

SECTION 7F1 - CONTRACT RULES: ICE FUTURES UKA AUCTION CONTRACT

<u>7F1.1</u>	<u>Contracts for the Transfer of UK Carbon Emissions Allowances between Nominated Holding Accounts by way of Auction</u>
<u>7F1.2</u>	<u>Quantity</u>
<u>7F1.3</u>	<u>Other Definitions</u>
<u>7F1.4</u>	<u>Price</u>
<u>7F1.5</u>	<u>Delivery under a UKA Auction Contract</u>
<u>7F1.6</u>	<u>Exclusion of Liability</u>
<u>7F1.7</u>	<u>Payment under a UKA Auction Contract</u>
<u>7F1.8</u>	<u>Buyer's Obligations</u>
<u>7F1.9</u>	<u>Buyer's Security</u>
<u>7F1.10</u>	<u>Failure to Perform and/or Delay in Performance of Obligations and Delivery Costs under a UKA Auction Contract</u>
<u>7F1.11</u>	<u>Arbitration and Dispute Resolution</u>
<u>7F1.12</u>	<u>Force Majeure</u>

7F1.1 CONTRACTS FOR THE TRANSFER OF UK CARBON EMISSIONS ALLOWANCES BETWEEN NOMINATED HOLDING ACCOUNTS BY WAY OF AUCTION

- (a) The ICE Futures UKA Auction Contract Rules contained in this Section 7F1, and the provisions of Sections 7F2, are applicable to the auctioning of UKA Auction Contracts.
- (b) A UKA Auction Contract shall be for the sale by the Clearing House and purchase by the Buyer of UK Carbon Emissions Allowances for transfer from the Nominated Holding Account of the Clearing House to the Nominated Holding Account of the Buyer during the Delivery Period specified in the UKA Auction Contract in accordance with, or pursuant to, these ICE Futures UKA Auction Contract Rules, the Administrative Procedures and the Clearing House procedures. For the purposes of these ICE Futures UKA Auction Contract Rules, Transfer of UK Carbon Emissions Allowances as between Nominated Holding Accounts of the Buyer and the Seller maintained in the Registry pursuant to Rule 7F1.5 shall, subject to Rule 7F1.1(d), constitute “delivery”. The Auctioneer Seller shall not be under any obligation pursuant to this Section 7F1, Section 7F2 or the Clearing House procedures, except as otherwise expressly agreed between the Auctioneer Seller and the Exchange or the Clearing House. Accordingly any provision which could be interpreted as binding the Auctioneer Seller shall be interpreted instead as solely being information as to expected processes and procedures. Nothing in this Section 7F1, Section 7F2, the Clearing House procedures or any agreement between the Exchange or the Clearing House and the Auctioneer Seller shall exclude any obligation of the Auctioneer Seller under the GGETS Auctioning Regulation.
- (c) All deliveries under a UKA Auction Contract shall be made to and from the Registry.
- (d) The Clearing House shall from time to time determine and notify Members of one or more Nominated Holding Accounts which it will use for the delivery of UK Carbon Emissions Allowances under a UKA Auction Contract in accordance with Clearing House procedures.
- (e) The Exchange shall from time to time, in its absolute discretion, determine the Allowance Types for the purposes of identifying the UK Carbon Emissions Allowances which may be delivered under a UKA Auction Contract. The Exchange shall from time to time issue a list of such Allowance Types and may, at any time, upon such notice as considered appropriate by the Exchange circulated to Members, add or withdraw an Allowance Type from such list (and any such change may, according to its terms, have effect on existing as well as new UK Carbon Allowance Contracts including UKA Auction Contracts).

7F1.2 QUANTITY

- (a) Subject to Rule 7F1.2(b), UKA Auction Contracts shall be for one or more lots of UK Carbon Emissions Allowances to be delivered during the Delivery Period as specified in the UKA Auction Contract (it being understood that a lot refers to 500 UK Carbon Emissions Allowances).
- (b) The UKA Auction Contracts shall be traded and delivered in a minimum number of lots or multiples thereof.

7F1.3 OTHER DEFINITIONS

In these ICE Futures UKA Auction Contract Rules and the related Administrative Procedures, the following terms shall bear the meanings set out opposite each:

“Allowance Type” means any type of UKA, determined and notified to Members by the Exchange from time to time. For any Allowance Type, the Exchange may

