

Rules on Handling concerning Declared Delivery related to Energy



Japan Securities Clearing Corporation

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(In effect as of July 27, 2020)

Contents

Provisions

Supplementary Provisions

(Article 1. Purpose)

These Rules set forth, pursuant to the provisions of Paragraph 4 of Article 60 of the Business Rules on Business of Assuming Commodity Transaction Debts, matters necessary for the Declared Delivery^{*1} in the settlement by delivery of the Physical Settlement Futures Contracts related to the contracts listed on the market listed in Item (1) of Article 3 of the said Rules.

(^{*1} referring to the declared delivery prescribed by the Designated Market Operator)

(Article 2. Definition of Terms)

In these Rules, the terms listed below shall have the meanings set forth in the following Items:

- (1) "Receiving Energy Futures Clearing Participant" means the Energy Futures Clearing Participant receiving the delivery goods;
- (2) "Delivery Price" means the delivery price prescribed by the Designated Market Operator;
- (3) "Maritime Shipment" means shipment by means of a tanker or tank barge prescribed in Paragraph 10 and Paragraph 11 of Article 2 of the Regulations for the Carriage and Storage of Dangerous Goods in Ship (Ordinance of the Ministry of Transport No. 30 of 1957)^{*1};
(^{*1} hereinafter referred to as "Inland Water Vessel")
- (4) "Declared Delivery Day" means a day agreed between the Delivering Energy Futures Clearing Participant and the Receiving Energy Futures Clearing Participant as the delivery settlement day on which the Declared Delivery is to be performed pursuant to the rules of the Designated Market Operator;
- (5) "Refinery" means a dangerous goods manufacturing facility prescribed in Article 2 of the Fire and Disaster Management Act (Act No.186 of 1948) that is used to manufacture and store 1st Class and 2nd Class Petroleums set forth in the Schedule attached thereto under the license granted by the head of municipalities, prefectural governor or the Minister of Internal Affairs and Communications^{*1} pursuant to the provisions of Article 11 of the said Act;
(^{*1} hereinafter referred to as "Head of Municipalities")
- (6) "Storage Facility" means a dangerous goods storage facility prescribed in Article 2 of the Fire and Disaster Management Act that is used to store 1st Class and 2nd Class Petroleums set forth in the Schedule attached thereto under the license granted by the Head of Municipalities pursuant to the provisions of Article 11 of the said Act;
- (7) "Ground Shipment" means a shipment using a mobile tank storage facility prescribed in Item (6) of Article 2 of the Cabinet Order concerning the Regulation of Dangerous Goods (Cabinet

Order No. 306 of 1959);

- (8) “Delivering Energy Futures Clearing Participant” means the Energy Futures Clearing Participant delivering the delivery goods.

(Article 3. Delivery Method)

The delivery method for the Declared Delivery shall be as follows:

- (1) The Delivering Energy Futures Clearing Participant shall submit a shipping request and other documents prescribed by the Designated Market Operator^{*1} by noon on the Business Day immediately preceding the Declared Delivery Day.

(^{*1} hereinafter referred to as “Shipping Request”)

- (2) The Receiving Energy Futures Clearing Participant shall, by noon on the Business Day immediately preceding the Declared Delivery Day, pay the Delivery Payment^{*1} to JSCC and receive the Shipping Request as prescribed in the preceding Item;

(^{*1} referring to the sum of the delivery payment^{*1-1} and the amount equivalent to consumption tax applicable thereto^{*1-2}; the same applies hereinafter)

(^{*1-1} in the case of delivery of gasoline, the amount after addition of any amount of gasoline tax and local gasoline tax charged in proportion to the delivery amount, and in the case of delivery of gas oil, the amount after addition of any amount of gas oil delivery tax charged when the delivery is made by way of a taxable transaction; the same applies hereinafter)

(^{*1-2} including local consumption tax; the same applies hereinafter)

- (3) The delivery method shall be Maritime Shipment or Ground Shipment, or other method agreed between the parties to the delivery;
- (4) Notwithstanding the delivery unit prescribed by the Designated Market Operator, a delivery prescribed in the preceding Item may be made in more than one installment;
- (5) For a delivery of gas oil, the Delivering Energy Futures Clearing Participant and the Receiving Energy Futures Clearing Participant shall submit to JSCC the gas oil delivery party's written confirmation prescribed by the Designated Market Operator by the time when the delivery is completed;
- (6) The Receiving Energy Futures Clearing Participant shall submit to JSCC the Delivery Completion Notice prescribed by JSCC by 3:30 P.M. on the day that is tree (3) days^{*1} from and after the Declared Delivery Day. In such case, the Receiving Energy Futures Clearing

Participant shall prepare the Delivery Completion Notice based on a document, such as a copy of the cargo handling agreement or the statement of delivery, certifying that the delivery has been definitively completed^{*2}, and keep the Agreements and submit them to JSCC upon request.

