

## Declared Delivery Procedure for Chukyo-Oil

(As of July 27, 2020)

Tokyo Commodity Exchange, Inc.

### Rule 1 (Purpose)

1. This Procedure shall prescribe matters necessary for the handling of Declared Delivery prescribed in Rule 7 of the Chukyo-Oil Delivery Detailed Rules (hereinafter referred to as the "Detailed Rules").

### Rule 2 (Definitions)

1. A Declared Delivery means physical delivery that is carried out in a manner where Trading Participants (meaning Trading Participants provided for in Rule 6, Paragraph 1 of the Market Rules; the same shall apply hereinafter in Rules 4, 5, 6, 14 and 15) who hold positions in the nearest contract conclude a contract (or other similar agreement) before the last trading day of the nearest contract stating that they will make a delivery with the agreed delivery conditions, and make an application for said delivery to the Exchange.

### Rule 3 (Eligible Entities)

1. Declared Delivery shall be available only to entities that fall under either of the following items and are approved as appropriate by the Exchange.
  - (1) A Trading Participant
  - (2) A Commercial

### Rule 4. (Submission of Request for Declared Delivery)

1. In cases where a Trading Participant who holds a position in the nearest contract (or the first contract during the period from the business day after the last trading day of the previous contract to the last trading day of said month) wishes to request a counterparty for Declared Delivery, it may make an request to the Exchange by using the documents specified by the Exchange that include delivery goods, delivery amount, delivery point, delivery day, delivery

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method, validity period of the request and other delivery terms and conditions within the period from the business day after the last trading day of the previous contract to 2:30 p.m. of the business day before the last day of the application period prescribed in Rule 7, Paragraph 1 of the Detailed Rules.

2. When the Exchange accepts a request pursuant to the preceding paragraph, it will notify Trading Participants of the details of documents pursuant to the provisions of the preceding paragraph (for terms and conditions of the delivery, limited to details permitted by the entity who has made said request) without delay.
3. In cases where a Trading Participant who has submitted a request revises the details included in the documents prescribed in Paragraph 1 (excluding validity period of request and proposed amount), it shall resubmit the documents to the Exchange. In this case, the Exchange will notify Trading Participants of said revised details without delay.

#### **Rule 5 (Application Method and Approval, etc.)**

1. The application method, approval and other relevant matters of Declared Delivery shall be as follows.

(1) A Trading Participant who makes an application shall submit the following documents to the Exchange by 2:30 p.m. of each business day during the application period prescribed in Rule 7, Paragraph 1 of the Detailed Rules (or 3:30 p.m. of the day one business day before the delivery day of the relevant Declared Delivery in cases where the Exchange permits submission of documents specified in c); provided, however, that an application shall be made by 2:30 p.m. of the day two business days before the delivery day of the relevant Declared Delivery.

- a. An application signed by both the buyer and seller;
- b. A copy of the documents such as an agreement in the form prescribed in Rule 5, Paragraph 1 of the Procedure Related to Energy Market and Chukyo-Oil Market Delivery Related Procedure which specifies the delivery day, delivery point, delivery amount and delivery method, among other things, and from which it can be confirmed that said delivery will be made (such documents are hereinafter referred to as the "written agreement and the like");
- c. For cases where physical delivery is made within a tank established in a storage facility prescribed in Rule 2, Paragraph 1, Item 2 of the Detailed Rules or a manufacturing facility (meaning a facility that manufactures hazardous materials prescribed in Article 2 of the Fire Service Act (Act No. 186 of 1948) and that manufactures and stores the class I and II petroleum referred to in the appended table of the same act with permission obtained from the municipal mayor, prefectural governor or Minister of Internal Affairs pursuant to the provisions of Article 11 of the same act (hereinafter referred to as the "municipal mayor, etc.") without physically transferring the delivery goods (hereinafter referred to as "In-Tank Title Transfer"), a document stating that the entity who stores or administers the delivery