	<u>specify such criteria as it deems appropriate, including without limitation the type, nature and source of an UKA;</u>
<u>“Auction”</u>	<u>means an auction of UKA Auction Contracts pursuant to this Section 7F1 and Section 7F2 of the Exchange Rules;</u>
<u>“Auction Clearing Price”</u>	<u>means, in respect of a UKA Auction Contract, the auction price determined by the Exchange in accordance with the Administrative Procedures;</u>
<u>“Auction Monitor”</u>	<u>means the Financial Conduct Authority (FCA);</u>
<u>“Auction Participant”</u>	<u>means, with respect to participation in a particular Auction, an Exchange Member, a client of an Exchange Member, a client of such client, or other person that meets the eligibility requirements of Regulation 17 and 18 of the GG ETS Auctioning Regulations;</u>
<u>“Auction Platform”</u>	<u>means the ICE Futures Europe WebICE application on which the UKA Auction Contracts will be listed and which will be accessible to Auction Participants for the submission of bids during a Bidding Window;</u>
<u>“Auction Reserve Price”</u>	<u>means the “Auction Reserve Price” as defined under Regulation 6(9), GG ETS Auctioning Regulations</u>
<u>“Auctioneer Seller”</u>	<u>means the “auctioneer”, as such term is defined in Regulation 2(1) of the GG ETS Auctioning Regulations, with respect to a particular Auction;</u>
<u>the “Auction Specifications”</u>	<u>means, in relation to an Auction, the document setting out information about the UKA Auction Contracts to be auctioned, the timing for the bidding process, participation criteria and other matters in writing in the format of the template Auction Specifications set out in Annex B to Section 7F2 of the Regulations;</u>
<u>“Authorised Representative”</u>	<u>means a natural person authorised pursuant to Regulation 5(5) of the GG ETS Auctioning Regulations to represent a Nominated Holding Account Holder and submit process requests to the Registry on behalf of such Nominated Holding Account Holder;</u>
<u>the “Bidding Window”</u>	<u>means, in relation to an Auction, the time window specified by the Exchange in the applicable Auction Specifications for the submission of bids;</u>
<u>“Buyer”</u>	<u>means the Buyer (as defined in Rule A.1) or such other person, that is the purchaser of UK Carbon Emissions Allowances under a UKA Auction Contract;</u>
<u>“Civil Penalties”</u>	<u>means any penalties as set out in Part 7, Chapter 2, GG ETS Order;</u>
<u>“Clearing Account”</u>	<u>means a “nominated bank account” as defined under the GG ETS Auctioning Regulations, which is also an account set up in the ICE Futures Europe Clearing Administration application which is identified by the relevant Exchange Member from time to time as representing a particular Auction Participant;</u>
<u>“Clearing House procedures”/</u> <u>“Procedures”</u>	<u>means the procedures of the Clearing House from time to time in force as prescribed under the Clearing House Rules;</u>
<u>“Clearing House Directions”</u>	<u>means any instructions or requests that the Clearing House may issue to the Buyer or other Clearing Member from time to time in respect of the delivery of UK Carbon Emissions Allowances under a UKA Auction Contract;</u>

<u>“Contract Date”</u>	<u>means for a UKA Auction Contract between a Buyer and the Clearing House, the Closing Time for the relevant auction;</u>
<u>“Delivery Costs”</u>	<u>means an amount payable by a Buyer which is attributable to a Transfer Request Failure referred to the Exchange under Rule 7F1.10(c) or a Transfer Request Delay. For Transfer Request Failures such reasonable costs may include, but will not be limited to, any losses, costs, damages and expenses suffered or incurred by the Buyer as a result of it taking steps to acquire UK Carbon Emissions Allowances in the event of a Transfer Request Failure. Delivery Costs resulting from Transfer Request Failures and Transfer Request Delays shall not under any circumstances include any Civil Penalties which a Buyer may incur under the Scheme;</u>
<u>“Delivery Period”</u>	<u>means:</u> <u>(i) for a UKA Auction Contract which is a two-day spot contract, the period beginning immediately after the announcement of the results of a particular Auction (in accordance with Rule 7F2.1(kk)) and ending at 16:00 hours on the first Business Day following the relevant Contract Date. Where a Transfer Request Delay occurs, the period shall end at such later time as the Clearing House may direct under Rule 7F1.5, which in any event shall not be a time beyond 16:00 hours on the third Business Day after the relevant Contract Date. During this period, delivery of UK Carbon Emissions Allowances is to take place in accordance with the terms of these ICE Futures UKA Auction Contract Rules, the Administrative Procedures and the Clearing House procedures; and</u> <u>(ii) for a UKA Auction Contract which is a five-day Futures Contract, the period beginning immediately after the announcement of the results of a particular Auction (in accordance with Rule 7F2.1(kk)) and ending at 16:00 hours on the fourth Business Day following the relevant Contract Date. Where a Transfer Request Delay occurs, the period shall end at such later time as the Clearing House may direct under Rule 7F1.5, which in any event shall not be a time beyond 16:00 hours on the sixth Business Day after the relevant Contract Date. During this period, delivery of UK Carbon Emissions Allowances is to take place in accordance with the terms of these ICE Futures UKA Auction Contract Rules, the Administrative Procedures and the Clearing House procedures.</u>
<u>“GG ETS Auctioning Regulations”</u>	<u>means The Greenhouse Gas Emissions Trading Scheme Auctioning Regulations 2021, as amended from time to time;</u>
<u>“GG ETS Order”</u>	<u>means The Greenhouse Gas Emissions Trading Scheme Order 2020 as amended from time to time;</u>
<u>“GG ETS Regulator”</u>	<u>means the authority or authorities set out in Section 9(1) of the GG ETS Order, as applicable;</u>
<u>“Governmental Authority”</u>	<u>shall have the meaning given to that term in the Clearing House Rules;</u>
<u>“Margin Account”</u>	<u>means, in relation to a Clearing Member, either its Proprietary Account or Customer Account, or in relation to a Sponsor and/or Sponsored Principal, the Individually Segregated Sponsored Account, in which the positions in its Position-Keeping Accounts are notionally recorded by the Clearing House for the purpose of calling margin on that Clearing Counterparty’s positions in accordance with the Clearing House procedures;</u>
<u>“Nominated Holding Account”</u>	<u>means an account maintained by the Registry pursuant to the Registry Regulations in order to record the holding and transfer of UK Carbon Emissions Allowances;</u>

