

Rules on Handling concerning Customized Delivery related to Chukyo- Oil



Japan Securities Clearing Corporation

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**Rules on Handling concerning Customized Delivery related to Chukyo-Oil
(In effect as of July 27, 2020)**

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(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 Customized Delivery^{*1} in the settlement by delivery for the Physical Settlement Futures Contracts related to the contracts listed on the market listed in Item (2) of Article 3 of the said Rules.

(*1 referring to the customized delivery prescribed by the Designated Market Operator; the same applies hereinafter)

(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) "Delivery Day" means the delivery day prescribed by the Designated Market Operator;
- (4) "Maritime shipment" means a shipment by means of a tanker or tank barge^{*1} 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 hereinafter referred to as "Inland Water Vessel")
- (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)^{*1};
(*1 hereinafter referred to as "Tank Lorry")
- (8) "Delivering Energy Futures Clearing Participant" means the Energy Futures Clearing Participant delivering the delivery goods.

(Article 3. Delivery Method)

1 The delivery method for Customized Delivery shall be as follows:

- (1) The Delivering Energy Futures Clearing Participant shall submit the documents listed in a. and b. below^{*1} by noon on the Business Day immediately preceding the Delivery Day:
 - a. Shipping Request^{*2};
 - b. Quality Certification^{*3};

(^{*1} as to the document described in b., subject to the provisions of the following Article)

(^{*2} referring to the shipping request and other documents prescribed by the Designated Market Operator; the same applies hereinafter)

(^{*3} referring to a document prescribed by the Designated Market Operator as a document certifying Delivery Day, delivery points, delivery amount, delivery method and the fact that the delivery goods submitted for delivery qualify as Good Delivery Material; the same applies hereinafter)
- (2) The Receiving Energy Futures Clearing Participant shall, by noon on the Business Day immediately preceding the Delivery Day, pay the Delivery Payment^{*1} to JSCC and receive the Shipping Request and Quality Certification 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; 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) 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 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")
- (6) 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;

- (7) 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 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 Customized 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 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 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 Clearing Participant or the Receiving Energy Futures Clearing Participant are or were stored in the tank as of the Delivery Day by 3:30 P.M. on the next day following the 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; and
- (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. Quality Certification)

When the delivery is made at a Storage Facility*1 qualifying as a delivery point, if the Receiving Energy Futures Clearing Participant requests that a Quality Certification be attached, the Delivering Energy Futures Clearing Participant shall do so:

(*1 only when the delivery falls under none of the cases listed below)

- (1) When performing a delivery at a Storage Facility approved by the Designated Market Operator;
- (2) When performing a delivery at a location other than the delivery points prescribed by the Designated Market Operator by an agreement between the parties to the delivery; or
- (3) When performing a delivery by goods other than good delivery material prescribed by the Designated Market Operator;

(Article 5. Arrangement and Registration of Tank Lorry or Inland Water Vessel)

- 1 The Tank Lorry for Ground Shipment and Inland Water Vessel for Maritime Shipment shall be arranged by the Receiving Energy Futures Clearing Participant, unless it is arranged by the Delivering Energy Futures Clearing Participant. In this case, the Receiving Energy Futures Clearing Participant shall arrange a Tank Lorry or Inland Water Vessel satisfying the standard for entry permission prescribed by the delivery point.
- 2 When the arrangement of the Tank Lorry or Inland Water Vessel is completed, the Receiving Energy Futures Clearing Participant shall promptly notify the Delivering Energy Futures Clearing Participant of that fact.
- 3 Upon receipt of the notification from the Receiving Energy Futures Clearing Participant prescribed in the preceding Paragraph, the Delivering Energy Futures Clearing Participant shall cooperate with the Receiving Energy Futures Clearing Participant so that the Receiving Energy Futures Clearing Participant can complete all the procedures required to be followed in accordance with the rules prescribed by the delivery point, including the registration of the Tank Lorry or Inland Water Vessel arranged by the Receiving Energy Futures Clearing Participant, by the Delivery Day.
- 4 Notwithstanding the provisions of the preceding three Paragraphs, in case of a delivery at a location other than the delivery points prescribed by the Designated Market Operator or a delivery through a shipment method other than Ground Shipment or Maritime Shipment, the delivery method shall be determined by an agreement between the parties to the delivery.

