

	N°	Title
	III.4-4	DELIVERY OF COMMODITY FUTURE CONTRACTS

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## CHAPTER 1 - PRINCIPLES

### Section 1 – Definitions and general provisions

1.1.1 A Clearing Member who, at the Expiry of a maturity date, has a buying Open Position for his own account or for the account of a third party will be hereinafter referred to the **“buying Clearing Member”**.

1.1.2 The **“Delivery Period”**: is defined according to a theoretical calendar specific to each commodity future contract cleared by LCH SA. Timetables are available in each Notice dedicated to each commodity future contract.

1.1.3 **“Euronext”** shall be construed for the purpose, as being either “Euronext Paris SA” or “Euronext Amsterdam NV”, depending on the relevant market.

1.1.4 **“Expert Committees”**: LCH SA can consult a dedicated advisory Expert Committee, which creation; mission, composition and functioning are defined in Euronext Trading Rules.

1.1.5 The **“Expiry”** of a maturity corresponds to the last Trading Day on this maturity. For the needs of this Instruction, D refers to the expiry day of commodity future contracts.

1.1.6 **“Incoterms”** stand for International Commercial Terms that establish the mutual obligations of the seller and the buyer on international trade. The Incoterms deals particularly with risks transfer, incurred expenses, customs clearance costs. Even if they do not refer to transfer of ownership, breach of contract, Incoterms, have great impact on other contracts, such as transport.

For the purpose of this Instruction, **Incoterms** determine the conditions of the transfer of risks related to the goods (loss, deterioration, theft) from the selling Clearing Member to the buying Clearing Member during the Delivery Period. Incoterms determine the Clearing Member which is bearing the risks related to the goods and which shall subscribe the necessary insurances. The specific Incograins formulas applicable to commodity future contract are defined in a Notice.

1.1.7 A **“Maturity”** corresponds to the negotiation period on a contract linked to a series (base period of the contract).

1.1.8 A Clearing Member who, at the Expiry of a maturity date has a selling Open Position for his own account or for the account of a third party will be hereinafter referred to the **“selling Clearing Member”**.

1.1.9 **“Trading Terms and Conditions”** are any binding documentation governing commodities sales and purchase on physical market and referred to in the future contracts negotiated on the financial market operated by Euronext, including notably but not exclusively:

- Incograins formulas issued by the “Syndicat de Paris du Commerce et des Industries de Grains, Produits du Sol et Dérivés”. Incograins formulas determine the conditions of the transfer of risks related to the goods (loss, deterioration, theft) from the selling Clearing Member to the buying Clearing Member during the Delivery Period. Incograins determine the Clearing Member which is bearing the risks related to the goods and which shall subscribe the necessary insurances. The specific Incograins formulas applicable to commodity future contract are defined in a Notice.
- FOSFA contract formulas issued by the Federation of Oils, Seeds and Fats Associations (FOSFA).
- MPC conditions, which is a set of general trade rules available to the international trade in milk products and issued by GemZu established in The Hague, Netherlands.

1.1.10 Delivery places such as delivery ports, delivery areas, delivery points, approved silos and approved terminals are listed or defined in Notices.

## **Section 2 – Terms applicable to the transfer of ownership and transfer of risks**

1.2.1 The transfer of risks and ownership takes place according to the relevant applicable Trading Terms and Conditions or according to the relevant applicable Incoterm.

## **Section 3 - Timeframes**

1.3.1 The deadlines defined herein are compulsory. No extension of Delivery Period is authorised, unless there is a delivery failure or a Force Majeure event.

1.3.2 The calendar of Trading Day is available from Euronext.

1.3.3 Business days and working days are determined by the delivery ports, delivery points, silos or terminals as applicable.

1.3.4 According to article 1.2.7.1 of the Rule Book, Business hours are defined as Central European Time (CET).

1.3.5 The conditions to be fulfilled in order for a document or a sample to be dated of the day are set out in a Notice.

## **CHAPTER 2 - PRELIMINARY STEPS TO DELIVERY**

### **Section 1 - Documentation to be submitted to LCH SA as a preliminary step to delivery**

2.1.1 Before the start of the Delivery Period (i.e. before the Expiry at D), pre-delivery documentation may have to be submitted by the authorised silos or the approved terminal, under the responsibility of the selling Clearing Member during a period starting as from a specific day and running until the Expiry:

- Storage certificate, if applicable;
- Attestation to deliver a conventional product, if applicable.

2.1.2 With this documentation:

-The authorised silo warrants that it holds the goods belonging to the order-giver of the selling Clearing Member, which quality, complies with the deliverable quality as defined in the contract specifications  
- The approved terminal warrants that it holds the goods belonging to the order-giver of the selling Clearing Member, which quality, as certified in the documents provided to the terminal by the Selling Clearing Member's order giver, complies with the deliverable quality as defined in the contract specifications.

2.1.3 The Notice applicable to each commodity future contract delivery process cleared by LCH SA provides the following operational details as regard to preliminary steps, if applicable:

- For each required pre-delivery documents (storage certificate, attestation to deliver a conventional product, if applicable):
  - principles and content;
  - terms of issuance;
  - terms of submission and deadlines;
- Detailed period of submission of those pre-delivery documents before the Expiry;
- Pre-delivery documents templates compliant with LCH SA standards.

2.1.4 The conditions governing silos and terminals' approval as well as their responsibilities during the preliminary steps to the delivery are defined in Notices.

2.1.5 Delivery takes place during the Delivery Period according to a theoretical calendar specific to each commodity future contract cleared by LCH SA. Timetables are available from each Notice applicable to each commodity future contract's delivery process.

2.1.6 Pre-delivery documentation shall comply with LCH SA standard templates.

## **Section 2 – Monitoring of Positions**

2.2.1 Clearing Members must net/offset their Open Positions on a daily basis.

2.2.2 Pursuant to Article 3.4.1.8 of the Clearing Rule Book, in case of delay in the netting of their Open Positions, Clearing Members are subject to penalty fee for late netting, according to the terms of LCH SA fee grid.

2.2.3 Starting on the twelfth Trading Day before the Expiry (D-12), and when the authorised Open Position limits are exceeded, Clearing Members shall provide LCH SA with a detailed statement of the Positions of their order-givers on the relevant contract, in order to comply with the Open Positions limit defined in a Notice.

2.2.4 LCH SA matches the net Positions of the order-giver provided by the Clearing Members with the pre-delivery documentation as referred to in previous section (storage certificate, attestation to deliver a conventional product), if any, that LCH SA has received and issued for the order-givers under the control of the Clearing Members.

## **Section 3 - Expiry**

2.3.1 After the Expiry (D), any net Open Position will result in delivery of goods or payment of amount due.

2.3.2 LCH SA calculates and calls Margins from buying Clearing Members and selling Clearing Members on the basis of the Settlement Price.

## **Section 4 – Delivery of the notification notice**

2.4.1 On D+1 (the Trading Day following the Expiry) the selling Clearing Member, acting for its own account or for the account of its order-givers shall advise LCH SA of its intent to deliver the goods (a number of involved contracts) at a defined delivery place through the submission of a notification notice.

2.4.2 The submission of a notification notice applies to all commodity future contracts cleared by LCH SA.

2.4.3 The notification notice shall comply with standard template established by LCH SA in each Notice dedicated to each commodity future contract.

2.4.4 The operational details and information related to the submission of the notification notice per each commodity future contract are defined in the Notice dedicated to each commodity future contract.

2.4.5 The selling Clearing Member prepares a notification notice per origin of order-givers (house or client), per delivery port or delivery area selected among the authorised delivery ports or delivery areas as applicable, per silo or per terminal if applicable, per origin of delivered goods if applicable, according to the conditions applicable for each commodity as defined in the Notice dedicated to each commodity future contract.

