler as the buyer's barge is being loaded according to A.S.T.M. guideline D 2234, or a mutually agreed upon method, or, in the case of a failure of the mechanical sampler during loading, a method selected by the buyer;
- 2. individually conduct weighing procedures; and
- 3. individually run their own tests on the samples in accordance with Rule 260101.

The inspection companies shall not be affiliated with the parties to the delivery. The inspection companies must be capable of performing the quantity or quality tests requested by the buyer and the seller in such a manner so as to assure that the coal delivered conforms with these rules.

**260103.B. Weight**

Weighing shall be done by draft survey or if the delivery facility has a certified belt scale for weighing coal loaded into the barge, the buyer and seller shall use the weight determined by that scale in lieu of draft weighing.

## **260104. DELIVERY**

### **260104.A. Location of Delivery**

Delivery shall be made free-on-board ("F.O.B.") buyer's barge at seller's delivery facility on the Ohio River between Mileposts 306 and 317 or on the Big Sandy River with all duties, entitlements, taxes, fees and other charges imposed prior to delivery on or in respect to the product paid by the seller. Delivery shall be made in accordance with all applicable Federal, State and local laws.

A seller who delivers to a terminal on the Big Sandy River shall receive a \$0.10 per ton discount below the last settlement price.

The seller's delivery facility must have a mechanical sampler in working condition that is bias-tested in accord with A.S.T.M. D6518.

The seller shall pay all applicable barge demurrage charges if the seller is unable to deliver the coal at a rate sufficient to meet normal requirements for loading a barge. The buyer shall pay all other demurrage charges.

At buyer's option, a delivery shall be made by book-out if the seller agrees to such transfer.

### **260104.B. Timing of Delivery**

A seller may not schedule delivery of coal earlier than the first calendar day of the delivery month and no later than a date such that there are a minimum of seven (7) calendar days remaining in the delivery month. The seller may not complete delivery of coal later than the last calendar day of the delivery month.

## **260105. DELIVERY PROCEDURES**

### **260105.A. Responsibilities of Clearing Members Having Open Long Positions**

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 11:00 a.m. on the first business day after the final day of trading. The Notice of Intention to Accept must be in the form prescribed by the Exchange and must be properly completed and indicate the name(s) of the buyer(s), the number of contracts to be accepted and any other information as may be required by the Exchange.

### **260105.B. Responsibilities of Clearing Members Having Open Short Positions**

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 11:00 a.m. on the first business day after the final day of trading. The Notice of Intention to Deliver must be in the form prescribed by the Exchange and must be properly completed, indicate the name(s) of the seller(s), the number of contracts to be delivered, and any other information as may be required by the Exchange.

### **260105.C. Notice Day**

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

The Clearing House shall provide Assignment Allocation Notices to the respective clearing members by 3:00 p.m. on the first business day after the final day of trading.

The day on which the Assignment Allocation Notices are provided to the clearing members shall be referred to as "Notice Day."

The clearing members that receive Assignment Allocation Notices from the Clearing House shall have agreed to accept or deliver coal, as the case may be. Assignment Allocation Notices are not transferable.

### **260105.D. Responsibilities of Clearing Members in Receipt of Assignment Allocation Notices to Accept Delivery**

#### **1. Notice of Buyer's Inspection Company**

As soon as possible after receipt from the Exchange of an Assignment Allocation Notice, but no later than 11:00 a.m. on the second business day after the final day of trading, the

buyer's clearing member shall provide the Clearing House and the seller's clearing member identified in such Assignment Allocation Notice a properly completed Notice of Buyer's Inspection Company, in the form prescribed by the Exchange, which must include the following information: the name of the designated inspection company; the optional quality inspections that the buyer may select pursuant to testing and sizing in Rule 260101; and, any additional information as may be required by the Exchange.

2. Notice of Barge Company

As soon as possible after receipt from the Exchange of an Assignment Allocation Notice, but no later than 11:00 a.m. on the second business day after the final day of trading, the buyer's clearing member shall provide the Clearing House and the seller's clearing member identified in such Assignment Allocation Notice a properly completed Notice of Barge Company, in the form prescribed by the Exchange, which must identify the barge company that the buyer intends to use to accept delivery of coal as prescribed under the terms of this contract.

