

## Energy Declared Delivery Procedure

(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 (hereinafter referred to as "Declared Delivery") prescribed in Rule 10 of the Energy Delivery Detailed Rules (hereinafter referred to as the "Detailed Rules").

### Rule 2 (Definitions)

1. Declared Delivery means physical delivery carried out in a manner in which the 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, 15, and 16), holding a position in the nearest contract, conclude a contract, etc., prescribing the terms of delivery, agreed between the delivery parties prior to the Last Trading Day of the nearest contract, and make an application for such delivery to the Exchange.

### Rule 3 (Eligible Persons)

1. Eligibility to carry out a Declared Delivery shall be limited to those who fall under either of the following items and are approved by the Exchange as appropriate:
  - (1) Trading Participants; or
  - (2) Commercials.
2. Notwithstanding the provision of preceding paragraph, in the case of gas oil, sellers shall fall under Rule 3, Paragraph 1, Items 1 and 2 of the Detailed Rules and buyers shall fall under any of the items from Rule 3, Paragraph 1, Items 1 through 4 thereof, and all be approved by the Exchange as appropriate.

### Rule 4 (Notice of Intention to Make Declared Delivery)

1. In cases where Trading Participants holding a position in the nearest contract (or the first contract during the period from the business day immediately following the Last Trading Day of the previous contract to the last business day of the current month), seeks a counterparty to a Declared Delivery, the Trading Participants may notify the Exchange of its intention to make a Declared Delivery by submitting a document, prescribed by the Exchange, describing the delivery goods, delivery amount, delivery point, delivery day, delivery method, validity period for the notice, and other terms and conditions of the delivery, within the period from the business day immediately following the last trading day of the previous contract to 2:30 p.m. of the business day immediately preceding the last day of the application period, as

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- prescribed in Rule 10, Paragraph 1 of the Detailed Rules.
2. Upon receipt of the notice prescribed in the preceding paragraph, the Exchange shall, without delay, notify Trading Participants of the contents of the document submitted, pursuant to the provisions of the preceding paragraph (with respect to the terms and conditions of delivery, the contents to be notified shall be limited to those approved by the applicant).
  3. If the Trading Participants who has made such notice intends to change any of the matters described in the document prescribed in Paragraph 1 (excluding the validity period for the notice and the proposed delivery amount), the Trading Participants shall submit a revised document to the Exchange. In this case, the Exchange shall notify Trading Participants of the revisions without delay.

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

1. The application method, approval, etc. for Declared Delivery shall be as follows:
  - (1) Trading Participants making an application for Declared Delivery shall submit the following documents to the Exchange by 2:30 p.m. of each business day falling within the application period prescribed in Rule 10, Paragraph 1 of the Detailed Rules (or, with respect to the document prescribed in Sub-item c, by 3:30 p.m. of the business day immediately preceding the delivery day if approved by the Exchange); provided, however, that the application shall be made by 2:30 p.m., two (2) business days prior to the delivery day.
    - a. Application forms signed jointly by the seller and the buyer;
    - b. Copy of a written agreement or similar documents in the form prescribed in Rule 5 of Energy Market and Chukyo-oil Market Delivery Related Procedure, describing the delivery day, delivery point, delivery amount, delivery method, etc., (hereinafter referred to as a "written agreement and the like") that can be used to confirm that said delivery will be carried out;
    - c. In cases where physical delivery within a tank installed in a refinery, prescribed in Rule 2, Paragraph 1, Item 2 of the Detailed Rules, or a storage facility, prescribed in Rule 2, Paragraph 1, Item 3 thereof, without physically transferring delivery goods (hereinafter referred to as "In-Tank Title Transfer") is to be carried out, a written document stating that a person who administers the delivery point, or warehouses of the delivery goods, has agreed that In-Tank Title Transfer of said delivery goods will be made between the seller and the buyer; and
    - d. In cases where In-Tank Title Transfer is to be carried out at the delivery point owned by the seller or the buyer (including a delivery point for which a leasing agreement or similar agreement has been concluded with a tank facility owner or others with respect to the whole or part of a tank), or within a tank in which said delivery goods are stored or administered by the seller or the buyer, the document prescribed in Sub-item c may be omitted.
  - (2) If the Exchange determines that the Declared Delivery proposed in an application submitted pursuant to the preceding item would not be detrimental to market management, the Exchange shall approve the request, and upon such approval, the application shall be finalized and take effect. However, cases where the proposed delivery method is In-Tank Title Transfer, the Exchange may require the applicant to provide a detailed explanation or relevant materials about the delivery. If the Trading Participants refuses without justification, or if as a result of receiving and examining said explanation or materials, the Exchange determines that delivery by way of In-Tank Title Transfer is inappropriate, the Exchange may instruct the Trading Participants to change the delivery method, or may refuse to approve said application;
  - (3) The positions for which Declared Delivery has taken effect shall be excluded from the unrealized profit and loss calculation starting from the following trading day;
  - (4) The Exchange shall, without delay, notify Trading Participants of applications that have taken effect, and of the Delivery Payment (including in the case of physical delivery of gasoline any amount of gasoline tax and local gasoline tax charged in proportion to the delivery amount and in the case of physical delivery of gas oil any amount of gas oil delivery tax charged when the delivery is made by way of a taxable transaction; the same