<u>“Nominated Holding Account Holder”</u>	<u>means a person who has an account at the Registry as referenced in the Registry Regulations;</u>
<u>“Position-Keeping Account”</u>	<u>means any sub-account within the Clearing House’s clearing system in which an Exchange Member’s positions with the Clearing House are recorded, being either: (1) any of the following commonly designated Position-Keeping Accounts: H, N, S, L, D, U, F, W or Z (and, in the case of a non-clearing Member, including an identifying three letter Member mnemonic); or, (2) any other account that the Clearing House makes available within its clearing system from time to time;</u>
<u>“Registry”</u>	<u>means the single UK Emissions Trading Registry established pursuant to the GG ETS Auctioning Regulations in order to ensure the accurate accounting of the issue, holding, transfer, acquisition, surrender, cancellation, and replacement of UK Carbon Emissions Allowances under the Scheme;</u>
<u>“Registry Account Terms and Conditions”</u>	<u>means the terms and conditions parties sign up to in order to open a Nominated Holding Account at the Registry;</u>
<u>“Registry Administrator”</u>	<u>has the meaning given to that term in the Registry Regulations, as applicable;</u>
<u>“Registry Regulations”</u>	<u>means, in each case, as applicable and as amended from time to time: (1) the GG ETS Order; (2) the GG ETS Auctioning Regulations; and (3) the Registry Account Terms and Conditions</u>
<u>“Required Authorisations”</u>	<u>means all governmental and other licences, authorisations, permits, consents, contracts and other approvals (if any) that are required to enable a Buyer to fulfil any of its obligations under a UKA Auction Contract;</u>
<u>“Scheme”</u>	<u>means the scheme for transferring UK Carbon Emissions Allowances established pursuant to the GG ETS Order;</u>
<u>“Seller”</u>	<u>means the Clearing House or the Auctioneer Seller as the seller of UK Carbon Emissions Allowances under a UKA Auction Contract;</u>
<u>“Transfer”</u>	<u>means the transfer of all UK Carbon Emissions Allowances required to be delivered</u> <u>(i) under a UKA Auction Contract; or</u> <u>(ii) in the case of a transfer from the Auctioneer Seller, the GG ETS Auctioning Regulations,</u> <u>from one Nominated Holding Account to another under and in accordance with the Scheme;</u>
<u>“Transfer Request”</u>	<u>means a request to effect a Transfer submitted by (i) the Auctioneer Seller, (ii) the Clearing House or (ii) the Buyer, to the Registry in respect of a Delivery Period, in the manner required by GG ETS Auctioning Regulations and otherwise in accordance with these ICE Futures UKA Auction Contract Rules, the Administrative Procedures and the Clearing House procedures, and as agreed between the Auctioneer Seller and the Clearing House;</u>
<u>a “Transfer Request Delay”</u>	<u>is deemed to have taken place where:</u> <u>(a) (i) for a UKA Auction Contract which is a two-day spot contract, the Buyer’s Nominated Holding Account is credited after 16:00 hours on the first Business Day after the relevant Closing Time but on or before 16:00 hours on the third Business Day after the relevant Closing Time in compliance with a Clearing House Direction or otherwise, provided that a</u>