**260105.E. Responsibilities of Clearing Members in Receipt of Assignment Allocation Notices to Deliver**

1. Notice of Seller's Inspection Company

As soon as possible after receipt from the Exchange of an Assignment Allocation Notice, but no later than 11:00 a.m. on the second business day after the final day of trading, the seller's clearing member shall provide the Clearing House and the buyer's clearing member identified in such Assignment Allocation Notice a properly completed Notice of Seller's Inspection Company, in the form prescribed by the Exchange, which must include: the name of the designated inspection company; and any additional information as may be required by the Exchange.

2. Notice of Timing and Terminal

As soon as possible after receipt from the Exchange of an Assignment Allocation Notice, but no later than 11:00 a.m. on the second business day after the final day of trading, the seller's clearing member shall provide the Clearing House and the buyer's clearing member identified in such Assignment Allocation Notice a properly completed Notice of Timing and Terminal, in the form prescribed by the Exchange, which must include:

- a. When the seller intends to schedule delivery of coal as prescribed under the terms of this contract. The seller may not schedule delivery of coal earlier than three calendar days after the filing of Notice of Timing and Terminal without written consent of the buyer; and
- b. Name of eligible delivery terminal at which the seller intends to deliver coal as prescribed under the terms of this contract.

3. Notice of Confirmation of Delivery Schedule

The seller's clearing member shall, immediately upon receipt from its designated delivery terminal that its schedule for delivery of coal has been confirmed, provide the Clearing House and the buyer's clearing member identified in the Assignment Allocation Notice a properly completed Notice of Confirmation of Delivery Schedule, in the form prescribed by the Exchange, which must identify the scheduled date for delivery of coal at the terminal and the number of contracts to be delivered.

**260105.F. Final Settlement Price**

The settlement price on the final day of trading shall be the basis for delivery. To determine the delivery price to be utilized in calculating the seller's invoice: multiply the settlement price on the final day of trading for the delivery month, (which shall include any adjustment for delivery location as prescribed in Rule 260104.A, by the ratio of the heat content of the delivered coal to the contract standard (See Rules 260101, 260103 and 260105).

**260105.G. Delivery Day**

Delivery will commence when coal is loaded into the buyer's barge. When the coal enters the buyer's barge, title shall be transferred to the buyer and the buyer shall bear the risk of loss.

The day on which the buyer receives the coal shall be referred to as the Delivery Day.



#### **260105.H. Timing of Inspection**

The buyer and seller shall each deliver to the counterparty copies of the reports of the inspectors on the quality and quantity of coal delivered and inspected pursuant to the terms of this contract no later than 36 hours from completion of barge loading.

If an inspection result for either the buyer or seller is not delivered in accordance with this section, such inspection results will not be used to determine quality and quantity of coal delivered as specified herewith. In the event that a buyer or seller does not receive the inspection results from its counterparty in accordance with this section, such buyer or seller shall immediately notify the Exchange in writing.

#### **260105.I. Final Inspection Results**

The results for each of the quality and quantity tests performed by the buyer's and seller's respective inspection companies will be averaged. The average of the results shall determine whether the coal delivered meets the required quality and quantity specifications, and shall be the basis for payment.

If the buyer and seller choose the same inspector, only one inspection will be taken and shall serve as the basis for determining coal quality, quantity and heat content. In such instance the buyer and seller shall share equally the cost of such inspection. Such inspection shall be the basis for payment.

#### **260105.J. Rejection**

If the coal tendered for delivery does not meet the quality and quantity specifications in accordance with Sections 101 and 102, the buyer may reject such non-conforming coal and notify the Clearing House and the seller's clearing member in the form prescribed by the Exchange no later than 12:00 p.m. on the first business day following receipt of the inspection reports for the coal. The buyer shall return the coal to the seller at seller's cost. The seller shall be required to replace the rejected coal no later than the last calendar day of the delivery month.

### **260106. AMENDMENTS TO DELIVERY**

#### **260106.A. Amendments to Delivery by the Buyer**

The buyer may unilaterally amend, only prior to the commencement of delivery as defined in this contract and upon prior written notification to the seller, the following provisions of this contract:

1. The inspection company as identified in the buyer's clearing member's Notice of Inspection Company; and
2. The optional quality inspections identified in the buyer's clearing member's Notice of Inspection Company; and
3. The barge company as identified in the Notice of Barge Company.