shall apply hereinafter) and the amount of consumption tax applicable thereto (including local consumption tax; the same shall apply hereinafter) (the sum of the delivery payment and the amount of consumption tax applicable thereto shall be hereinafter referred to as "Delivery Payment"); and

- (5) If Trading Participants who have made such an application intend to change any of the matters described in the application form, or the written agreement and the like, prescribed in Item 1 (excluding the proposed delivery amount), the Trading Participants shall submit a revised application form and other required documents to the Exchange by 3:30 p.m. on the delivery day (if the delivery day falls on a holiday, by 3:30 p.m. of the business day immediately preceding the delivery day). In this case, the Exchange shall notify said Trading Participants of the Delivery Payment again without delay.
2. When the proposed Declared Delivery has taken effect, the Trading Participants who have made such application shall carry out delivery, in a manner prescribed by the Japan Securities Clearing Corporation (hereinafter referred to as "JSCC").

#### **Rule 6 (Cancellation and Change of Application, etc.)**

1. Trading Participants who have made a notice of intention to make Declared Delivery may not change the validity period of the notice or proposed delivery amount, nor cancel the notice, nor execute an offset transaction for the proposed delivery amount. However, this provision shall not apply in cases where no application for Declared Delivery has been made by the expiration of the validity period for the notice, or where there occurred an event that was equivalent to those prescribed by JSCC.
2. Trading Participants who have made an application for Declared Delivery may not change the proposed delivery amount, nor cancel the application, nor execute an offset transaction for the proposed delivery amount. However, this provision shall not apply in cases where the Exchange has refused to approve an application, pursuant to the provisions of Rule 5, Paragraph 1, Item 2.

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

1. The Good Delivery Material shall be those delivery goods satisfying the standards prescribed below and agreed upon by the delivery parties:
  - (1) Gasoline  
Domestically refined gasoline, or imported gasoline for which the customs formalities for import have been completed, that satisfies the quality standard of the Japan Industrial Standard K2202, No.2;
  - (2) Kerosene
    - a. Kerosene  
Domestically refined kerosene, or imported kerosene for which the customs formalities for import have been completed, that satisfies the quality standard of the Japan Industrial Standard K2203, No.2;
    - b. Heavy oil Bunker A  
Domestically refined heavy oil, or imported heavy oil for which the customs formalities for import have been completed, that satisfies the quality standard of the Japan Industrial Standard K2205, Type 1 in schedule 1;
    - c. Jet fuel  
Domestically refined aviation turbine fuel, or imported aviation turbine fuel for which the customs formalities for import have been completed, that satisfies the quality standard of the Japan Industrial Standard K2209; and
  - (3) Gas oil  
Domestically refined gas oil, or imported gas oil for which the customs formalities for import have been completed, that satisfies any of the quality standards (Special No. 1 through Special No. 3) set forth in Table 1 of the Japan Industrial Standard K2204 and that satisfies the quality standard prescribed in Article 22, Paragraph 1 of Act on the Quality Control of Gasoline and Other Fuels (Ordinance of the Ministry of International

Trade and Industry No.24 of 1977).

**Rule 8 (Delivery Points)**

1. The delivery points shall be those refineries, prescribed in Rule 2, Paragraph 1, Item 2 of the Detailed Rules, or storage facilities prescribed in Rule 2, Paragraph 1, Item 3 thereof, that are located in Japan and are agreed upon by the delivery parties.

**Rule 9 (Calculation of Weight 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 Cargo Handling Agreement or the statement of delivery; 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 form, 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. If the weight of the delivery goods is within plus or minus two-percents (2%) of the delivery amount stated in the application form, or the written agreement and the like prescribed in Rule 5, Paragraph 1, Item 1 (hereinafter referred to as the "stated delivery amount"), the buyer shall accept delivery and the settlement shall be completed at the delivery price for said weight of the delivery goods.
2. If the weight of the delivery goods exceeds or falls short of the weight limit of the stated delivery amount, plus or minus two-percents (2%) of the proposed delivery amount, the handling of the excess or shortage shall be determined between the delivery parties.

**Rule 11 (Relationship Between the Number of Positions to Be Settled and the 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, provided that the number falls within the range calculated by converting the weight of the delivery goods into the delivery units, prescribed in Rule 18 of the Market Rules. However, in converting the weight of the delivery goods into the delivery units, any resulting fraction exceeding 50% of the minimum delivery unit may be deemed to the minimum delivery unit for purposes of settlement of the position.