	<p><u>Transfer Request Delay will cease to exist where a Transfer Request Failure takes place; or</u></p> <p><u>(ii) for a UKA Auction Contract which is a five-day Futures Contract, the Buyer's Nominated Holding Account is credited after 16:00 hours on the fourth Business Day after the relevant Closing Time but on or before 16:00 hours on the sixth Business Day after the relevant Closing Time in compliance with a Clearing House Direction or otherwise, provided that a Transfer Request Delay will cease to exist where a Transfer Request Failure takes place; or</u></p> <p><u>(b) the Nominated Holding Account of the Clearing House has not been credited by the start of the Bidding Window.</u></p>
<p><u>a "Transfer Request Failure"</u></p>	<p><u>is deemed to have taken place where:</u></p> <p><u>(a) (i) for a UKA Auction Contract which is a two-day spot contract, the Buyer's Nominated Holding Account has not been credited by 16:00 hours on the third Business Day after the relevant Closing Time; or</u></p> <p><u>(ii) for a UKA Auction Contract which is a five-day Futures Contract, the Buyer's Nominated Holding Account has not been credited by 16:00 hours on the sixth Business Day after the relevant Closing Time; or</u></p> <p><u>(b) the Clearing House has declared that there is a Transfer Request Failure in accordance with Rule 7F1.5(b).</u></p>
<p><u>"UKA Auction Contract"</u></p>	<p><u>means a Contract made pursuant to these ICE Futures UK ETS Auction Rules and the Administrative Procedures for the delivery of UK Carbon Emissions Allowances;</u></p>
<p><u>"UK Carbon Emissions Allowance" or "UKA"</u></p>	<p><u>means an "allowance" as defined under Regulation 2(1), GG ETS Auctioning Regulations;</u></p>
<p><u>"UK Carbon Emissions Allowance Delivery Amount"</u></p>	<p><u>means for each Margin Account an amount reflecting the gross number of UK Carbon Emissions Allowances which are to be delivered by a Seller for any Delivery Period in respect of all UKA Auction Contracts to which it is party as Seller;</u></p>
<p><u>"Trusted Account List"</u></p>	<p><u>means the list maintained by the Registry for a specified Nominated Holding Account which list includes accounts identified or nominated by the Nominated Holding Account Holder as accounts to which Transfers can be made from that Nominated Holding Account Holder's Nominated Holding Account;</u></p>
<p><u>UK Transaction Log</u></p>	<p><u>The record of UKA transactions maintained by the applicable Governmental Authority.</u></p>

7F1.4 PRICE

- (a) ~~(a)~~ — The price of a UKA Auction Contract shall be in Pounds Sterling per UK Carbon Emissions Allowance. UKA Auction Contracts may be traded with minimum fluctuations of £0.01 GBP per UK Carbon Emissions Allowance.
- (b) No bid with price below the Auction Reserve Price will be accepted
- (c) The price of a UKA Auction Contract shall be exclusive of any charges payable by either the Buyer, the Auctioneer Seller or the Clearing House to any third party in respect of the maintenance of Nominated Holding Accounts, submission of Transfer Requests or effecting Transfers.
- (d) The price of an UKA Auction Contract shall be exclusive of any Value Added Tax or any other duty that may be or become payable on the sale or transfer of UK Carbon Emissions

Allowances under a UKA Auction Contract and any such duties shall be borne by the Buyer.

7F1.5 DELIVERY UNDER AN UKA AUCTION CONTRACT

For a Delivery Period:

- (a) In respect of a UKA Auction Contract to which the Clearing House is party as the seller, delivery shall be effected upon the completion of the Transfer and confirmation by the Registry of the credit to the Buyer's Nominated Holding Account of UK Carbon Emissions Allowances in accordance with the Registry Regulations and this Rule 7F1.5. The Clearing House shall effect the Transfer by submitting a Transfer Request in accordance with these ICE Futures UKA Auction Contract Rules, and in particular Rule 7F1.5, stipulating the receiving Nominated Holding Account as the Buyer's Nominated Holding Account in the Registry.
- (b) If at any time during the Delivery Period the Exchange or the Clearing House becomes aware of the refusal or rejection by the Registry, the Registry Administrator, the GTS ETS Regulator or UK Transaction Log, as the case may be, the Clearing House and affected parties may take such steps to rectify the situation in compliance with any Clearing House Directions provided that such steps ensure that delivery still occurs in accordance with the terms and deadlines of these ICE Futures UKA Auction Contract Rules, the Administrative Procedures and the Clearing House procedures. In the event that appropriate steps cannot be taken, and delivery cannot therefore occur in accordance with the terms and deadlines of these ICE Futures UKA Auction Contract Rules; the Administrative Procedures; and the Clearing House procedures, the Clearing House shall declare that there is a Transfer Request Delay or Failure (as applicable) and Rule 7F1.10 shall apply.
- (c) Where a Transfer Request Delay or Transfer Request Failure occurs due to a failure by the Clearing House to deliver the relevant UK Carbon Emissions Allowances in whole or in part and such failure is due to circumstances outside the control of the Clearing House, the Clearing House will Transfer such UK Carbon Emissions Allowances at the earliest opportunity and the Buyer will, in accordance with Regulation 32(1), GGETS Auctioning Regulations, accept Transfer at that later date and nothing else in this Rule 7F1.5 provides for any other remedy on the part of the Buyer in such circumstance.
- (d) The Clearing House does not guarantee performance by the Auctioneer Seller and does not have any obligation to deliver UK Carbon Emissions Allowances to the Buyer under an UKA Auction Contract in the event that the Auctioneer Seller, through actions, omissions, performance or non-performance, fails to transfer or procure the transfer of any UK Carbon Emissions Allowance to the Clearing House.