2.4.6 A selling Clearing Member who designates a delivery port that is officially closed or unavailable shall be deemed to have failed to perform its delivery obligation.

2.4.7 The information to be included in the notification notice is defined in a Notice applicable to each commodity future contract

## **Section 5 – Assignment of delivery ports or delivery points, as applicable and/or goods origin between selling Clearing Members and buying Clearing Members and operations of reconciliation**

2.5.1 On D+1 (first Trading Day following the Expiry), LCH SA assigns to buying Clearing Members on a “pro rata basis using the largest remainder rule” as defined in the Notice dedicated to each commodity future contract, including for the contracts of selling Clearing Members that did not fulfil the obligations related to the delivery of the notification notice:

- the delivery ports, the delivery points, the silos, the terminals as applicable in the Notice dedicated to each commodity future contract,

- the origins of the delivered goods, as applicable in the Notice dedicated to each commodity future contract.

In case the selling Clearing Member did not fulfil the obligations related to the delivery of the notification notice, LCH SA chooses itself the delivery place.

2.5.2 The reconciliation of buying Clearing Members with selling Clearing Members takes place per delivery area, per delivery point, per delivery port, per silo or per terminal, depending on the case, in decreasing order according to the number of their respective contracts to be delivered.

2.5.3 On the basis of the matches communicated by LCH SA, buying Clearing Members and selling Clearing Members assign the Positions of their order-givers to their respective counterparty in accordance with the decreasing number of lots held in each Position.

Any Position partially allocated to a counterparty must be assigned to the next consecutive counterparties until exhaustion before moving on the same side (buying or selling) next Position.

For selling Clearing Members, the assignment of order-givers depends on the delivery place which is not the case for the buying Clearing Members.

2.5.4 On D+2 (second Trading Day after the Expiry), once the matches are communicated by LCH SA, buying Clearing Members can interchange delivery contracts between each other's until a defined time as set out in the Notice dedicated to each commodity future contract.

2.5.5 Buying Clearing Members can only act on instruction from their order-givers and must immediately confirm to them the interchange transaction made.

2.5.6 Both relevant buying Clearing Members must immediately inform LCH SA of the interchange, by email and specifying for each interchange the corresponding matching number(s) and the number of contracts in question.

2.5.7 On D+2 (Second Trading Day after the Expiry), before a defined time as set out in a Notice, LCH SA publishes the final list of matches which takes into account the transfers recorded, and sends by email to the relevant Clearing Members the modifications which concern them.

## **Section 6 – Commitment to deliver the goods: submission of delivery notice**

2.6.1 The delivery notice embodies a commitment from the selling Clearing Member to deliver the specified quantity of contracts and from the buying Clearing Member to take delivery of the corresponding commodity at the place specified.

2.6.2 The submission of a delivery notice applies to all commodity future contracts cleared by LCH SA.

2.6.3 The delivery notice must comply with the standard document established by LCH SA in the Notice dedicated to each commodity future contract.

2.6.4 The operational details related to the submission of the delivery notice per each commodity future contract are defined in the Notice dedicated to each commodity future contract.

2.6.5 On D+3 (third Trading Day following the Expiry) before a defined time as set out in Notices, the selling Clearing Member shall send a duly completed and signed delivery notice to the buying Clearing Member that has been assigned to him.

2.6.6 The information to be included in the delivery notice is defined in a Notice applicable to each commodity future contract.

2.6.7 The selling Clearing Member prepares a delivery notice for each buying Clearing Member per delivery port or delivery area, per loading point, per delivery silo, per terminal, per origin type, per origin of delivered goods, as applicable for the relevant goods and according to the conditions set out each contract Notices.

2.6.8 The data mentioned by the selling Clearing Member on the delivery notice must conform to the data given previously in the notification notice.

2.6.9 Any buying Clearing Member must accept the delivery notice sent by the selling Clearing Member that has been assigned to it.

2.6.10 On D+3 (third Trading Day following the Expiry), under the conditions set out in a Notice applicable to each commodity future contract, the buying Clearing Member holding a delivery notice shall send it to LCH SA and send a copy of it to the selling Clearing Member, so as to inform him of the matches between order-givers.

## **Section 7 – Margins call process**

### **Sub Section 1 - Close to expiry Margin**

2.7.1 The following provisions on Margins apply to all commodity future contracts cleared by LCH SA, only the timetable may differ upon the commodity future contract involved.

2.7.2 The detailed timetables of Margins calls applicable to each commodity future contracts cleared by LCH SA are available in the relevant contract's Notice.

2.7.3 LCH SA calls selling Clearing Member and buying Clearing Member for close to expiry Margin for the contract which shall come to expiry as from a specific day per commodity future contract as defined in a Notice.

2.7.4 Until D+3 included (the third Trading Day following the Expiry), LCH SA continues to require close to expiry Margin for each Open Position.

2.7.5 LCH SA returns close to expiry Margin on D+4 (the fourth Trading Day following the Expiry), upon the receipt of:

- the delivery Margin in case of CCP delivery procedure, or
- the notice of performance in case of alternative delivery procedure.

### **Sub Section 2 – Margins Default**

2.7.6 Pursuant to Article 4.5.2.4 of the Clearing Rule Book, any Clearing Member that does not pay the Margins called in respect of Transactions recorded in the Positions Accounts opened in its name at LCH SA is deemed to be in Default.

2.7.7 Pursuant to article 1.3.2.7 of the Clearing Rule Book, a non-defaulting Clearing Member benefits from LCH SA guarantee of final settlement.

2.7.8 When Margins are not paid, LCH SA informs the defaulting and the non-defaulting Clearing members of the default, by email.

## **CHAPTER 3 - DELIVERY**

3.0.1 For all commodity future contracts cleared by LCH SA, selling Clearing Members and buying Clearing Members can opt between the two following delivery procedures:

- **A CCP delivery procedure** (also known as "MATIF guarantee") as referred to in article 3.4.1.11. of the Clearing Rule Book, whereby LCH SA guarantees Clearing Members of the final settlement of the Transactions registered in their name, namely the delivery of goods and payment of amount due;

- **An alternative delivery procedure**, whereby, in the case of amicable agreement on the delivery terms, the selling Clearing Member and the buying Clearing Member can depart from the CCP delivery procedure.

3.0.2 Delivery takes place during the Delivery Period according to a theoretical calendar specific to each commodity future contract cleared by LCH SA. Timetables are available from each Notice dedicated to each commodity future contract.

## **SUB CHAPTER 1 – CCP DELIVERY PROCEDURE (“MATIF GUARANTEE”)**

### **Section 1 – The physical delivery process**

3.1.0-1 Only common principles applicable to CCP delivery procedure for all commodity future contracts are described hereafter:

- CCP delivery procedure common provisions
- Transfer of goods
- Silos’ responsibilities during delivery
- Terminals’ responsibilities during delivery
- Authorisers companies responsibilities during delivery
- Analysis laboratories responsibilities during delivery
- Termination of the CCP guarantee through the submission of the notice of performance

3.1.0-2 The operational details and specificities of each commodity future contract as regard to its delivery procedure are detailed in each commodity future contract’s Notice.

### **Sub Section 1 - Common provisions on CCP delivery procedure**

3.1.1-1 The CCP delivery procedure applies to buying Clearing Members and selling Clearing Members for all commodity future contracts cleared by LCH SA, irrespective of the selected delivery place, the local business practices and the origin of the goods, if applicable.