#### **260106.B. Amendments to Delivery by the Seller**

Upon written notification to the buyer, the seller may unilaterally amend the contract terms specified in subsections 1 and 2 below prior to the filing of the Confirmation of Delivery Schedule as defined in this contract, and the contract term specified in subsection 3 below prior to the commencement of delivery as defined in this contract.

1. The eligible delivery terminal as identified in the Notice of Timing and Terminal; and
2. The timing of delivery as identified in the Notice of Timing and Terminal.
3. The inspection company as identified in the Seller's Notice of Inspection Company.

After the Confirmation of Delivery Schedule has been filed, the seller's clearing member may only amend delivery terminal and timing of delivery upon mutual agreement with the buyer's clearing member via data entry into the Clearing House delivery system.

### **260107. DELIVERY MARGIN AND PAYMENT**

#### **260107.A. Margin**

On the first business day following the day on which the buyer's clearing member receives from the seller's clearing member a Notice of Confirmation of Delivery Schedule, the clearing



member shall obtain from any buyer margin equal to the full value of the product to be delivered and the clearing member shall obtain from any seller margin in an amount fixed, from time to time, by the Exchange.

The buyer's clearing member and the seller's clearing member shall deposit with the Clearing House margins in such amounts and in such form as required by the Exchange. Such margins shall be returned on the business day following notification to the Exchange that delivery and payment have been completed.

**260107.B. Payment**

No later than 12:00 p.m. on the business day following the receipt of inspection reports pursuant to Section 105.H and I, the buyer shall pay short contract value by federal funds wire transfer to the account of the seller at the bank nominated by the seller. The term "contract value" shall mean the amount equal to the Final Settlement Price times the number of tons as determined in accordance with Sections 103 and 105.

**260107.C. Transfer of Ownership**

Upon receipt of payment, the seller shall provide the buyer with all appropriate documents necessary to transfer ownership of the coal to the buyer.

**260108. VALIDITY OF DOCUMENTS**

The Exchange makes no representation respecting the authenticity, validity or accuracy of any inspection certificate, Notice of Intention to Deliver, Notice of Intention to Accept, bill of lading, check or of any document or instrument delivered pursuant to these rules.

**260109. ALTERNATIVE DELIVERY PROCEDURES**

A seller and buyer matched by the Exchange under Section 105.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.

## Chapter 506 Gulf Coast Sour Crude Oil Futures

### **506100. SCOPE OF CHAPTER**

This chapter is limited in application to Gulf Coast Sour Crude Oil 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 crude oil bought or sold for future delivery on the Exchange with delivery in Clovelly, Louisiana.

The terms "seller" and "buyer" shall mean the seller of the physical product and the buyer of the physical product, respectively.

For purposes of these rules, unless otherwise specified, times referred to herein shall refer to and indicate New York time.

### **506101. CONTRACT SPECIFICATIONS**

The contract grade for delivery on futures contracts shall be "crude oil" which shall meet the following designations and shall be deliverable in satisfaction of futures contract delivery obligations under this rule:

#### **506101.A. Deliverable Domestic Crude Streams**

Mars blend type crude oil shall be delivered in accordance with the standard operating procedures used by the Louisiana Offshore Oil Port (LOOP) LLC facility.

#### **506101.B. Deliverable Foreign Crude Streams**

1. Foreign crude oil from LOOP LLC's Segregated 17 (Seg 17) stream is deliverable at a discount of 50 cents per barrel below the final settlement price, in accordance with the standard operating procedures used by LOOP LLC;
2. Russian Urals, of normal export quality, is deliverable at a premium of 75 cents per barrel above the final settlement price, in accordance with the standard operation procedures used by LOOP LLC.
3. In the event that a Federal U.S. Superfund tax and/or Oil spill tax is in effect at the time of delivery for foreign crude oil, the buyer shall reimburse seller for all such taxes as had been or will be paid by the seller.

No blends of foreign crude oil streams or foreign and domestic crude oil streams shall be deliverable under this contract.

### **506102. TRADING SPECIFICATIONS**

Trading in Gulf Coast Sour Crude Oil 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.

#### **506102.A. Trading Schedule**

The hours for trading shall be determined by the Exchange.

#### **506102.B. Trading Unit**

The contract unit shall be 1,000 U.S. barrels (42,000 U.S. gallons). Except for delivery made by book-out, in-tank transfer, or in-line transfer pursuant to Section 104, a tolerance of two percent (2%) above or below (1020 U.S. Barrels or 980 U.S. Barrels) the contract unit is permitted. All volumes shall be determined at 60 degrees Fahrenheit.