7F1.6 EXCLUSION OF LIABILITY

- (a) Save as specifically provided in these ICE Futures UKA Auction Contract Rules, the Administrative Procedures, the Clearing House procedures, the Regulations and the Clearing House Rules (and to the extent permitted by law), the Exchange and the Clearing House accept no liability in connection with a UKA Auction Contract, its performance, non-performance or its termination whether based on breach of contract, warranty, negligence or tort or the performance or non-performance of any Auctioneer Seller. In particular, but without limitation, neither the Exchange nor the Clearing House are responsible for or shall have any liability whatsoever to any Buyer or Seller for:
 - (i) the performance or non-performance by the Registry or the UK Transaction Log, as the case may be, of their respective obligations under the Registry Regulations or otherwise;
 - (ii) the validity or non-validity of any UK Carbon Emissions Allowance for the purposes of meeting the requirements of the Registry Regulations;

- (iii) any act or omission of an Authorised Representative of any other party;
 - (iv) the actions, omissions, performance or non-performance of the Auctioneer Seller, the Auction Monitor, the Registry Administrator, the GG ETS Regulator or Governmental Authority, including the failure of any Auctioneer Seller to create any UK Carbon Emissions Allowance or transfer or procure the transfer of the same to the Clearing House; or
 - (v) the Auctioneer Seller or the Auction Monitor being wound up, dissolved, liquidated, merged or otherwise ceasing to exist or ceasing to be the Auctioneer Seller or Auction Monitor pursuant to the GG ETS Auctioning Regulations, as applicable, for Auctions;
- (b) Without prejudice to the rights and obligations of any person party to a Corresponding Contract arising pursuant to a Corresponding Contract, a person who is not the Buyer, Auctioneer Seller, the Exchange or the Clearing House shall have no right under the Contracts (Rights of Third Parties) Act 1999 to enforce any provision contained in a UKA Auction Contract made pursuant to these ICE Futures UKA Auction Contract Rules.

7F1.7 PAYMENT UNDER AN UKA AUCTION CONTRACT

- (a) Subject to delivery under Rule 7F1.5 and without prejudice to paragraph (b) of this Rule 7F1.7, the Buyer shall pay the Auction Clearing Price determined in accordance with the Administrative Procedures. Payment will be made by the Buyer at the latest on the earlier of (i) 09:00 hours on the day after the Closing Time; or (ii) prior to the Transfer of the relevant UK Carbon Emissions Allowances to the relevant Buyer, provided that the Auctioneer Seller is in receipt of the relevant sums, save that where either of the times in (i) and (ii) occur on a day which is not a Business Day such sums shall be paid no later than on the next Business Day.
- (b) A Buyer that fails to meet its payment obligations under this Rule 7F1.7 may receive a Clearing House Direction to:
- (i) pay interest for each day beginning with the date on which payment was due and ending on the date on which payment is made, at an interest rate calculated on a daily basis at the interest rate specified by the Clearing House; and / or
 - (ii) pay a penalty, which shall accrue to the Auctioneer Seller less any costs deducted by the Clearing House.
- (c) In the event of a failure of settlement, the UK Carbon Emissions Allowances shall be auctioned at the next two auctions scheduled by the Exchange, in accordance with Regulation 29(5), GG ETS Auctioning Regulation.

Payment will be made by the Clearing House to the Auctioneer Seller at the times and in the amounts required pursuant to the GG ETS Auctioning Regulations and as agreed between the Clearing House and the Auctioneer Seller.