**Rule 12 (Delivery Day)**

1. The delivery day shall be a day falling within the period from the 1<sup>st</sup> day of the preceding month of the nearest contract to the last day of the nearest contract that is agreed upon between the delivery parties.

**Rule 13 (Delivery Price)**

1. The delivery price shall be equal to the settlement price of the nearest contract on the day on which the Declared Delivery takes effect.

**Rule 14 (Application Mutatis Mutandis of the Energy Delivery Detailed Rules)**

1. The provisions of Rule 3, Paragraphs 2 through 5, Rule 4 and Rule 5 of the Detailed Rules shall apply *mutatis mutandis* to Declared Delivery.

**Rule 15 (Preservation of Documents Proving the Delivery)**

1. Trading Participants who carry out Declared Delivery shall preserve the documents prescribed in Rule 5, Paragraph 1, Item 1, c.

**Rule 16 (Recording on the Statutory Book)**

1. Trading Participants who carry out 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 17 (Others)**

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

**Rule 18 (Revision or Abolition)**

1. Revision or Abolition to this Procedure shall be approved by the Representative Director, President.

**Supplementary Provisions**

The Procedure shall be in effect as of December 1, 2008.

**Supplementary Provisions**

Revisions to Rule 3 (Eligible Persons) through Rule 7 (Good Delivery Material), Rule 11 (Relationship between the Number of Positions to be Settled and the Weight of Delivery Goods), and Rule 14 (Delivery Method) shall be in effect as of May 7, 2009.

**Supplementary Provisions**

Revisions to Rule 2 (Definitions) shall be in effect as of October 8, 2009 when the revisions to Rule 87 (Category of Membership) take effect.

**Supplementary Provisions**

Revisions to Rule 3 (Eligible Persons), Rule 5 (Application Method and Approval, etc.), Rule 7 (Good Delivery Material), Rule 9 (Weight of Delivery Goods), Rule 14 (Delivery Method), and Rule 18 (Preservation of Documents Proving the Delivery) shall be in effect as of May 6, 2010.

**Supplementary Provisions**

Revisions to Rule 3 (Eligible Persons), Rule 5 (Application Method and Approval, etc.), Rule 6 (Cancellation and Change of Application, etc.), Rule 9 (Weight of Delivery Goods), and Rule 19 (Recording on the Statutory Book) shall be in effect as of May 15, 2012.

**Supplementary Provisions**

Revisions to Rule 2 (Definitions) and Rule 3 (Eligible Persons) shall be in effect as of March 31, 2014.

**Supplementary Provisions**

Revisions to Rule 14 (Delivery Method) shall be in effect as of October 1, 2014.

**Supplementary Provisions**

Revisions to Rule 14 (Delivery Method) and Rule 18 (Preservation of Documents Proving the Delivery) shall be in effect as of March 22, 2016.

**Supplementary Provisions**

Revisions to Rule 7 (Good Delivery Material) and Rule 12 (Delivery Day) shall be in effect as of October 20, 2016 and shall apply to the December 2016 contract and subsequent contracts.

**Supplementary Provisions**

Revisions to Rule 2 (Definitions), Rule 3 (Eligible Persons), Rule 4 (Notice of Intention to Make Declared Delivery), Rule 5 (Application Method and Approval, etc.), Rule 6 (Cancellation and Change of Application, etc.), Rule 18 (Preservation of Documents Proving the Delivery) and Rule 19 (Recording on the Statutory Book) shall be in effect as of October 31, 2016.

**Supplementary Provisions**

Revisions to Rule 7 (Good Delivery Material) shall be in effect as of November 14, 2016 and shall apply to the delivery of June 2017 contract and subsequent contract.

**Supplementary Provisions**

Revisions to Rule 5 (Application Method and Approval, etc.), Rule 14 (Delivery Method) and Rule 18 (Preservation of Documents Proving the Delivery) shall be in effect as of May 8, 2017.

**Supplementary Provisions**

Revisions to Rule 7 (Good Delivery Material) shall be in effect as of July 1, 2019.

**Supplementary Provisions**

Revisions to the name of this Procedure, Rule 1 (Purpose), Rule 5 (Application Method and Approval, etc.) and Rule 17 (Application Mutatis Mutandis of the Oil Delivery Detailed Rules) shall be in effect as of September 17, 2019.

**Supplementary Provisions**

Revisions to Rule 7 (Good Delivery Material) shall be in effect as of November 14, 2016 and shall apply to the physical delivery of June 2017 contract and subsequent contracts.

**Supplementary Provisions**

The revision shall be in effect as of December 1, 2019.

**Supplementary Provisions**

The revision shall be in effect as of July 27, 2020.