(*1 excluding Non-Business Days; the same applies hereinafter when counting the number of days)

(*2 hereinafter referred to as "Agreements")

(7) When the Delivery Completion Notice prescribed in the preceding Item is submitted, JSCC shall pay the Delivery Payment to the Delivering Energy Futures Clearing Participant by noon on the next day following the date of its submission; provided, however, that those submitted to JSCC after 3:30 P.M. shall be treated as submitted on the next day of the date of submission;

(8) If there is an excess or shortfall between the stated delivery amount and the weight of the delivery goods^{*1}, the Receiving Energy Futures Clearing Participant shall report the weight of such excess or shortfall in the delivery goods to JSCC by 3:30 P.M. on the day that is three (3) days from and after the last delivery day of the current contract month. JSCC shall adjust the Delivery Payment for such excess or shortfall in a manner prescribed below according to the classification set forth in below Items:

(*1 only within the weight tolerance prescribed by the Designated Market Operator)

a. For an excess in the weight of the delivery goods:

(a) JSCC shall, on the day on which the Delivery Completion Notice is submitted or the excess in the weight of the delivery goods is reported, calculate the Delivery Payment with respect to the excess using the Delivery Price and notify both the Delivering Energy Futures Clearing Participant and the Receiving Energy Futures Clearing Participant thereof; and

(b) The Receiving Energy Futures Clearing Participant shall pay to JSCC the said amount by noon on the day that is five (5) days from and after the last delivery day of the current contract month and JSCC shall pay the said amount to the Delivering Energy Futures Clearing Participant by noon on the next day following the day on which the said amount is paid by the Receiving Energy Futures Clearing Participant.

b. For a shortfall in the weight of the delivery goods:

(a) JSCC shall, on the day on which the Delivery Completion Notice is submitted or the

Rules on Handling concerning Declared Delivery related to Energy

shortfall in the weight of the delivery goods is reported, calculate the Delivery Payment with respect to the shortfall using the Delivery Price and notify both the Delivering Energy Futures Clearing Participant and the Receiving Energy Futures Clearing Participant thereof; and

(b) The Delivering Energy Futures Clearing Participant shall pay to JSCC the said amount by noon on the day that is five (5) days from and after the last Delivery Day of the current contract month and JSCC shall pay the said amount to the Receiving Energy Futures Clearing Participant by noon on the next day following the day on which the said amount is paid by the Delivering Energy Futures Clearing Participant.

(9) The payment and receipt of money set forth in the preceding two Items shall be performed according to the manner set forth below:

a. A Clearing Participant making a payment of money shall open an account at the bank^{*1} which is selected by the Clearing Participant from the banks designated by JSCC, and shall make a remittance from such account to the account held in the name of JSCC at such Delivery Settlement Bank.

(*1 hereinafter referred to as the "Delivery Settlement Bank")

b. A Clearing Participant receiving a payment of money shall open an account at the Delivery Settlement Bank and receive it at such account.

2 Notwithstanding the provisions of the preceding Paragraph, when the settlement by delivery through the Declared Delivery is to be performed by way of In-tank Title Transfer^{*1}, the provisions of the following Items shall apply:

(*1 referring to a delivery within a tank installed in a Refinery or a Storage Facility without physically transferring delivery goods; the same applies hereinafter)

(1) The Receiving Energy Futures Clearing Participant shall, by noon on the Business Day immediately preceding the Declared Delivery Day, pay the Delivery Payment to JSCC;

(2) The Receiving Energy Futures Clearing Participant shall submit to JSCC the Delivery Completion Notice prescribed by JSCC by 3:30 P.M. on the next day following the Declared Delivery Day;

(3) The Delivering Energy Futures Clearing Participant or the Receiving Energy Futures Clearing Participant shall submit to JSCC a document containing assurance of a person who administers the delivery point, or a person who warehouses or administers the delivery goods, that the delivery goods owned either by the Delivering Energy Futures

Rules on Handling concerning Declared Delivery related to Energy

Clearing Participant or the Receiving Energy Futures Clearing Participant are or were stored in the tank as of the Declared Delivery Day by 3:30 P.M. on the next day following the Declared Delivery Day;

- (4) JSCC shall pay the Delivery Payment to the Delivering Energy Futures Clearing Participant by noon on the next day following the date of submission of the documents prescribed in the preceding two Items;
- (5) Notwithstanding the delivery unit prescribed by the Designated Market Operator, a delivery by way of In-tank Title Transfer may be made in more than one installment.

(Article 4. Delivery Costs)

Sharing of costs incurred for inspection, measuring and shipping or loading required at the time of the settlement by delivery through the Declared Delivery shall be determined between the parties to the delivery.

(Article 5. Claim of Deficiency)

The Receiving Energy Futures Clearing Participant may not file a claim of deficiency as to the delivery goods and the like delivered through Declared Delivery.

(Article 6. Application of Rules on Handling concerning Settlement by Delivery related to Energy)

The provisions of Article 10 of the Rules on Handling concerning Settlement by Delivery related to Energy shall apply *mutatis mutandis* to the Declared Delivery.

(Article 7. Retention of Documents Certifying Delivery)

The Energy Futures Clearing Participants who carry out the settlement by delivery through the Declared Delivery by way of In-tank Title Transfer shall keep the documents prescribed in Item (3) of Paragraph 2 of Article 3.

(Article 8. Other)

With respect to a Declared Delivery, matters not set forth in the Business Rules on Business of Assuming Commodity Transaction Debts or other rules shall be determined by an agreement between the parties to the delivery.

Supplementary Provisions

These Rules shall come into effect on July 27, 2020.