7F1.8 BUYER'S OBLIGATIONS

- (a) In respect of an UKA Auction Contract to which the Clearing House is party as the seller, the Buyer shall:
- (i) conduct its affairs so as not to give the Registry, Registry Administrator or the GG ETS Regulator cause to refuse, reject or cancel (whether in whole or in part) any Transfer Request or to suspend or restrict the Buyer's ability to receive any Transfer (including, without limitation, suspension or cancellation of any relevant Nominated Holding Account);

- (ii) maintain in full force and effect all Required Authorisations at all appropriate times;
 - (iii) ensure that it complies with such conditions and requirements as are necessary to effect Transfers in accordance with the Scheme and these ICE Futures UKA Auction Contract Rules, Administrative Procedures and the Clearing House procedures;
 - (iv) have and maintain during such periods as determined by the Exchange from time to time and at its own cost, one Nominated Holding Account at the Registry for each Margin Account;
 - (v) ensure that the Authorised Representative notified to the Clearing House pursuant to Rule 7F2.3 shall be contactable by the Clearing House at all appropriate times during the Delivery Period;
 - (vi) give the Clearing House details of the Nominated Holding Account for the purposes of delivery under Rule 7F1.5 and in accordance with the Administrative Procedures and any other details required by the Clearing House as specified in the Administrative Procedures or the Clearing House procedures from time to time;
 - (vii) nominate the Nominated Holding Account specified by the Clearing House as its Nominated Holding Account for the delivery on the Trusted Account List for its own Nominated Holding Account intended to receive the delivery;
 - (vii) comply with the applicable provisions of the GG ETS Auctioning Regulation, any regulations, rules, guidance or procedures published by the Auctioneer Seller, the Registry Regulations, these ICE Futures UKA Auction Contract Rules, the Administrative Procedures, the Clearing House procedures and any Clearing House Direction in order that the Transfer Request input by the Clearing House is accepted by the Registry and UK Transaction Log, and the Nominated Holding Account of the Buyer updated by the Registry for a Delivery Period;
 - (viii) notify the Clearing House immediately, in accordance with the Clearing House procedures, if the Buyer fails to comply, or may fail to comply, in respect of any delivery obligations or deadlines under these ICE Futures UKA Auction Contract Rules, the Administrative Procedures, the Clearing House Rules, the Clearing House procedures or any Clearing House Direction;
 - (ix) make payment of any amounts due and payable pursuant to and in accordance with these ICE Futures UKA Auction Contract Rules, the Administrative Procedures, the Clearing House Rules or the Clearing House procedures;
 - (x) perform all other obligations imposed on the Buyer under these ICE Futures UKA Auction Contract Rules, the Administrative Procedures and the Clearing House procedures; and
 - (xi) be and continue to be a Buying Counterparty as defined in the Clearing House Rules.
- (b) The Buyer shall be responsible for the performance of all of its obligations under the UKA Auction Contract, and shall perform such obligations in a timely manner. The Buyer shall be responsible for all actions and omissions of an Authorised Representative acting or purporting to act on its behalf in relation to any UKA Auction Contract or any related obligations.
- (c) Subject to Rule 7F1.10 any obligation upon the Buyer to pay costs, charges or expenses of any form shall be for its own account and shall include, but not be limited to, all fees and charges levied by the Registry attributable to the Transfer Request and its Nominated Holding Account in respect of an UKA Auction Contract to which the Buyer is party.

7F1.9 BUYER'S SECURITY

The Buyer may be required to transfer such collateral by way of buyer's security or otherwise as the Clearing House may from time to time require pursuant to the Clearing House Rules.

7F1.10 FAILURE TO PERFORM AND/OR DELAY IN PERFORMANCE OF OBLIGATIONS AND DELIVERY COSTS UNDER AN UKA AUCTION CONTRACT

(a) On the occurrence of a Transfer Request Failure (excluding a Transfer Request Failure which falls under Rule 7F1.5(c)), a Buyer may agree with the Clearing House to take delivery from the Clearing House of UK Carbon Emissions Allowances in a manner or on terms other than those specified in the Contract Rules and Administrative Procedures.

(i) In the event of an agreement between the Buyer and the Clearing House under the terms of this Rule 7F1.10(a), the Buyer shall immediately give written notice of the fact of such agreement to the Exchange. In the event of no agreement being reached upon the occurrence of a Transfer Request Failure in accordance with Rules 7F1.10(a) the Clearing House shall refer the fact of the Transfer Request Failure to the Exchange in accordance with Rule 7F1.10(b).

(ii) On an agreement between the Buyer and the Clearing House under the terms of Rule 7F1.10(a), the Clearing House shall take whatever steps it considers reasonable in its absolute discretion to effect such an agreement. If the Clearing House chooses to liquidate its Contract with the Buyer (as the case may be), it will do so at the Auction Clearing Price and it will cease, in respect of any arrangement made by the parties under this Rule 7F1.10(a), to owe any obligation towards the Buyer under such UKA Auction Contract. Furthermore, if the Clearing House chooses to liquidate the relevant Contract, the Buyer shall cease in respect of any such arrangement made by the parties under this Rule 7F1.10(a), to owe any obligation towards the Clearing House, under such UKA Auction Contract. For the avoidance of doubt this shall be without prejudice to any obligations owed by the Buyer under the Clearing House Rules.