#### **506102.C. Price Increments**

The minimum price fluctuation shall be \$0.01 (1 cent) per barrel. Prices shall be quoted in dollars and cents per barrel.

#### **506102.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.

**506102.E. Termination of Trading**

No trades in Gulf Coast Sour Crude Oil futures in the expiring contract month shall be made after the third business day prior to the twenty-fifth calendar day of the month preceding the delivery month for such expiring contract. If the twenty-fifth calendar day of the month is a non-business day, trading shall cease on the third business day prior to the last business day preceding the twenty-fifth calendar day of the month preceding the delivery month. Any contracts remaining open after termination of trading must be either:

- (a) Settled by delivery which shall take place no earlier than the first calendar day of the delivery month and shall be completed no later than the last calendar day of the delivery month; or
- (b) Liquidated by means of a bona fide Exchange for Related Position ("EFRP") pursuant to Rule 538. An EFRP is permitted in an expired futures contract at any time before 2:00 p.m. on the first business day following termination of trading in the expired 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.

**506103. RESERVED**

**506104. DELIVERY**

Delivery shall be made free-on-board ("F.O.B.") at any storage facility owned or operated by LOOP LLC at Clovelly, Louisiana. Delivery shall be made in accordance with all applicable Federal executive orders and all applicable Federal, State and local laws and regulations.

For the purposes of this rule, the term F.O.B. shall mean a delivery in which the seller: (1) provides crude oil to the point of connection between LOOP LLC's facilities and the buyer's outgoing pipeline or storage facility which is free from all import duties, liens, encumbrances, unpaid taxes, fees and other charges; (2) retains title to and bears the risk of loss for the product to the point of connection between the buyer's outgoing and the seller's incoming pipeline or storage facility.

At buyer's option, such delivery shall be made by any of the following methods: (1) by intrafacility or interfacility transfer ("pumpover") into a designated storage facility or pipeline; or (2) by in-line transfer, or by in-tank transfer of title to the buyer without physical movement of product, if the facility allows such transfer.

**506105. DELIVERY PROCEDURES**

**506105.A. Responsibilities of Clearing Members Having Open Long Positions**

1. 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 3:00 p.m. on the first business day after the final day of trading. The Notice of Intention to Accept must be in the form prescribed by the Exchange, and must be properly completed and indicate the name(s) of the buyer(s), the number of contracts to be accepted, the buyer(s) preference of sour crude oil by origin (foreign or domestic) and any additional information as may be required by the Exchange. The indication of an origin preference does not guarantee that the buyer(s) will receive product from that origin.

2. Delivery Instructions

On the first business day following Notice Day, the buyer's clearing member shall provide the seller's clearing member and the Exchange with properly completed Delivery Instructions in the form prescribed by the Exchange. Such Delivery Instructions must include the following information:

- a. Name of seller's clearing member;
- b. Tender Number;
- c. Name of the seller(s)' designated crude oil stream (either a specific foreign crude oil stream(s) or domestic crude oil) specified in the Notice of Intention to Deliver;
- d. Name of incoming pipeline or storage facility specified in the Notice of Intention to Deliver;
- e. Number of contracts;
- f. Method of delivery (which must conform to the normal capabilities of the facility named in the Notice of Intention to Deliver with respect to the manner of delivery and the quantity to be delivered);
- g. Name of the outgoing pipeline or storage facility with access to the incoming pipeline or storage facility designated in the Notice of Intention to Deliver (buyer(s) must confirm access with the incoming pipeline or storage facility designated in the Notice of Intention to Deliver);
- h. For inter-facility transfers, name of receiving facility with access to the facility designated in the Notice of Intention to Deliver; and
- i. Any additional information as may be required by the Exchange.

#### **506105.B. Responsibilities of Clearing Members Having Open Short Positions**

##### **1. 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 3:00 p.m. on the first business day after the final day of trading. The Notice of Intention to Deliver must be in the form prescribed by the Exchange, and must be properly completed, indicate the name(s) of the seller(s), the number of contracts to be delivered and whether the designated crude oil stream shall be domestic or a specific foreign crude oil stream. The seller(s) shall designate qualified pipeline or storage facility, and shall also provide any additional information as may be required by the Exchange.

