

CIRCULAR

07 MARCH 2016

CIRCULAR 16/027

GUIDANCE - ICE FUTURES EUROPE POLICY ON EXCHANGE FOR PHYSICAL CONTRACTS IN SOFT COMMODITY CONTRACTS

CATEGORY

General

ATTACHMENTS

None

The purpose of this Circular is to advise Market Participants of the ICE Futures Europe (“the Exchange”) policy on use of the Exchange for Physical (“EFP”) to roll positions in the Soft Commodities Contracts affected by performance issues on underlying physical transactions.

Background

Following feedback from Market Participants, the Exchange has reviewed its guidance relating to how positions in Soft Commodity Contracts may be rolled from one expiry to another in the event of an issue with the due performance of an underlying physical transaction. For example, a seller is unable to ship Cocoa due to an issue at origin which is beyond the reasonable control of the seller but would impact the due performance of the underlying physical transaction. In such an instance, the Exchange acknowledges the impact this will have on Market Participants party to Exchange deliverable Contracts, and the resulting need to adequately manage the exposure. With this in mind, the Exchange has considered it acceptable for such Participants to utilise the EFP facility in such circumstances to roll their position to reflect amended terms of their underlying physical contract.

Requirements

In permitting this, Members must ensure that they can demonstrate to the Exchange, on request, that there was a genuine issue with the due performance of the physical contract to evidence the legitimacy of the EFP transaction. In addition, Members must have supporting agreements in place relating to the underlying physical contract, in accordance with Rule F.5.C and Trading Procedure 16B, which outline clearly the terms of the agreement and any amendment, and also the rationale/basis for the amendment.

Market participants must act with due care and diligence when executing such arrangement and utilising the EFP facility. When notified of an issue with the delivery of the underlying physical contract that will impact due performance of the futures contract, Market Participants must not delay reporting the EFP.

Members must also not utilize the EFP facility to circumvent Exchange Rules or to mislead market counterparties in any way. In the absence of any issue with the due performance of the underlying physical contract, firms are expected to roll contracts by trading in the market or using the Crossing Order method.

Members are required to manage Positions in Exchange Contracts in accordance with Exchange Rules and Guidance, and with due care and diligence, at all times.

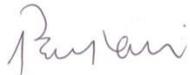
Failure to adhere to these requirements may render the Member liable to further investigation or disciplinary action by the Exchange.

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Please ensure that the appropriate members of staff within your organization and customers are advised of the content of this Circular.

Signed:



Patrick Davis
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