(b) Where an agreement is not reached pursuant to Rule 7F1.10(a) the Clearing House shall refer the relevant Transfer Request Failure to the Exchange by the close of business on the Business Day following the day of the Transfer Request Failure and the Exchange or a body appointed by the Exchange:

(i) shall direct the Clearing House to take whatever steps it considers reasonable in its absolute discretion, taking into account any information it considers to be relevant for this purpose.

(ii) If the Exchange directs the Clearing House to invoice back the affected UKA Auction Contract at a price set by the Exchange, no price set by the Exchange, or a body appointed by the Exchange, shall be referred to arbitration under the Arbitration Rules but this Rule 7F1.10(b) shall be without prejudice to the right of the Member to refer any other matter to arbitration under the Arbitration Rules.

Delivery Costs

(c) (i) If, in respect of an UKA Auction Contract there is a Transfer Request Failure which is referred to the Exchange under Rule 7F1.10(b) and/or Transfer Request Delay for a Delivery Period as a result of any failure or any delay on the part of the Clearing House to comply with the applicable obligations under such UKA Auction Contract and such failure was under the control of the Clearing House, then the Clearing House shall indemnify the Buyer in respect of any Delivery Costs attributable to that Transfer Request Failure and/or Transfer Request Delay;

- (ii) Without prejudice to (i) above, the Buyer shall indemnify the Clearing House against all costs reasonably incurred by the Clearing House in taking steps to mitigate the losses or, charges, expenses or penalties which would otherwise be incurred as a result of the Buyer's failure to comply with its obligations under an UKA Auction Contract;
- (iii) Where the level of Delivery Costs attributable to a Transfer Request Failure which is referred to the Exchange under Rule 7F1.10(b) cannot be agreed between the Clearing House and a Buyer within seven Business Days of the Contract Date, the matter shall be referred to the Exchange, or a body appointed by the Exchange which shall, in its absolute discretion determine the Delivery Costs and notify the Clearing House and the Buyer of such Delivery Costs. In the event that either party disputes the Delivery Costs so determined, the party may, within three Business Days of notification of the Delivery Costs by the Exchange, request in writing to the Exchange that the Delivery Costs be reviewed by the Exchange's Authorisation, Rules and Conduct Committee. The decision of this Committee shall be final and binding and no further review shall be permitted.
- (d) The Exchange and/or the Clearing House shall, under no circumstances, be liable for any indirect or consequential loss or loss of profits.
- (e) Subject to Rule 7F1.5(e) the Buyer acknowledges that the right to be indemnified under this Rule 7F1.10 shall be its sole remedy in respect of any failure by any other party to comply with its obligations in respect of an UKA Auction Contract. For the avoidance of doubt this shall be without prejudice to any obligations owed by the Buyer under the Clearing House Rules.
- (f) The Clearing House may take such steps in accordance with the terms of this 7F1.10, without prejudice to the provisions of these ICE Futures UKA Auction Contract Rules, and any other steps or sanctions which may be taken or applied under the Regulations (including, without limitation, the provisions of Sections D and E of the Regulations), or the Clearing House Rules.
- (g) The Clearing House may, by Clearing House Directions, instruct a Buyer that partial settlement is to take place under an UKA Auction Contract to which they are party, in which case the provisions of this Rule 7F1.10 as to Transfer Request Failures or Transfer Request Delays may apply to part only of such UKA Auction Contract where relevant.

7F1.11 ARBITRATION AND DISPUTE RESOLUTION

The Buyer acknowledges that, subject to Rules 7F1.10(f) any disputes relating to the UKA Auction Contract shall be determined in accordance with the arbitration provisions in the Rules.

7F1.12 FORCE MAJEURE

- (a) Nothing in this Section 7F1, notwithstanding the rest of this Rule 7F1.12, shall oblige the Clearing House to deliver UK Carbon Emissions Allowances to a Buyer as a result of any act or omission, performance or non-performance of the Auctioneer Seller, the Auction Monitor, the Registry Administrator, the GG ETS Regulator or any Governmental Authority outside the control of the Clearing House or the Exchange which results in the Clearing House not having UK Carbon Emissions Allowances delivered to it by the Auctioneer Seller.
- (b) If the Scheme is, as a result of official written public pronouncement by any duly authorised body representing the United Kingdom, to be discontinued, or is significantly amended in a manner which prevents the performance of delivery by the Clearing House pursuant to Rule 7F1.5, the Clearing House shall take whatever steps it considers reasonable in its absolute discretion, taking into account any information it considers to be relevant for this

purpose (such as Regulation 32(1) GG ETS Auctioning Regulations). If the Clearing House decided to invoice back any open contract in accordance with the Clearing House procedures, it will do so at a price to fixed by the Exchange or a body appointed by the Exchange, in its absolute discretion. Such price shall be binding on the parties and no dispute as to such price may be referred to arbitration under the Arbitration Rules. In such case, neither the Buyer nor the Clearing House, shall have any further obligations under or in respect of the UKA Auction Contract subject of the open contract(s).