##### **2. Scheduling Notice**

As soon as possible following determination of scheduling, but no later than the last business day of the month preceding the delivery month, the seller's clearing member shall provide the buyer's clearing member and the Exchange with a Scheduling Notice in the form prescribed by the Exchange which must state the delivery time.

#### **506105.C. Amendment of Delivery Instructions**

Notwithstanding the foregoing, at any time prior to the last business day of the month preceding the delivery month, the buyer(s) and the seller(s) may, by mutual agreement, elect to change the delivery terms with respect to the method of delivery, the timing of delivery, the type and/or quality of crude oil to be delivered and the designation of buyer's and/or seller's facility.

Any such change must be made on the form prescribed by the Exchange. Any changes made with respect to the foregoing must be made in conformance with all contract requirements and specifications.

#### **506105.D. Final Settlement Price**

The final settlement price as determined on the last trading day of the expiring contract month shall be the basis for delivery.

#### **506105.E. Notice Day**

The Clearing House shall allocate Delivery Notices and Notices of Intention to Accept by matching size of positions and considering the type of sour crude oil by origin to the extent possible. On the morning of the next business day, the Clearing House shall provide copies of the notices to the respective clearing members. The day on which the notices are provided to the clearing members shall be referred to as the Notice Day. The Notice Day shall be the second business day after the final day of trading.

#### **506105.F. Non-Transferable**

The clearing member who receives a Delivery Notice or a Notice of Intention to Accept from the Clearing House shall be deemed to have agreed to accept or deliver product. Delivery Notices or Notices of Intention to Accept are not transferable.

#### **506106. TIMING OF DELIVERY**

Delivery shall take place no earlier than the first calendar day of the delivery month and shall be completed no later than the last calendar day of the delivery month.

It is the obligation of the seller's clearing member to ensure that the seller's crude oil receipts, including each specific foreign crude oil stream, if applicable, are available to begin flowing ratably, to the extent possible, in Clovelly, Louisiana by the first day of the delivery month, subject to LOOP LLC's or the pipeline's scheduling practices. The timing of delivery shall be determined by either LOOP LLC's or the pipeline's scheduler. The buyer and seller can mutually agree to the delivery timing, subject to the LOOP LLC's or the pipeline's schedule for delivery.

**Transfer of Title** — The seller shall provide the buyer with a pipeline ticket, any other quantitative certificates and all appropriate documents upon receipt of payment.

The seller shall provide preliminary confirmation of title transfer at the time of delivery in electronic format or other appropriate form of documentation.

#### **506107. DELIVERY MARGIN AND PAYMENT**

##### **506107.A. Definitions**

For the purposes of this Section 107,

"Payment Date" shall mean the twentieth day of the month following the delivery month or if such date is a Saturday or an Exchange or New York bank holiday other than Monday, payment shall be made on the preceding day which is not an Exchange or New York bank holiday. If such day is a Sunday or an Exchange or New York bank holiday which occurs on a Monday, payment shall be made on the next day which is not an Exchange or New York bank holiday.

##### **506107.B. Margin**

On the third business day following the last day of trading, the clearing member shall obtain from any buyer margin equal to the full value of the product to be delivered, and the clearing member shall obtain from any seller margin in an amount fixed, from time to time, by the Exchange.

The buyer's clearing member and the seller's clearing member shall deposit with the Clearing House margins in such amounts and in such form as required by the Exchange. Such margins shall be returned on the business day following notification to the Exchange that delivery and payment have been completed.

##### **506107.C. Payment**

No later than 12:00 p.m. on the third business day prior to the Payment Date, the seller shall advise its clearing member of the name and address of the bank, and the name of the account to which payment shall be made. The clearing member shall advise the opposite clearing member who shall advise the buyer. On the Payment Date, the buyer shall pay the short contract value by federal funds wire transfer to the account of the seller at the bank nominated by the seller. The term "contract value" shall mean the amount equal to the settlement price on the last day of trading in a futures contract times one thousand (1,000) times the number of contracts to be delivered.

No later than 12:00 p.m. on the Payment Date, the buyer shall advise its clearing member of the federal funds wire transfer number and the name of the sending bank. The clearing member representing the buyer shall advise the opposite clearing member who shall similarly advise the seller.