3.1.1-2 Buying Clearing Members and selling Clearing Members are fully responsible for the delivery operations related to the contracts registered in their accounts. They are responsible for the periods of notice for delivery, for the notice period to send their delivery documents, for payment and for their obligations on the futures market, whatever the Transactions on the cash market upstream and downstream, respectively, of their order-givers.

3.1.1-3 Delivery takes place during the Delivery Period according to a theoretical calendar applicable to each commodity future contract as set out in a Notice.

3.1.1-4 As part of the framework of the CCP delivery procedure, LCH SA mandates third-parties companies (authorisers companies, silos, terminals, analysis laboratories) whose accreditation conditions, delegated missions, compliant with defined standards are defined in relevant Notices. In addition, the list of those accredited third-party companies is also available from the relevant Notices.

### **Sub Section 2 – Transfer of goods**

3.1.2-1 The transfer of goods takes place according to the relevant Trading Terms and Conditions, as defined in a Notice.

3.1.2-2 The transfer of goods takes place on a defined civil day of the Delivery Period or during a specified period as applicable and defined in the theoretical delivery timetables related to each commodity future contract available in each Notice.



3.1.2-3 The conditions and operational details of the transfer of goods applicable to each commodity future contracts are defined in each commodity future contract's Notice.

### **Sub Section 3 – Delivery procedure managed by approved silos:**

#### **Silo's Accreditation conditions**

3.1.3-1 The conditions set out by LCH SA to approve a silo as an accredited silo for the delivery of a specific commodity future contract are detailed in a Notice, as well as their obligations and responsibilities.

3.1.3-2 The list of accredited silos is available, when applicable to a commodity future contract, from a Notice.

#### **Responsibilities of approved silos**

3.1.3-3 For each executed transfer, the silo is responsible for providing to the buying Clearing Member goods which quantity and quality comply with the information indicated in the certificate of transfer. If not, the silo is deemed to have failed to perform its obligation of delivery vis-à-vis the buying Clearing Member.

3.1.3-4 Upon reception of the transfer order, the silo transfers the goods from one account to the other account within its books.

3.1.3-5 For each executed transfer, the silo issues a certificate of transfer describing the transaction and specifying the following items:

- the identity of the silo;
- the identity of the selling Clearing Member;
- the identity of the buying Clearing Member;
- the number of the storage certificate involved;
- the Expiry of the contract;
- the quantity of goods transferred;
- the origin of the goods transferred;
- the quality of the goods transferred.

3.1.3-6 The silo must indicate the quality of the goods to be transferred as follows:

- European Union origin; When the quality of the transferred goods corresponds, for each criterion, to the benchmark quality defined in the contract's specifications document issued by Euronext related to the relevant commodity future contract, the silo indicates "Matif benchmark quality" on the certificate of transfer, with no other comment;
- When the goods do not correspond to one or more of the benchmark quality criteria but do correspond to the deliverable quality as defined in the contract's specifications document issued by Euronext related to the relevant commodity future contract, the silo indicates "deliverable quality" on the certificate of transfer and specifies values for the criterion or criteria not meeting the contract's benchmark quality as defined in the contract's specifications document.

3.1.3-7 When, based on one or more criteria, the goods stored by the selling Clearing Member that are due to be transferred, do not correspond to the deliverable quality defined in the contract's specifications document issued by Euronext related to the relevant commodity future contract, the selling Clearing Member is deemed to have failed to comply with its obligation of delivery. In such a case, the silo undertakes not to proceed with the transfer and to promptly inform LCH SA by email.

3.1.3-8 When applicable, if the results of the optional analysis reveal an adventitious contamination exceeding the quality criteria defined in the technical specifications, LCH SA so informs the silo by email, and the silo makes no transfer.

3.1.3-9 On the day of transfer, before a defined time as set out in the chronological delivery timetables in a Notice, the silo issues four copies of the certificate of transfer as follows:

- one original copy for the selling Clearing Member, and
- three copies: one copy for the buying Clearing member, one for LCH SA, and one to be kept by the silo.

3.1.3-10 On the day of transfer, the silo mails the certificate of transfer (original or copy) to each of the parties.

#### **Responsibilities of the selling Clearing Member towards silos, when applicable**

3.1.3-11 The selling Clearing Member is liable for ensuring that the goods are in the authorised silo on the transfer day and that their quantity and quality as well as the origin of the goods are as indicated in:

- the storage certificate;
- the notification notice;
- the attestation to deliver a conventional product, if applicable.

3.1.3-12 The selling Clearing Member is deemed to have failed if:

- the goods stored in the authorised silo are not deliverable;
- the deliverable quantity and the delivery origin do not correspond to those appearing on the storage certificate and the notification notice, or;
- the quality and the origin of the goods do not correspond to those appearing on the attestation to deliver a conventional product.

3.1.3-13 In order to execute the transfer, the selling Clearing Member sends the transfer order to the silo, by email, on the day of transfer before a defined time as specified in a Notice. If the selling Clearing Member does not send the transfer order in due time, it is deemed to have failed to perform its obligation.

This transfer order document must comply with the standard provided by the delivery silo.

3.1.3-14 The following costs are charged to the selling Clearing Member:

- costs for storing the goods until their removal by the buying Clearing Member's order-giver, i.e. at the latest on the last business day of the delivery month;
- costs of issuing storage certificate(s);
- costs to transfer the goods.

3.1.3-15 When the silo so requests to LCH SA, the selling Clearing Member must pay these costs to the silo before the end of the delivery month, otherwise the Delivery Margins are not refunded upon receipt of the notice of performance.

#### **Responsibilities of the buying Clearing Member towards approved silos, when applicable**

3.1.3-16 The buying Clearing Member must free the selling Clearing Member's storage capacity before the end of the delivery month.

3.1.3-17 Whatever the agreed conditions, the cost of removal of the goods are charged to the buying Clearing Member in accordance with the specified standard financial terms defined by the authorised silos. If the buying Clearing Member does not fulfil these obligations it will be deemed to have failed.

3.1.3-18 All delivering order-givers of the buying Clearing Member are deemed to have accepted the silo's general terms under which they take delivery of the goods.

#### **Sub Section 4 – Delivery procedure managed by approved terminals:**

##### **Terminal's Accreditation conditions**

3.1.4-1 The conditions set out by LCH SA to approve a terminal as an approved terminal for the delivery of a specific commodity future contract are detailed in a Notice, as well as their obligations and responsibilities.

3.1.4-2 The list of approved terminals, when applicable to a commodity future contract, is available in a Notice.

##### **Responsibilities of approved terminals**

3.1.4-3 For each executed transfer, the terminal is responsible for providing to the buying Clearing Member's order giver goods which quantity complies with the information indicated in the bill of delivery.

3.1.4-4 For each executed transfer, the terminal issues a bill of delivery describing the transaction and specifying the following items:

- the issue date of the bill of delivery;
- the identity of the terminal;
- the identity of the order-giver of the selling Clearing Member;
- the reference number of the concerned storage certificate;
- the quantity of transferred goods;

3.1.4-5 The terminal issues four copies of the bill of delivery as follows:

- one original copy for the carrier of the Buying Clearing Member's order giver and three copies: one for the selling Clearing Member, one for LCH SA, and a third one to be kept by the terminal.

3.1.4-6 On the day of the physical transfer of the goods, or, at the latest, on the next working day in the morning if the transfer takes place after 5:00 p.m. CET, the terminal undertakes to send by e-mail a copy of the bill of delivery to the selling clearing member's order giver and to LCH SA.

##### **Responsibilities of the selling Clearing Member towards terminals, when applicable**

3.1.4-7 The selling Clearing Member is liable for ensuring that the goods are in the authorised terminal on the transfer day and that their quantity and quality are as indicated in:

- the storage certificate;
- the notification notice.