(Article 8. Scope of Responsibilities of the Delivering Energy Futures Clearing Participant)

- 1 The scope of responsibilities of the Delivering Energy Futures Clearing Participant in connection with a delivery shall be, in case of a Ground Shipment, until the entire amount of the delivery goods pass the top end of the loading arm for a Tank Lorry of the facility and, in case of a Maritime Shipment, until all the delivery goods pass the connection point between the terminal flange of the hose used for the delivery and the manifold flange of the Inland Water Vessel.
- 2 Notwithstanding the provisions of the preceding Paragraph, in case of a delivery at a location other than the delivery points prescribed by the Designated Market Operator or a delivery through a shipment method other than Ground Shipment or Maritime Shipment*1, the delivery method shall be determined by an agreement between the parties to the delivery. (*1 including the In-tank Title Transfer)

(Article 7. Delivery Costs)

- 1 Delivery costs shall be shared as follows:

- (1) Costs incurred for inspection, measuring and shipping or loading required at the time of delivery shall be borne by the Delivering Energy Futures Clearing Participant;
- (2) Costs incurred for the arrangement of the Tank Lorry or Inland Water Vessel shall be borne by the Receiving Energy Futures Clearing Participant;
- (3) Costs incurred for the issuance of the Quality Certification shall be borne by the Delivering Energy Futures Clearing Participant; and
- (4) Sharing of other costs not prescribed in the Business Rules on Business of Assuming Commodity Transaction Debts and other rules shall be determined by the parties to the delivery based on mutual consultation.

2 Notwithstanding the provisions of the preceding Paragraph, in case of a delivery at a location other than the delivery points prescribed by the Designated Market Operator or a delivery through a shipment method other than Ground Shipment or Maritime Shipment*1, the delivery method shall be determined by an agreement between the delivery parties. (*1 including the In-tank Title Transfer)

(Article 5. Claim of Deficiency)

1 When JSCC acknowledges that there is a deficiency in delivery goods, such as a shortfall in weight, existence of impurities or water, or is of a quality not satisfying the standard for good delivery material prescribed by the Designated Market Operator, the Receiving Energy Futures Clearing Participant may file a claim of deficiency against JSCC and the Delivering Energy Futures Clearing Participant by 5:00 P.M. on the next day following the Delivery Day using a form prescribed by JSCC. provided, however, that in case of a delivery at a location other than the delivery points prescribed by the Designated Market Operator, a delivery through a shipment method other than Ground Shipment or Maritime Shipment*1 or a delivery by goods other than good delivery material prescribed by the Designated Market Operator, the Receiving Energy Futures Clearing Participant may not file a claim of deficiency against JSCC or the Delivering Energy Futures Clearing Participant.

(*1 including the In-tank Title Transfer)

2 Upon filing a claim of deficiency in the cases prescribed in the preceding Paragraph, the Receiving Energy Futures Clearing Participant must submit an evidence and the like by which the fact of the deficiency of the relevant delivery goods can be confirmed. In this case, the evidence and the like must be those acknowledged by the Delivering Energy Futures Clearing Participant.

(Article 9. Retention of Documents Certifying Delivery)

The Energy Futures Clearing Participants who carry out the settlement by delivery through the Customized Delivery by way of In-tank Title Transfer shall keep the documents prescribed in

Item (3) of Paragraph 2 of Article 3.

(Article 10. Application of Rules on Handling concerning Settlement by Delivery related to Chukyo-Oil)

The provisions of Article 10 and Article 12 through Article 15 of the Rules on Handling concerning Settlement by Delivery related to Chukyo-Oil shall apply mutatis mutandis to the Customized Delivery.

(Article 11. Other)

With respect to a Customized 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.