Any payment made on the Payment Date shall be based on volume actually delivered, as determined at sixty (60) degrees Fahrenheit. If quantitative results are unavailable prior to the time established in the rules for payment of product, a pro-forma payment based on 1,000 U.S. barrels per contract shall be made. Payment adjustments based on the actual quantity

transferred shall be completed by 12:00 p.m. on the fifth business day after initial payment.

No later than the business day following the Payment Date, the seller shall advise its clearing member of receipt of payment, who shall deliver a notice of payment to the clearing member representing the buyer and the Clearing House. Upon receipt of such notice, the delivery shall be complete.

**506108. VALIDITY OF DOCUMENTS**

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

**506109. ALTERNATIVE DELIVERY PROCEDURES**

A seller and buyer matched by the Exchange under Section 105.E. 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.

## Chapter 1108

### Western Canadian Select (WCS) Crude Oil Futures

#### 1108100. SCOPE OF CHAPTER

This chapter is limited in application to Western Canadian Select (WCS) Crude Oil 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 Western Canadian Select (WCS) crude oil bought or sold for future delivery in Hardisty, Alberta, Canada.

The terms "seller" and "buyer" shall mean the seller of the physical product and the buyer of the physical product, respectively.

For purposes of these rules, unless otherwise specified, times referred to herein shall refer to and indicate New York time.

#### 1108101. CONTRACT SPECIFICATIONS

The contract grade for delivery on futures contracts shall be a blend of heavy crude oil streams from Alberta, Canada meeting the grade and quality specifications for Western Canadian Select ("WCS") for and within the pipeline facilities of Husky Energy Inc. (including any successor in such capacity, "Husky") at Hardisty, Alberta ("Hardisty") and shall be deliverable in satisfaction of contract delivery obligations under these rules. The quality characteristics for WCS exhibit a five-year average for Density of 929.6 kilograms per cubic meter, 20.6 Degrees API for Gravity, and 3.46 weight percent for Sulfur content. The quality characteristics for WCS can be viewed at <http://www.crudemonitor.ca/crude.php?acr=WCS>.

#### 1108102. TRADING SPECIFICATIONS

Trading in Western Canadian Select (WCS) Crude Oil 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.

##### 1108102.A. Trading Schedule

The hours for trading shall be determined by the Exchange.

##### 1108102.B. Trading Unit

The unit of trading shall be 1,000 U.S. barrels (42,000 U.S. gallons). All volumes shall be determined at 15 degrees Celsius (60 degrees Fahrenheit) in accordance with Husky's standard operating procedures for in-line transfers of title to product within the facilities of Husky (as defined below) at Hardisty, and using a conversion factor for U.S. barrels to cubic meters of 6.29287 U.S. barrels per cubic meter.

##### 1108102.C. Price Increments

The minimum price fluctuation shall be \$0.01 (1 cent) per barrel. Prices shall be quoted in U.S. dollars and cents per barrel.

##### 1108102.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.

##### 1108102.E. Termination of Trading

No trades in Western Canadian Select (WCS) Crude Oil futures in the expiring contract month shall be made after one (1) Canadian business day prior to the Notice of Shipments (NOS) date established and made publicly available by Enbridge Pipelines Inc. (including any successor in such capacity, "Enbridge") prior to the start of each calendar year under the Crude Petroleum Rules and Regulations (as amended, replaced or restated) for Enbridge's Mainline System for the month preceding the delivery month. The NOS date occurs on or



about the 20<sup>th</sup> calendar day of the month prior to the delivery month, subject to confirmation by Enbridge. Enbridge's monthly nomination schedule establishing the NOS date for each month of each calendar year will be posted on the Exchange website as part of the termination of trading schedule. Enbridge's monthly nomination schedule and the termination of trading schedule will be subject to amendment as permitted by Enbridge's Crude Petroleum Rules and Regulations.

Any contracts remaining open after termination of trading must be either:

- (a) Settled by delivery which shall take place no earlier than the first calendar day of the delivery month and shall be completed no later than the last calendar day of the delivery month, as determined by Husky in accordance with Husky's standard operating procedures for in-line transfers of title to product within the facilities of Husky at Hardisty; or
- (b) Liquidated by means of a bona fide Exchange for Related Position ("EFRP") pursuant to Rule 538. An EFRP is permitted in an expired futures contract until 3:30 p.m. on the last trade date 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

### **1108103. INSPECTION**

Any inspection of product shall be conducted only in accordance with, and as permitted by, Husky's standard operating procedures for in-line transfers of title to product within the facilities of Husky at Hardisty. All certificates and other documents issued by Husky evidencing the quantity, quality, grade, type and specifications of product delivered and transferred to buyer as recorded by Husky in accordance with such standard operating procedures of Husky shall be determinative and conclusive for all purposes under these rules and for the purposes of any contract under these rules.