3.1.4-8 The selling Clearing Member is deemed to have failed if:

- the goods stored in the authorised terminal are not deliverable; or
- the deliverable quantity does not correspond to those appearing on the storage certificate and the notification notice.

3.1.4-9 In order to execute the transfer, the selling Clearing Member's order giver sends the transfer order to the terminal, by email, on the working day before the delivery day. If the selling Clearing Member does not send the transfer order in due time, it is deemed to have failed to perform its obligation.

3.1.4-10 The following costs are charged to the selling Clearing Member order giver:

- costs for issuance of the storage certificate;
- costs for storage of the goods for the period extending from the day of issuance of the storage certificate until the physical transfer is completed or the end the Delivery Period whichever occurs first;
- costs of transfer of the goods if any.

The above-mentioned expenses are billed by the terminal to the selling Clearing Member's order giver who pays the terminal according to the terminal's general terms and conditions.

Notwithstanding the above, the selling Clearing Member remains liable for the payment of these expenses.

When requested by the terminal to LCH SA, the selling Clearing Member must pay these costs to the terminal. The selling Clearing Member warrants and holds harmless the terminal if its order giver has not paid the terminal in due time.

#### **Responsibilities of the buying Clearing Member towards approved terminals, when applicable**

3.1.4-11 The buying Clearing Member must free the selling Clearing Member's storage capacity before the end of the Delivery Period.

3.1.4-12 If the buying Clearing Member's order giver has not released the storage capacity of the selling Clearing Member's order giver by the end of the last working day of the Delivery Period, the buying Clearing Member shall be charged by the selling Clearing Member any additional storage costs incurred by such default as well as, any demurrage that may be charged to the selling Clearing Member's order giver by the terminal due to such default.

#### **Sub Section 5 – Role of authorisers companies during the delivery**

##### **Authorisers companies' Accreditation conditions**

3.1.5-1 The conditions set out by LCH SA to approve a company as an authoriser company for the delivery of a specific commodity future contract are detailed in a Notice, as well as their obligations and responsibilities.

3.1.5-2 The list of accredited authorisers companies empowered to operate at each port of delivery, when applicable for a specific commodity future contract, and the conditions to fulfil, are set out in a Notice.

3.1.5-3 LCH SA is responsible for the appointment of authorisers companies for the delivery of goods, as listed in a Notice. The involvement of authorisers companies in the CCP delivery procedure is determined in every contract's Notice.

3.1.5-4 Authorisers companies enter into an agreement with LCH SA by which they execute, at its request and under its authority, the authorisation at delivery ports or the accreditation of the delivery silos as applicable per commodity future contract as set out in a Notice.

##### **Appointment of authorisers companies by LCH SA**

3.1.5-5 At the buying Clearing Member's request, LCH SA appoints, by drawing from the list, one single authoriser company for each port of delivery on D+3 (third Trading Day following the Expiry) or on D+4 (fourth Trading Day following the Expiry) as applicable per commodity future contract as set out in the related contract's Notice.

3.1.5-6 If an authoriser company is not available or cannot be contacted, LCH SA can proceed to a new drawing for the relevant port of delivery.

3.1.5-7 LCH SA mandates, on the same day, the authoriser company for the ports or for the silos, as applicable and set out in a Notice, in which they will operate for the entire delivery of the goods.

The general mandate sent to these companies specifies the sampling procedures they will have to carry out and includes the following details for each:

- the selling Clearing Member's name;
- the buying Clearing Member's name;
- the point of loading or delivery silo if applicable;
- the notification number assigned by LCH SA;
- the total quantity delivered.

On the same day, a copy of the mandate given by LCH SA is sent to the buying Clearing Member and the selling Clearing Member, and the silo if applicable.

LCH SA reserves the right to attend the operations.

#### **Buying Clearing Member responsibilities as regard to authorisers companies**

3.1.5-8 The buying Clearing Member chooses the date of the loading and is responsible for informing the authoriser company about:

- the expected date of the loading;
- the lighter's identity ;
- the client identity which takes the goods ;
- any change in the loading process.

3.1.5-9 The buying Clearing Member must ensure the availability and the presentation at the point of delivery of the authorisers companies designated.

#### **Appointment of authorisers companies by Clearing Members**

3.1.5-10 The provisions of this sub section only apply to the delivery of goods which commodity future contract specifically state that authorisers companies are directly appointed by Clearing Members pursuant to the relevant applicable Trading Terms and Conditions.

3.1.5-11 Notably, FOSFA contract Clause 9 applies to eligible authorisers companies and FOSFA contract Clauses 11 and 16 set forth the conditions that these companies must satisfy.

3.1.5-12 Authorisers companies act at the request of Clearing Members, as stipulated in of FOSFA contract Clauses 11 and 16, *inter alia* by sampling, weighing and checking quantities delivered in accordance with the ISO 5555 standard.

3.1.5-13 The commodity future contracts for which LCH SA is not responsible for appointing authorisers companies are specifically defined in a relevant Notice.

#### **Authorisers companies' responsibilities during the delivery**

3.1.5-14 The authorisers companies are responsible for the following operations:

##### **A - Validation of loading**

3.1.5-15 The authoriser company, being mandated by LCH SA or directly by the Clearing Members, is in charge of:

- allowing, monitoring and validating the loading of lots of goods meeting the criteria defined in the technical specifications of commodity future contracts issued by Euronext;
- ensuring, during the loading process, that the goods can be delivered by verifying that the goods are healthy, fair and average quality, judging by their smell, appearance and weight.

3.1.5-16 In the case of an authoriser company appointed by LCH SA, loading cannot take place without the attendance and authorisation of the authoriser company.

3.1.5-17 If, during or after loading, the authoriser company, mandated by LCH SA, observes that the goods do not meet the criteria defined in the specifications of the commodity future contracts issued by Euronext, the authoriser company must immediately inform LCH SA and the selling Clearing Member by email.

If, during or after loading, the authoriser company, directly mandated by the Clearing Members pursuant to the relevant applicable Trading Terms and Conditions, observes that the goods do not meet the criteria defined in the technical specifications of the commodity future contracts issued by Euronext, the selling Clearing Member must immediately inform the buying Clearing Member and LCH SA.

If this occurs, the selling Clearing Member replaces without delay the delivered goods with goods of deliverable quality. If not, the selling Clearing Member is considered to have failed to perform its obligations. All additional expenses incurred for the replacement of the goods are chargeable to the selling Clearing Member.

3.1.5-18 for the delivery of commodity future contracts for which the authoriser company is appointed by LCH SA, the authoriser company cannot validate the loading unless all the results related to the quality are available. The buying Clearing Member cannot later reject goods which loading has been validated under the supervision of the authoriser company.

3.1.5-19 After the loading and its validation, the authoriser company sends a report of the operation by email to:

- LCH SA, in the case of authorisers companies mandated by LCH SA, or
- directly to Clearing Members, in the case of authorisers companies directly mandated by the Clearing Members pursuant to the relevant applicable Trading Terms and Conditions.

This report specifies, in particular, the results obtained for each of the quality requirements.

#### **B - Quantity of delivered goods**

3.1.5-20 The authoriser company ensures that the weighing mechanisms provided by the selling Clearing Member comply with the standards and function properly, and checks the weight of the goods to be delivered.

3.1.5-21 In the event of a defect or malfunction in the weighing system, the authoriser company can choose any other weighing system which it considers to be more suitable, so that, whatever be the system used, the buying Clearing Member is not harmed in any way.