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- point or the relevant delivery goods agrees that the In-Tank Title Transfer will be carried out for the said delivery goods between a buyer and seller;
- d. The document prescribed in c. may be omitted in cases where a seller or buyer carries out the In-Tank Title Transfer at a delivery point that is owned by itself (including delivery points where a lease agreement or other similar agreements have been concluded with the tank facility owner or others for whole or part of the tank) or inside a tank where it itself was storing or administering said delivery goods.
- (2) If the Exchange deems that the application pursuant to the preceding item would not be detrimental from the perspective of market supervision, it will approve said application and said application shall take effect upon said approval of the Exchange; provided, however, that in cases where the delivery method is an In-Tank Title Transfer, the Exchange may request the Trading Participants who have made the application to provide a detailed explanation or submit relevant materials about the delivery. In this case, if a Trading Participant refuses to accept the request without legitimate reason, or the Exchange deems it inappropriate for a Trading Participant to carry out the delivery by In-Tank Title Transfer after reviewing said explanation or materials, the Exchange may instruct said Trading Participant to change the delivery method or refuse to approve said application.
- (3) The positions for which Declared Delivery has taken effect shall be excluded from the marked to market calculation effective from the following trading day.
- (4) The Exchange will notify Trading Participants without delay of applications that have taken effect, and notify the relevant Trading Participants of the delivery payment (for gasoline, the gasoline tax and the local gasoline tax according to the delivery amount shall be added; the same shall apply hereinafter) and the amount equivalent to applicable consumption tax (including local consumption tax; the same shall apply hereinafter) (the total of the delivery payment and the amount equivalent to applicable consumption tax is hereinafter referred to as the "tax-inclusive delivery payment").
- (5) In cases where a Trading Participant who has made an application revises the details included in the application and/or written agreement and the like prescribed in Item 1 (excluding amount under application), it shall resubmit the documents to the Exchange by 3:30 p.m. of the delivery day (or by 3:30 p.m. of the previous business day if the day falls on a non-business day). In this case, the Exchange will renotify the relevant Trading Participants of the tax-inclusive delivery payment without delay.
2. In cases where a Declared Delivery takes effect, the Trading Participant who has made the application shall make the delivery according to the method specified by Japan Securities Clearing Corporation (hereinafter referred to as "JSCC").

## Rule 6 (Revision and Cancellation of Submission for Request, etc.)

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1. A Trading Participant who has requested a counterparty for Declared Delivery may not revise the requested period of validity or requested amount, cancel the request, or carry out offsetting transactions for the requested amount; provided, however, that the same shall not apply if application for the Declared Delivery is not made by the last day of the validity or a reason specified by JSCC arises.
2. A Trading Participant who has made an application for a Declared Delivery may not revise the amount under application, cancel the application, or carry out offsetting transactions for the amount under application; provided, however, that the same shall not apply in cases where the Exchange rejects said application pursuant to the provisions of Rule 5, Paragraph 1, Item 2.

### **Rule 7 (Good Delivery Materials)**

1. Good delivery materials shall be delivery goods that meet the following criteria and that have been agreed upon by delivery parties.
  - (1) Gasoline

Either domestically refined gasoline or imported gasoline that has cleared the custom, that meets the quality criteria for gasoline standards prescribed in Article 10 of the Regulation for Enforcement of the Act on the Quality Control of Gasoline and Other Fuels (Order of the Ministry of Economy, Trade and Industry No. 24 of 1977);
  - (2) Kerosene
    - a. Kerosene

Either domestically refined kerosene, or imported kerosene that has cleared the custom, that meets the quality standards of Japanese Industrial Standard K2203 No. 2;
    - b. Heavy oil Bunker A

Either domestically refined heavy oil, or imported heavy oil that has cleared the custom, that meets the quality standards of Japanese Industrial Standard K2205, type 1 in schedule 1;
    - c. Jet fuel

Either domestically refined aviation turbine fuel, or imported aviation turbine fuel that has cleared the custom, that meets the quality standards of Japanese Industrial Standard K2209.

### **Rule 8 (Delivery Point)**

1. The delivery point shall be either a storage facility prescribed in Rule 2, Paragraph 2 of the Detailed Rules or a manufacturing facility prescribed in Rule 5, Paragraph 1, Item 1 of this Procedure which is located in Japan and that has been agreed upon by the delivery parties.

### **Rule 9 (Calculation of Weights of Delivery Goods)**

1. The weight of the delivery goods shall be based on the numerical value stated in the copy of the documents certifying that the delivery has been completed, such as the statement of delivery or

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the cargo handling agreement; provided, however, that with respect to In-Tank Title Transfer, the weight of the delivery goods shall be based on the numerical value stated in the application and the written agreement and the like prescribed in Rule 5, Paragraph 1, Item 1.

2. The minimum measuring unit for delivery goods shall be 1 liter. Any resulting fraction that is less than 1 liter shall be rounded off.

