Appendix 22

COM BLOCK TRADE, COM EFP AND COM EFS CLEARING PROCEDURES

1. Application

1.1. These COM Block Trade, COM EFP and COM EFS Clearing Procedures contain detailed provisions on the registration and processing of COM Clearing Requests in respect of COM Block Trades, COM EFP and COM EFS, and form an integral part of the Clearing Rules.

2. Submittal of COM Clearing Requests

2.1. COM Block Trades, COM EFP and COM EFS are automatically subject to Clearing pursuant to the Exchange Rules.

2.2. The Exchange will provide the Clearing House with information of all COM Block Trades, COM EFP and COM EFS registered in the Combined Block Trade Facility, including the terms of each such Transaction and the Clearing Members, Customers and COM Clearing Members involved. Such notification by the Exchange shall constitute a COM Clearing Request.

3. Registration of COM Block Trades/COM EFP and COM EFS in respect of Electricity Contracts, El-Cert Contracts, Natural Gas Contracts and Allowance Contracts

3.1. Registration of COM Block Trades and COM EFP or COM EFS in respect of Electricity Contracts, El-Cert Contracts, Natural Gas Contracts and Allowance Contracts for Clearing shall be carried out in accordance with this section.

3.2. The Clearing House decides in its sole discretion whether or not to approve a COM Clearing Request in respect of COM Block Trades, COM EFPs or COM EFSs in respect of Electricity Contracts, El-Cert Contracts, Natural Gas Contracts or Allowance Contracts on a continuous and revolving basis. The Clearing House shall not become counterparty to any such COM Block Trade, COM EFP, COM EFS or COM Clearing Request, and will only be Counterparty to the corresponding Contract(s) when it has been Recorded following Registration.

3.3. Within two hours (120 minutes) following the registration of a COM Clearing Request in the Clearing System, the Clearing House shall decide:

a. to approve the COM Clearing Request, Register the relevant Transaction and Record the corresponding Contract; or

b. to reject the COM Clearing Request, in which case the Clearing Members and COM Clearing Members involved (or their nominees) shall be informed of the decision immediately.

3.4. The Clearing House reserves the right to reject, cancel or refuse to approve any COM Clearing Request which in the Clearing House’s determination would contravene sound clearing operations, the Clearing Rules, applicable law, or where there is another reasonable foundation for rejection.

3.5. If a decision to reject has not been made within the time limits stated in Section 3.3, the COM Clearing Request shall be deemed approved and the relevant Transaction Registered, and the relevant Contract(s) shall be Recorded. A COM Clearing Request received and accepted by the Clearing House during Clearing House Opening Hours shall be processed and (unless rejected) Registered on the same Bank Day. Chapter 2 of the Clearing Rules contain provisions regarding errors in the Registration process.

4. Registration of Com Block Trades/COM EFP and COM EFS in respect of Freight Contracts and Fuel Oil Contracts

4.1. Registration of COM Block Trades and COM EFP or COM EFS in respect of Freight Contracts and Fuel Oil Contracts for clearing shall be carried out in accordance with this section.
4.2. The Clearing House decides in its sole discretion whether or not to approve a COM Clearing Request in respect of COM Block Trades, COM EFPs or COM EFSs over Freight Contracts and Fuel Oil Contracts on a continuous and revolving basis. The Clearing House shall not become counterparty to any such COM Block Trade, COM EFP, COM EFS or COM Clearing Request, and will only be Counterparty to the corresponding Contract(s) when it has been Recorded following Registration.

4.3. As soon as a COM Clearing Request is received, the Clearing House shall carry out Prenovation Checks and Exposure Limit Checks.

4.4. If all relevant Prenovation Checks and Exposure Limit Checks are passed, the Clearing House shall approve the COM Clearing Request, Register the relevant Transaction and Record the corresponding Contract.

4.5. If any relevant Prenovation Check and/or Exposure Limit Check is not passed, the Clearing House shall either a) decide (at its discretion) to approve the COM Clearing Request, Register the relevant Transaction and Record the corresponding Contract, or b) immediately notify the relevant Clearing Member(s), and shall inform them of the amount of extra collateral (if any) that needs to be posted to pass the Prenovation Check.

4.6. A Clearing Member can request that the Clearing House reviews the relevant Exposure Limit. Any increase in such Exposure Limit is entirely at the Clearing House’s discretion, and if such increase is approved, sufficient extra collateral must be posted to cover the increased Exposure Limit.

4.7. Once the Clearing House has notified a Clearing Member that the Prenovation Check and/or the Exposure Limit Check have not been passed in accordance with Section 4.5 above, extra collateral may be posted and/or an increase in the relevant Exposure Limit may be requested.

4.8. At any point after the Clearing House has notified a Clearing Member that the Prenovation Check and/or the Exposure Limit Check have not been passed in accordance with Section 4.5 above, such Clearing Member may request that the Clearing House carry out a new Prenovation Check and/or Exposure Limit Check. The Clearing House has no obligation to re-run a Prenovation Check and/or Exposure Limit Check unless such re-run is requested by the relevant Clearing Member.

4.9. Subject to clause 4.10 below, if, after the Clearing House has notified a Clearing Member that the Prenovation Check and/or the Exposure Limit Check have not been passed in accordance with Section 4.5 above, the Clearing House re-runs the Prenovation Checks and/or the Exposure Limit Checks and they are passed, the Clearing House shall approve the COM Clearing Request, Register the relevant Transaction and Record the corresponding Contract.

4.10. If, at the end of Clearing House Opening Hours on the Bank Day after the COM Clearing Request was received by the Clearing House, any relevant Prenovation Checks and/or Exposure Limit Checks have not been passed, the Clearing House shall reject the COM Clearing Request.

4.11. The Clearing House reserves the right to reject, cancel or refuse to approve any COM Clearing Request which in the Clearing House’s determination would contravene sound clearing operations, the Clearing Rules, applicable law, or where there is another reasonable foundation for rejection.