#### **C - Quality of delivered goods**

3.1.5-22 During the loading process, the authoriser company ensures that the goods can be delivered by verifying the following quality criteria:

- good is, sound, fair and merchantable quality, judging by its smell and appearance;
- moisture content as defined in a Notice, as the case may be
- Foreign Impurities content as defined in a Notice, as the case may be
- Grading if applicable and as defined in a Notice, as the case may be

#### **D - Drawing of samples on delivered goods**

3.1.5-23 In the case of authorisers companies mandated by LCH SA, the authoriser company constitutes:

- for each loading point, for each buying Clearing Member/selling Clearing Member pair, for each means of transport, and for each portion of 500 metric tons, an overall average reference sample, representative of the delivered goods, using the method described in the ISO 542 standard, as applicable and for the goods defined in a Notice;
- for each transfer cell, for each buying Clearing Member/selling Clearing Member pair, a primary sample from the cell's global sample using the method described in the ISO 950 standard, as applicable and for the goods defined in a Notice.

3.1.5-24 Thus, if the buying Clearing Member receives lots from several selling Clearing Members during the same loading process, there will be as many samples as selling Clearing Members.

3.1.5-25 Except in the case where the authorisers companies are appointed by LCH SA following the request for an optional analysis to detect GMOs, likewise, if the loading requires the use of several means of transport, samples will be drawn for each ship (truck or wagon, if alternative collection procedures are used). Examples are available in a Notice.

## **E - Processing and packing of samples**

3.1.5-26 The conditions applying to samples processing and packing are detailed in a Notice as applicable per commodity future contract.

## **F - Responsibilities of LCH SA in the processing of samples**

3.1.5-27 Once it has received a sample, LCH SA:

- ensures that no trace of origin or distinctive sign is present on the packaging ;
- assigns a serial number to each sample ;
- sends the sample to the laboratory designated by LCH SA ;
- specifies the additional analysis which may be performed, if applicable.

## **G - Invoicing**

3.1.5-28 In the case where the authorisers companies are appointed by LCH SA, the authorisers companies bill their services to LCH SA on the basis of the annual rates negotiated with them.

3.1.5-29 In the case where the authorisers companies are appointed by the Clearing Members pursuant to FOSFA terms, authorisers companies invoice both selling Clearing Members and buying Clearing Members in accordance with FOSFA clause 11.

## **Sub Section 6 – Role of analysis laboratories during delivery**

### **Analysis laboratories' accreditation conditions**

3.1.6-1 The conditions set out by LCH SA to approve an analysis laboratory as an “accredited laboratory” for the delivery of a specific commodity future contract are detailed in a Notice, as well as its obligations and responsibilities.

3.1.6-2 The list of accredited analysis laboratories empowered to operate at each port of delivery, when applicable for a specific commodity future contract, is set out in a Notice.

3.1.6-3 LCH SA is responsible for the appointment of analysis laboratories for the delivery of goods, as listed in a Notice. The involvement of accredited analysis laboratories in the CCP delivery procedure is determined in every commodity future contract's Notice.

3.1.6-4 The accredited laboratories enter into an agreement with LCH SA by which they execute, at its request and under its authority, the analysis of the quality of samples of delivered goods supplied by LCH SA.

3.1.6-5 On D+3 (third Trading Day following the Expiry) or on D+4 (fourth Trading Day following the Expiry) as applicable per commodity future contract involved as set out in a Notice, LCH SA appoints three (3) laboratories by drawing from the list of approved laboratories.

3.1.6-6 The names and election of the laboratories remain confidential and cannot be communicated to a third party by LCH SA or by the laboratories concerned.

3.1.6-7 LCH SA then sends to those laboratories, the samples for which analysis has been requested, in chronological order in which they are received.

### **Appointment of analysis laboratories by Clearing Members**

3.1.6-8 The provisions of this sub section only apply to the delivery of goods which commodity future contract specifically states that analysis laboratories are directly appointed by Clearing Members pursuant to the relevant applicable Trading Terms and Conditions as set out in a Notice.

3.1.6-9 Notably, Clause 10 of FOSFA contract formula applies to eligible analysis laboratories. Only analysis laboratories rated D2 or higher may be selected. Clauses 11 and 16 of FOSFA contract formula set forth the conditions that these laboratories must satisfy.

3.1.6-10 Laboratories act at the request of Clearing Members, as stipulated notably, in Clause 11 of FOSFA contract formula, by analysing samples of goods supplied by authorisers companies, using the method set forth in the "FOSFA International Standard Contractual Method List".

3.1.6-11 The commodity future contracts for which LCH SA is not responsible for appointing analysis laboratories is specifically defined in a relevant Notice.

#### **Responsibilities of the analysis laboratories**

All following provisions are dealing with laboratories mandated by LCH SA.

3.1.6-12 The empowered laboratories are in charge of the following operations:

##### **A - Analysis of the quality of the delivered goods**

3.1.6-13 Whatever the analysis laboratory appointed and the work to be done, measurement of the quality are conducted according to a blind testing with no identifiable origin.

3.1.6-14 Laboratories systematically carry out all of the operations and analysis detailed in a Notice, on all samples sent by LCH SA, in accordance with the methods described in the specified standards as referred to in a Notice.

3.1.6-15 Laboratories analyses the defined quality criteria to determine whether the goods are of deliverable, as set out in a Notice.

3.1.6-16 Upon the express request of the buying Clearing Member made to LCH SA with the delivery notice, approved laboratories may have to carry out, on certain samples, additional analysis in accordance with the methods described in specified standards as detailed in a Notice.

3.1.6-17 Additional analysis are billed to LCH SA on the basis of annual negotiated fees. LCH SA then fully invoices these fees to the buying Clearing Member.

##### **B - Results of analysis**

3.1.6-18 The results of analysis must reach LCH SA within a defined number of working days, as set out in a Notice, after the empowered laboratory has received the samples, or, if it is not a Trading Day, on the next Trading Day thereafter.

3.1.6-19 Results must be sent to the selling Clearing Member in a timely manner once the analysis have been performed.

3.1.6-20 Analysis results must satisfy the quality criteria set out for the relevant good, otherwise the selling Clearing Member shall be deemed to have failed to comply with its obligations.

3.1.6-21 Laboratories are bound by professional confidentiality obligations in connection with their activities for the account of LCH SA.

No information relating to the assignment with which they are entrusted, to the analysis requested or to the results obtained, may be communicated to a third party, except after the approval or following a request by LCH SA.

3.1.6-22 As soon as LCH SA receives the results of laboratory analysis, LCH SA transmits them by email to the buying Clearing Member and the selling Clearing Member.



3.1.6-23 If the quality of the delivered goods complies with the deliverable quality, the buying Clearing Member sends the selling Clearing Member a duly completed and signed “notice of performance” to on the first business day after receiving the analysis results. The selling Clearing Member then countersigns the notice of performance and sends it to LCH SA.

3.1.6-24 If the quality of the delivered goods does not comply with the deliverable quality as set out in a Notice, the selling Clearing Member shall be deemed to have failed to perform its obligation.

Absent an official quality analysis procedure, the buying Clearing Member shall send the selling Clearing Member a notice of performance no later than the last business day of the month after the contract month. The selling Clearing Member countersigns the notice of performance and sends it to LCH SA.

## **C - Invoicing**

3.1.6-25 The laboratories mandated by LCH SA bill their services to LCH SA on the basis of the annual rates negotiated with them.

3.1.6-26 The laboratories mandated by the Clearing Members pursuant to FOSFA contract terms invoice their services in accordance with FOSFA contract clause 11.

### **Sub Section 7 – Termination of CCP guarantee: submission of notice of performance**

3.1.7-1 The delivery of the notice of performance applies to all commodity future contracts cleared by LCH SA.