- (c) Subject to Rule 7F1.12(e), a Seller who is party to an UKA Auction Contract shall not be liable in respect of any failure on its part to submit a Transfer Request in relation to any UKA Auction Contract, any rejection/non-acceptance of a Transfer Request or subsequent failure in the credit of UK Carbon Emissions Allowances to the Buyer's Nominated Holding Account, nor shall a Buyer be liable in respect of any failure on its part to ensure credit is made to its Nominated Holding Account of all UK Carbon Emissions Allowances under a UKA Auction Contract if performance of such obligations is prevented by Force Majeure. In such case neither party shall be held to be in default under the UKA Auction Contract and no payment shall be made under Rule 7F1.10.
- (d) Force Majeure shall, in relation to the Buyer or the Seller, as the case may be, mean the occurrence of any event (except as provided otherwise in Rule 7F1.12(e)), which is outside the reasonable control of such party, and which prevents the debiting and crediting of the Buyer's or Seller's Nominated Holding Accounts at the Registry so that a Transfer cannot be effected during the Delivery Period, or results in an amount other than the UK Carbon Emissions Allowance Delivery Amount being credited and debited. Without limitation to the foregoing, an event of Force Majeure shall include:
- (i) a public statement by an appropriate authority, or by the Registry, of an occurrence of an event outside the reasonable control of the Registry so as to prevent a Transfer taking place during that Delivery Period, and which is endorsed by the Exchange as a declaration of Force Majeure in respect of the Registry;
 - (ii) subject to Rule 7F1.12(e)(iii), the Registry suspending the submission of Transfer Requests or the effecting of Transfers under the Registry Regulations or otherwise;
 - (iii) for the relevant Delivery Period, the inability to make or accept a Transfer due to an interruption in, delay to or permanent halting of a Transfer resulting from the intervention of the UK Transaction Log in relation to the Registry;
 - (iv) any of the circumstances referred to in Rules 7F1.6(a)(i),(ii),(iii),(iv),(vi) or (vii), or Rule 7F1.5(d).
- (e) Subject to Rules 7F1.12(b) and 7F1.12(d), the occurrence of the following events shall not give rise to Force Majeure:
- (i) the refusal or rejection by the Registry [or UK Transaction Log for whatever reason, of a Transfer Request submitted by the Seller. For the avoidance of doubt, this shall include the refusal or rejection by the Registry, the Registry Administrator, the GTS ETS Regulator or the UK Transaction Log as applicable, of a Transfer Request;
 - (ii) the inability to make a Transfer owing to a problem within the central systems or processes established under the Scheme for the receipt and acceptance of Transfer Requests, but only to the extent that contingency arrangements exist under the Scheme by which the Seller or the Buyer can reasonably be expected to make or accept the Transfer (as the case may be) in accordance with any Clearing House Direction;
 - (iii) the non-validity for any reason of any UK Carbon Emissions Allowances for the purposes of meeting the requirements of the GG ETS Order;

- (f) A Buyer who is party to an UKA Auction Contract shall not be entitled to relief through the occurrence of an event of Force Majeure under this Rule 7F1.12 unless such party has notified the Clearing House and the Exchange, or in the case of the Clearing House, the Clearing House shall not be entitled to relief through the occurrence of an event of Force Majeure under this Rule 7F1.12 unless the Clearing House has notified the Buyer and the Exchange, as soon as reasonably practicable after the Buyer or the Clearing House as the case may be, has become aware (or after it ought reasonably to have become aware) of such Force Majeure event, and has continued to seek to perform its obligations in accordance with the UKA Auction Contract (in which event it shall be entitled to such relief with effect from the commencement of such Force Majeure event).
- (g) Upon request by the Clearing House and/or the Exchange, a party seeking Force Majeure relief under this Rule 7F1.12 shall provide all information required by the Clearing House and/or the Exchange as soon as practicable to assist the Exchange in determining whether an event of Force Majeure has occurred. Whether an event of Force Majeure has occurred shall be determined by the Exchange. Where the Clearing House is not the party seeking relief through the occurrence of an event of Force Majeure, the Exchange shall consult a representative of the Clearing House in its determination.
- (h) If Force Majeure prevents the affected party from performing its obligations under an UKA Auction Contract, the Clearing House shall take whatever steps it considers reasonable in its absolute discretion, taking into account any information it considers to be relevant for this purpose.