### **Rule 10 (Weight Tolerance of Delivery Goods)**

1. In cases where the weight of delivery goods exceeds or falls short of the delivery amount stated in the application or written agreement and the like prescribed in Rule 5, Paragraph 1, Item 1 (hereinafter referred to as the "stated delivery amount") by two percent or less, the buyer shall accept said goods and the settlement shall be completed at the delivery price for weight of delivery goods.
2. In cases where the weight of delivery goods exceeds or falls short of the stated delivery amount by more than two percent (2%), the handling of the difference shall be determined between the delivery parties.

### **Rule 11 (Relationship Between Number of Positions to Be Settled and Weight of Delivery Goods)**

1. The number of positions in the nearest contract that can be settled by Declared Delivery shall be the number agreed upon by the delivery parties which is within the number of positions calculated by converting the weight of the delivery goods into delivery units as prescribed in Rule 18 of the Market Rules; provided, however, that in converting the weight of the delivery goods into delivery units, any resulting fraction exceeding 50% of the minimum delivery unit may be deemed as the minimum delivery unit for purposes of settlement of the position.

### **Rule 12 (Delivery Day)**

1. The delivery day shall be a day that falls within the period from the first day of the month before the nearest contract to the end of the nearest contract and that has been agreed upon by the delivery parties.

### **Rule 13 (Delivery Price)**

1. The delivery price shall be the settlement price of the nearest contract on the day when the relevant Declared Delivery takes effect.

### **Rule 14 (Retention of Delivery Certification Documents)**

1. A Trading Participant who has carried out a Declared Delivery shall retain documents specified in Rule 5, Paragraph 1, Item 1, c.

**Rule 15 (Recording on Statutory Book)**

1. A Trading Participant who has carried out a Declared Delivery shall record the delivery in the statutory book in a manner that clearly indicates that delivery was made by way of Declared Delivery.

**Rule 16 (Other)**

1. Matters not specified in this Procedure shall be determined based on an agreement between the delivery parties.

**Rule 17 (Revision or Abolition)**

1. Revision or abolition of this Procedure shall be approved by the Representative Director, President.

**Supplementary Provisions**

This procedure shall take effect on October 12, 2010.

**Supplementary Provisions**

The revisions to provisions of Rule 3 (Eligible Entities), Rule 5 (Application Method and Approval, etc.), Rule 6 (Revision and Cancellation of Submission for Request, etc.), Rule 9 (Calculation of Weights of Delivery Goods) and Rule 19 (Recording on Statutory Book) shall take effect on May 15, 2012.

**Supplementary Provisions**

The revisions to provisions of Rule 2 (Definitions) and Rule 3 (Eligible Entities) shall take effect on March 31, 2014.

**Supplementary Provisions**

The revisions to provisions of Rule 14 (Delivery Method) shall take effect on October 1, 2014.

**Supplementary Provisions**

The revisions to provisions of Rule 14 (Delivery Method) and Rule 18 (Retention of Delivery Certification Documents) shall take effect on March 22, 2016.

**Supplementary Provisions**

The revisions to provisions of Rule 7 (Good Delivery Materials) and Rule 12 (Delivery Day) shall take effect on October 20, 2016 and apply to the December 2016 contract and subsequent contracts.

**Supplementary Provisions**

The revisions to provisions of Rule 2 (Definitions), Rule 3 (Eligible Entities), Rule 4 (Submission of Request for Declared Delivery), Rule 5 (Application Method and Approval, etc.), Rule 6 (Revision and Cancellation of Submission for Request, etc.), Rule 18 (Retention of Delivery Certification Documents) and Rule 19 (Recording on Statutory Book) shall take effect on October 31, 2016.

**Supplementary Provisions**

The revisions to provisions of Rule 5 (Application Method and Approval, etc.), Rule 14 (Delivery Method) and Rule 18 (Retention of Delivery Certification Documents) shall take effect on May 8, 2017.

**Supplementary Provisions**

The revisions to provisions of Rule 7 (Good Delivery Materials) shall take effect on July 1, 2019.

**Supplementary Provisions**

The revisions to Rule 5 (Application Method and Approval, etc.) shall take effect on September 17, 2019.

**Supplementary Provisions**

These revisions shall take effect on December 1, 2019.

**Supplementary Provisions**

These revisions shall take effect on July 27, 2020.