3.1.7-2 The receipt of the notice of performance bearing the signature and seal of the buying Clearing Member and selling Clearing Member attests the proper performance of the contract and terminates the LCH SA’s role as central counterparty. The buying Clearing Member and the selling Clearing Member acknowledge by signing the notice of performance, the fulfilment of their reciprocal obligations.

3.1.7-3 The notice of performance is submitted to LCH SA either at the end of the delivery procedure or in the case of an amicable agreement between the parties which opt for the alternative delivery procedure, as described hereafter.

3.1.7-4 The notice of performance must comply with the standard document established by LCH SA.

3.1.7-5 The operational details related to the submission of the notice of performance per each commodity future contract are defined in the Notice dedicated to each commodity future contract.

## **Section 2 – Cash Payment**

### **Sub Section 1 – Payment of goods**

3.2.1 The amount corresponding to the value of the goods is bilaterally paid between the buying Clearing Member and the selling Clearing Member, according to the relevant invoicing process as applicable to each commodity future contract and as defined in the relevant delivery Notice.

### **Sub Section 2 – Delivery management fee**

3.2.2 On D+3 (the third Trading Day following the Expiry) after 3:00 p.m., LCH SA debits buying Clearing Members and selling Clearing Members for a delivery fee for each contract, that gives rise to matching.

### **Sub Section 3 – Invoicing process**

3.2.3 There are two different invoicing processes applied to commodity future contracts cleared by LCH SA. The applicable invoicing process is stated in the related contract’s Notice.

## **A – Two-step invoicing process:**

### **Provisional invoice**

3.2.3-1 Once the selling Clearing Member has:

- the bill of lading (“connaissancement”),
- the approval certificate, and
- the laboratory analysis, including the analysis of genetically modified organism content where such is the case,

the selling Clearing Member prepares an invoice for an amount corresponding to 100% of the value of the goods valued at base quality and at the Settlement Price set by LCH SA.

3.2.3-2 This provisional invoice may include the expenses caused by the delay of one or other of the parties to the delivery, pursuant to the delivery failure procedure.

3.2.3-3 No later than three (3) business days after the selling Clearing Member has submitted its invoice, the buying Clearing Member must issue the selling Clearing Member with a duly completed and signed delivery notice. The delivery notice must conform to the standard form prepared by LCH SA.

3.2.3-4 The buying Clearing Member must pay the selling Clearing Member, at the latest, for value on the third working day following the day on which the invoice is received.

3.2.3-5 Two Trading Days following payment of this provisional invoice by the buying Clearing Member, the selling Clearing Member submits to LCH SA the delivery confirmation receipt noting its acceptance by sending a copy of it by email and the original through a simultaneous registered letter to the attention of “LCH SA – Operations Department”.

3.2.3-6 The delivery notice bearing the signature and seal of the buying Clearing Member and the selling Clearing Member confirms the actual delivery of the goods and the payment of the provisional invoice.

### **Final invoice**

3.2.3-7 On the third consecutive working day following the receipt of all of the analysis results, at the latest, the selling Clearing Member draws up for the buying Clearing Member, a final invoice which amount corresponds to the value of the goods actually delivered, taking into account the application of any bonuses, allowances or price reductions.

3.2.3-8 The payment of the balance due or the refund of monies paid with the provisional invoice must be settled by the buying Clearing Member and the selling Clearing Member, respectively, at the latest with value on the third consecutive working day from the date of receipt of the final invoice.

3.2.3-9 When the contract is performed and the final sums owed actually paid, the selling Clearing Member transmits to the buying Clearing Member a duly signed and completed notice of performance, which the buying Clearing Member then forwards to LCH SA after having countersigned it.

## **B – One-step invoicing process**

### **Final Invoice**

3.2.3-10 The amount due by the buying Clearing Member to the selling Clearing Member, is calculated on the basis of the Settlement Price, adjusted where applicable for rebates as defined in Trading Terms and Conditions.

3.2.3-11 The selling Clearing Member must send its bill to the buying Clearing Member before the fourth Trading Day following the day of transfer.

3.2.3-12 To be accepted by the buying Clearing Member, the invoice must enclose the original certificate of transfer.

3.2.3-13 Payment is made in return for documents pursuant to the Trading Terms and Conditions.

3.2.3-14 Payment is made on a net cash basis, without discount and upon the first presentation of an invoice accompanied by the only original certificate of transfer.

3.2.3-15 Payment occurs between the buying Clearing Member and selling Clearing Member.

3.2.3-16 Upon payment of the invoice and release by the buying Clearing Member of the selling Clearing Member's storage capacity, the selling Clearing Member sends to the buying Clearing Member the notice of performance duly completed and signed. The notice of performance must reach the buying Clearing Member before 12:00 p.m. on the first Trading Day of the month following the delivery month, at the latest. Upon reception of the notice of performance, the buying Clearing Member countersigns it and sends it to LCH SA, on the first Trading Day of the month following the delivery month, at the latest.

#### **Sub Section 4 – Payment of authorisers companies and analysis costs**

3.2.4-1 For the commodity future contracts for which authorisers companies and analysis laboratories are appointed by LCH SA for the purpose of the delivery of the goods as set out in a Notice, LCH SA invoices the costs related to authorisers companies, analysis and forwarding of samples, to the buying Clearing Members and to the selling Clearing Members, on an equal basis.

3.2.4-2 For the commodity future contracts for which authorisers companies and analysis laboratories are appointed by LCH SA for the purpose of the delivery of the goods as set out in a Notice, the costs incurred by such authorisers companies and laboratories which are billed to LCH SA are passed back to the involved buying Clearing Member and selling Clearing Member on an equal basis at the actual cost billed to LCH SA.

3.2.4-3 The cost of additional analysis which may be requested by a buying Clearing Member and as detailed in a Notice, are invoiced to the buying Clearing Member at the actual cost billed to LCH SA.

3.2.4-4 For the commodity future contracts for which authorisers companies and analysis laboratories are directly appointed by Clearing Members in accordance with the relevant applicable Trading Terms and Conditions, the cost of approving, analysing and sending samples is invoiced directly by the authorisers companies and analysis laboratories to buying Clearing Members and selling Clearing Members, which settle those invoices.

### **Section 3 – Failure to deliver**

#### **Sub Section 1 – Procedures in case of event of force majeure**

3.3.1-1 Pursuant to article 1.3.3.12 of the Clearing Rule Book related to Force Majeure, the following provisions set forth the procedures under which a party can invoke Force Majeure and the principles governing its resolution.

3.3.1-2 The party invoking Force Majeure as a hindrance to delivering or receiving all or part of the merchandise shall immediately send an email to its counterparty and to LCH SA explaining the nature of such hindrance, its likely duration and the tonnage concerned.

When the hindrance ceases to exist, the party invoking Force Majeure shall inform its counterparty and LCH SA thereof by email within 2 working days.

3.3.1-3 In the event of disagreement concerning the nature of the event and/or the duration of the hindrance, the parties can bring the matter before the competent arbitration board or the relevant jurisdiction, as the case may be.

If the arbitration board or the relevant jurisdiction, as the case may be, reaches a final decision that a party has wrongly invoked force majeure, such party shall be deemed to have failed to perform its obligation. In such a case, the provisions herein shall be superseded by the provisions related to procedures in case of delivery failure. The calculation of the penalty is made for the performance period, extended by the extensions wrongly obtained by the defaulting party.

3.3.1-4 In case of unforeseeable events preventing definitively the delivery of the goods, the contract will be terminated for the quantity to be executed.