### **1108104. DELIVERY**

All deliveries shall be made by in-line transfer of title to product to the buyer within the pipeline facilities of Husky at Hardisty without physical movement of product, free of all duties, liens, encumbrances, unpaid taxes, adverse claims, fees and other charges.

All deliveries shall be made in accordance with all applicable laws and regulations, and in accordance with Husky's standard operating procedures for in-line transfer of title to product within the facilities of Husky at Hardisty.

The seller retains title to, and bears the risk of, loss for the product until, and the buyer assumes title to, and bears risk of, loss for the product as and after, the time of transfer of title, which shall be deemed to occur when the in-line transfer of title to the buyer is recorded by Husky in accordance with Husky's standard operating procedures.

### **1108105. DELIVERY PROCEDURES**

#### **1108105.A. Responsibilities of Clearing Members Having Open Long Positions**

1. 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 4:00 p.m. on the final day of trading. The Notice of Intention to Accept must be in the form prescribed by the Exchange, and must be properly completed and indicate the name(s) of the buyer(s), the number of contracts to be accepted, and any additional information as may be required by the Exchange.
2. Delivery Instructions  
By 4:30 p.m. on the final day of trading, the buyer's clearing member shall provide the seller's clearing member and the Exchange with properly completed Delivery Instructions in the form prescribed by the Exchange. Such Delivery Instructions must include the following information:
  - a. Name of seller's clearing member;
  - b. Tender Number
  - c. Number of contracts;

- d. Method of delivery (which must conform to Husky's standard operating procedures for in-line transfers of title to product within the facilities of Husky at Hardisty in effect with respect to the manner of delivery and the quantity to be delivered); and
- e. Any additional information as may be required by the Exchange.

**1108105.B. Responsibilities of Clearing Members Having Open Short Positions**

1. 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 4:00 p.m. on the final day of trading. The Notice of Intention to Deliver must be in the form prescribed by the Exchange, and must be properly completed indicate the name(s) of the seller(s), the number of contracts to be delivered, and any additional information as may be required by the Exchange.

2. Scheduling Notice

As soon as possible following determination of scheduling, but no later than the last business day of the month preceding the delivery month, the seller's clearing member shall provide the buyer's clearing member and the Exchange with a Scheduling Notice in the form prescribed by the Exchange which must state the delivery time.

**1108105.C. Amendment of Delivery Instructions**

Notwithstanding the foregoing, at any time prior to the last business day of the month preceding the delivery month, the buyer and the seller may, by mutual agreement, elect to change the delivery terms with respect to the method of delivery (provided that the method of delivery must continue to conform to Husky's standard operating procedures for in-line transfers of title to product within the facilities of Husky at Hardisty); or the timing of delivery.

**1108105.D. Final Settlement Price**

The final settlement price shall be the basis for delivery. The final settlement price shall be expressed as a differential to the calendar month average of the NYMEX Light Sweet Crude Oil futures first nearby settlement price.

**1108105.E. Notice Day**

The Clearing House shall allocate Delivery Notices and Notices of Intention to Accept by matching size of positions. The Clearing House shall provide copies of the notices to the respective clearing members on the final day of trading. The day on which the notices are provided to the clearing members shall be referred to as the Notice Day.

**1108105.F. Non-Transferable**

The clearing member who receives a Delivery Notice or a Notice of Intention to Accept from the Clearing House shall be deemed to have agreed to accept or deliver product. Delivery Notices and Notices of Intention to Accept are not transferable.

**1108106.**

**TIMING OF DELIVERY**

Delivery shall take place no earlier than the first calendar day of the delivery month and shall be completed no later than the last calendar day of the delivery month as determined by Husky in accordance with Husky's standard operating procedures for in-line transfers of title to product within the facilities of Husky at Hardisty.

**Transfer of Title** — The seller shall provide the buyer with any quantitative certificates and appropriate documents evidencing the transfer of title to the buyer as recorded by Husky in accordance with Husky's standard operating procedures for in-line transfers of title to product within the facilities of Husky at Hardisty upon receipt of payment.