3.3.1-5 If the event is temporarily (strike, lock-out, temporarily impossibility to load, etc.),

- the periods to make the goods available or the transfer of possession are then extended, without any claim for penalty or raise in price being admitted until third business day following the end of the said hindrances. The duration of this extension period is provided in the relevant Trading Terms and Conditions and may not exceed 30 calendar days;
- the transfer of goods will be extended to the first Trading Day following the end of this hindrance and the payment deadlines and the remittance of documents will be extended accordingly.

3.3.1-6 If the hindrance exceeds the last Trading Day of the delivery month as extended, the contract shall be terminated for the quantity remaining to be executed.

3.3.1-7 In case of agreement between the parties, and pursuant to the procedures proposed by them, the removal of the goods is done:

- departure by rail,
- departure by road,
- or any other possible means of removal.

In the absence of agreement between the parties, LCH SA may propose the removal of the goods in accordance with the above mentioned procedures.

In such a case, LCH SA indicates the conditions applying to the counterparts in connection with the evacuation means.

3.3.1-8 If there is no agreement between the parties on the basis of the previous article, the total or partial non performance of the contract due to Force Majeure entails automatically:

- on one hand, the termination of the said contract to the extent of the quantity not delivered or received ;
- on the other hand, the financial payment which corresponds to the difference between:
  - ✓ the value of the unexecuted quantity at the Settlement Price, and
  - ✓ the average purchase price of the goods on the cash market, recorded by LCH SA on the last day of the Delivery Period as extended by the provisions herein, or a fair value set by Euronext in consultation with LCH SA, based on available information (i.e. average price of the goods recorded on the cash market or market survey where appropriate, on the last day of the Delivery Period as extended), as the case may be.

This difference is charged by LCH SA to:

- the selling Clearing Member if the average purchase price of the goods on the cash market on the last day of the Delivery Period as extended, or the fair value set by Euronext in consultation with LCH SA (as the case may be), is greater than the Settlement Price;
- the buying Clearing Member if the average purchase price of the goods on the cash market on the last day of the Delivery Period as extended, or the fair value set by Euronext in consultation with LCH SA (as the case may be) is lesser than the Settlement Price;

and is to be paid by LCH SA to the other relevant Clearing Member.

## **Sub Section 2 – Procedures in case of delivery default**

### **A - General Provisions**

3.3.2-1 Pursuant to Articles 3.4.3.4 and followings of the Clearing Rule Book, the following provisions set forth the terms and conditions applicable to failure in delivery of the goods for all commodity future contracts cleared by LCH SA.

3.3.2-2 The party suffering from the failure of another party during the Delivery Period advises LCH SA by email confirmed later by registered letter.

3.3.2-3 Failure is established as soon as it is recorded by LCH SA, without notice being needed.

3.3.2-4 If no agreement is reached regarding the nature of the event or on the applicable terms of performance, LCH SA may, at any time, consult the expert committee if it deems it appropriate.

### **B - Failure of the buying Clearing Member during the Delivery Period**

3.3.2-5 The conditions according to which a buying Clearing Member is deemed to have failed to perform its obligations are defined in a Notice.

3.3.2-6 Once it is established that the buying Clearing Member has failed, LCH SA undertakes the following actions:

- informs the selling Clearing Member of the buying Clearing Member's failure;
- mobilises and sells off the Collateral of the buying Clearing Member to the benefit favour of the selling Clearing Member;
- authorises the selling Clearing Member to sell the goods on the physical market, under the conditions set out in the relevant applicable Trading Terms and Conditions, as set out in a Notice. The operation of selling the goods on the physical market must be carried out within a specific period of time following the authorisation, as set out in a Notice.

3.3.2-7 Pursuant to Article 1.3.2.8 of the Clearing Book, LCH SA pays cash compensation to the selling Clearing Member, which is made up of the three following elements:

- in exchange of a certified copy of the purchase contract on the physical market, the difference between the Settlement Price and, if it is lower, the selling price of the goods on the physical market, if applicable;
- the proven expenses incurred by the selling Clearing Member resulting from the failure of the buying Clearing Member, if applicable;
- a penalty fee which is always charged by LCH SA to the defaulting buying Clearing Member, the amount of which is set at 10% of the value of the goods at the Settlement Price. This penalty is intended to compensate the selling Clearing Member, after deduction of the amount corresponding to the costs and expenses incurred by LCH SA as of the management of the defaulting situation of the buying Clearing Member.

3.3.2-8 LCH SA returns the remaining Collateral to the buying Clearing Member, which corresponds to the remaining amount of its financial guarantees, if any, after deduction of the penalty and deduction of the expenses paid by the defaulting buying Clearing Member to the non-defaulting selling Clearing Member. LCH SA returns its Collateral to the selling Clearing Member.

### **C - Failure of the selling Clearing Member during the Delivery Period**

#### Failure to deliver the goods:

3.3.2-9 The conditions according to which a selling Clearing Member is deemed to have failed to perform its obligations are defined in a Notice.

3.3.2-10 Once the failure of the selling Clearing Member is established, LCH SA undertakes the following actions:

- informs the buying Clearing Member of the selling Clearing Member's failure;
- mobilises and sells off the Collateral of the selling Clearing Member to the benefit favour of the buying Clearing Member;
- authorises the buying Clearing Member to buy the goods on the physical market, under the conditions set out in the relevant applicable Trading Terms and Conditions, as set out in a Notice. The operation to buy the goods on the physical market must be carried out within a specific period of time following the authorisation, as set out in a Notice.

3.3.2-11 Pursuant to Article 1.3.2.8 of the Clearing Book, LCH SA pays a cash compensation to the buying Clearing Member, which is made up of the three following elements:

- in exchange of a certified copy of the purchase contract on the physical market, the difference between the Settlement Price and, if it is higher, the purchase price of the goods on the physical market, if applicable;
- the proven expenses incurred to the buying Clearing Member resulting from the failure of the selling Clearing Member, if applicable;
- a penalty fee which is always charged by LCH SA to the defaulting selling Clearing Member, the amount of which is set at 10% of the value of the goods at the Settlement Price. This penalty is intended to compensate the buying Clearing Member, after deduction of the amount corresponding to the costs and expenses incurred by LCH SA as of the management of the defaulting situation of the selling Clearing Member.

3.3.2-12 LCH SA returns the remaining Collateral to the selling Clearing Member, which corresponds to the remaining amount of its financial guarantees, if any, after deduction of the penalty and deduction of the expenses paid by the defaulting selling Clearing Member to the non-defaulting buying Clearing Member. LCH SA returns its Collateral to the buying Clearing Member.

Failure to deliver a good which complies with the required quality criteria:

3.3.2-13 If the goods, after analysis, do not comply with the required quality of deliverable goods, the selling Clearing Member is deemed to have failed to perform its obligations.

3.3.2-14 LCH SA retains the Collateral of the buying Clearing Member and of the selling Clearing Member until:

- submission of the notice of performance or after amicable agreement between the parties or after settlement of the dispute before the arbitration court or the relevant jurisdiction, as the case may be, enjoying jurisdiction; and
- payment by the selling Clearing Member of a penalty which amount depends on the amicable agreement made between the parties or the decisions of the concerned arbitration court or the relevant jurisdiction, as the case may be, called to settle the dispute.

**D - Failure of the authoriser company during the Delivery Period**

3.3.2-15 In the case of commodity future contracts for which the delivery procedure implies the appointment of authorisers companies as set out in a Notice, goods can be loaded only in the presence of the authoriser company designated and commissioned by LCH SA.

3.3.2-16 If the chosen authoriser company fails on the delivery day, even though having been informed by the buying Clearing Member, the later must inform LCH SA of the failure before 12.00 a.m. the next working day. In such a case, LCH SA designates and commissions a new authoriser company.

3.3.2-17 Non-observance by the authoriser company of its obligations related to the authorisation conditions or of the set deadlines, is considered as a failure on the authoriser company's part.

3.3.2-18 The expenses due to the failure, whatever the cause may be, are charged to the responsible authoriser company. Furthermore, LCH SA may strike the said company off the list of accredited companies.

3.3.2-19 The authoriser company supplies LCH SA, at the latter's request, with all documentation relating to its operation in connection with the futures and options market, and in particular with the certificates concerning dispatch of samples to LCH SA, when a shipping company is involved.

#### **E - Failure of the analysis laboratory during the Delivery Period**

3.3.2-20 In the case of commodity future contracts for which the delivery procedure implies the appointment of analysis laboratories as set out in a Notice, analysis laboratories are considered to have failed to perform their obligation in the case of:

- loss of samples,
- breach of the confidentiality of the analysis and
- non observance of the obligations related to the conditions governing approval of analysis laboratories defined in a Notice.

Once LCH SA has established the failure of the analysis laboratory, LCH SA claims back the reserve sample from the authoriser company and designate a new laboratory, taken at random.

The procedure is identical and extended by the same periods.

The expenses resulting from the failure are, whatever the cause may be, charged to the responsible analysis laboratory. Furthermore, LCH SA may remove the latter one from the list of accredited laboratories.

The analysis laboratory supplies LCH SA, at the latter's request, with any documentation relating to its operation in connection with the futures and options market.

#### **F - Failure of the silo during the Delivery Period**

3.3.2-21 When, for a completed transfer, the silo is unable to provide the buying order-giver with goods conforming in quantity and quality to the information mentioned on the transfer voucher, the silo is deemed to have failed to perform its obligations vis-à-vis the buying order-giver. In such case, the silo is liable, on the one hand, for refunds to the buying order-giver for the difference between the transfer voucher and the goods actually delivered and, on the other hand, for a possible penalty the amount of which depends on the amicable agreement arrived at by the parties or, failing that, the decisions of the competent arbitration board or the relevant jurisdiction, as the case may be, responsible for settling the dispute.

#### **G - Failure of the terminal during the Delivery Period**

The Terminal warrants that the quantity of the goods that are supposed to be transferred corresponds to the quantity indicated in the storage certificate. The terminal is liable for the delivery of the quantity of goods as specified in the bill of delivery.

### **Section 4 – Margin call process as part of the CCP delivery**

3.4.0-1 The following provisions on Margins apply to all commodity future contracts cleared by LCH SA, only the timetable may differ upon the commodity future contract involved.

3.4.0-2 The detailed timetables of Margins calls applicable to each commodity future contracts cleared by LCH SA are available in the relevant contract's Notice.

#### **Sub Section 1 - Delivery Margin**

3.4.1-1 On D+3 (the third Trading Day following the Expiry) before 3:00 p.m., the selling Clearing Member and the buying Clearing Member pay LCH SA a delivery Margin deposit in an amount equal to 45% of the value of the goods, calculated on the basis of the Settlement Price.

3.4.1-2 Close to expiry Margin is returned one Trading Day after the delivery Margin is received as mentioned above in article 6.1.3

3.4.1-2 The delivery Margin will be fully returned upon the receipt by LCH SA of the notice of performance.

3.4.1-3 The delivery Margin will be partially returned:

- in the case of commodity future contracts for which silos or terminals are appointed for the delivery procedure, upon the receipt by LCH SA of the notice of performance. Once the transfer of goods is done by the silo or the terminal, LCH SA reserves the right to retain the selling Clearing Member's Delivery Margin if the silo or the terminal so requests by email on the grounds that the selling Clearing Member has not paid the delivery expenses related to delivery of the goods;
- in the case of commodity future contracts for which a two-step approach invoicing process is applied, upon the receipt by LCH SA of the delivery confirmation receipt. LCH SA keeps, from the buying Clearing Member and the selling Clearing Member, 10% of the value of the goods, calculated on the basis of the Settlement Price.

#### **Sub Section 2 - Supplementary Delivery Margin**

3.4.2-1 At any time until the notice of performance is received, LCH SA can call for the immediate payment of supplementary delivery Margin from the buying Clearing Member and the selling Clearing Member.

3.4.2-2 Payment of this supplementary delivery Margin and the amount called depend on:

- the movement of the underlying asset's price which, if it diverges sufficiently from the Settlement Price, can justify an increase of the delivery Margin;
- the risks associated with the quality of the goods.

3.4.2-3 Supplementary delivery Margin is returned when LCH SA receives the "notice of performance".

#### **Sub Section 3 – Margins Default**

3.4.3-1 Pursuant to Article 4.5.2.4 of the Clearing Rule Book, any Clearing Member that does not pay the Margins called in respect of Transactions recorded in the Positions Accounts opened in its name at LCH SA is deemed to be in Default.

3.4.3-2 Pursuant to article 1.3.2.7 of the Clearing Rule Book, a non-defaulting Clearing Member benefits from LCH SA guarantee of final settlement.

3.4.3-3 When Margins are not paid, LCH SA informs the defaulting and the non-defaulting Clearing members of the default, by email.

#### **SUB CHAPTER 2 – ALTERNATIVE DELIVERY PROCEDURE**

3.5.1-0 The provisions on the alternative delivery procedure as described in this sub chapter apply to all commodity future contracts cleared by LCH SA.

##### **Section 1 – Before D+3 (third Trading Day after the Expiry) at 3.00 p.m.**

3.5.1-1 In the case of amicable agreement on different delivery terms, the parties can depart from the delivery procedure of LCH SA by sending it a "notice of performance", in which the parties acknowledge fulfilment of their reciprocal obligations.

3.5.1-2 Such notice of performance must comply to the standard template established by LCH SA.



3.5.1-3 For the amicable agreement to be taken into account in place of the notification, the notice of performance (original or copy by email) must be signed by both parties and received by LCH SA before 3:00 p.m. on D+3 (third Trading Day following the Expiry).

If the notice of performance is sent by email on D+3 before 3:00 p.m., the original document must be received by LCH SA on D+3 before 5:30 p.m.

3.5.1-4 Upon receipt of this notice of performance, the guarantee of LCH SA lapses and, consequently:

- the provisions concerning delivery become non applicable, and notably:
  - the official procedure of quality analysis, if applicable;
  - the provisions related to the cash payment;
  - the provisions related to the failure to deliver;
  - provision of delivery Margins.
  
- the Initial Margins ("Close-to-expiry Margins) are refunded on D+4 (fourth Trading Day after the Expiry).

## **Section 2 – After D+3 (third Trading Day after the Expiry) at 3.00 p.m.**

3.5.1-5 During the Delivery Period, the buying Clearing Member and the selling Clearing Member can, at anytime, use an alternative delivery procedure by amicable agreement.

3.5.1-6 LCH SA's responsibility lapses upon receipt of the original notice of performance, duly completed and signed by both parties. No fax or email can be accepted.

3.5.1-7 When buying Clearing Members and selling Clearing Members use an alternative delivery procedure, they must so indicate on the notice of performance sent to LCH SA, by ticking the appropriate box.

3.5.1-8 The receipt of this "notice of performance" lapses the guarantee of LCH SA and, consequently:

- The provisions concerning delivery become non applicable, and notably:
  - the official procedure for quality analysis, if applicable;
  - the payment of delivery costs if LCH SA has not incurred corresponding expenses.
  
- Delivery Margins are refunded.

3.5.1-9 When buying Clearing Members and selling Clearing Members use an alternative delivery procedure after D+3, 3:00 p.m., the delivery expenses of LCH SA and the delivery management fee remain due.