The seller shall provide preliminary confirmation of title transfer at the time of delivery by facsimile or in electronic format, or other appropriate form of documentation confirming the transfer of title to product, if and as provided from Husky.

**1108107.**

**DELIVERY MARGIN AND PAYMENT**

**1108107.A. Definitions**

For purposes of this Section 107,

"Payment Date" shall mean the twenty-fifth day of the month following the delivery month, or if such date is a Saturday or an Exchange or a Canadian bank holiday other than Monday, payment shall be made on the preceding day which is not an Exchange or a Canadian bank

holiday. If such day is a Sunday or an Exchange or Canadian bank holiday which occurs on a Monday, payment shall be made on the next day which is not an Exchange or a Canadian bank holiday.

"Long" shall mean the customer of a long clearing member or the long clearing member if such clearing member is acting for their own account;

"Short" shall mean the customer of a short clearing member or the short clearing member if such member is acting for their own account.

#### **1108107.B. Margin**

On the third business day following the last day of trading, the clearing member shall obtain from any buyer margin equal to the full value of the product to be delivered and the clearing member shall obtain from any seller margin in an amount fixed, from time to time, by the Exchange.

The buyer's clearing member and the seller's clearing member shall deposit with the Clearing House margins in such amounts and in such form as required by the Exchange. Such margins shall be returned on the business day following notification to the Exchange that delivery and payment have been completed.

#### **1108107.C. Payment**

No later than 12:00 p.m. on the third business day prior to the Payment Date, the seller shall advise its clearing member of the name and address of the bank, and the name of the account to which payment shall be made. The clearing member shall advise the opposite clearing member who shall advise the buyer. On the Payment Date, the buyer shall pay the short contract value by federal funds wire transfer to the account of the seller at the bank nominated by the seller. The term "contract value" shall mean the amount equal to the settlement price on the last day of trading in a futures contract times one thousand (1,000) times the number of contracts to be delivered.

No later than 12:00 p.m. on the Payment Date, the buyer shall advise its clearing member of the federal funds wire transfer number and the name of the sending bank. The clearing member representing the buyer shall advise the opposite clearing member who shall similarly advise the seller.

No later than the business day following the Payment Date, the seller shall advise its clearing member of receipt of payment, who shall deliver a notice of payment to the clearing member representing the buyer and the Clearing House. Upon receipt of such notice, the delivery shall be complete.

Any payment made on the Payment Date shall be based on volume actually delivered as determined by Husky in accordance with Husky's standard operating procedures for in-line transfers of title to product within the facilities of Husky at Hardisty. All quantitative certificates and other documents issued by Husky evidencing the transfer of title to the buyer as recorded by Husky in accordance with Husky's standard operating procedures shall be determinative and conclusive for these purposes. If quantitative results are unavailable prior to the time established in these rules for payment of product, a pro-forma payment based on 1,000 U.S. barrels per contract shall be made. Similarly, if the quality inspection is unavailable, a pro-forma payment based on par qualities shall be made. Payment adjustments based on the actual quantity or quality transferred shall be completed by 12:00 p.m. on the fifth business day after initial payment.

The seller shall be responsible for all royalties, charges, fees, duties, taxes and excises (each and collectively, "Governmental Charges") levied, assessed or imposed by any governmental authority before title to product is transferred to the buyer, and the buyer shall be responsible for all Governmental Charges levied, assessed or imposed by any governmental authority as or after title to product is transferred to the buyer pursuant to any futures contract under these rules. Subject to the foregoing, any Government Charge that is levied, assessed or imposed by any governmental authority on the transaction pursuant to any futures contract under these rules or that is levied, assessed or imposed on, or measured by, the settlement price of or the proceeds of sale from a futures contract under these rules (other than any income tax) is not included in the settlement price payable by the buyer, and the buyer shall be responsible for all such applicable Governmental Charges, furnish the seller with satisfactory certificates evidencing any exemption claimed by the buyer from any such applicable Governmental Charges, and reimburse the seller for any such applicable Governmental Charges paid by the seller.

**1108108. VALIDITY OF DOCUMENTS**

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

**1108109. ALTERNATIVE DELIVERY PROCEDURES**

A seller and buyer matched by the Exchange under Section 105.E. 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.