

CHAPTER 8 CONTRACT SETTLEMENT

8.01 General

- (1) Deliveries and the acceptance of Deliveries must be performed in accordance with the terms of the relevant Open Contract and the Rules and such procedures as may be prescribed by the Clearing House.
- (2) For each Clearing Participant who as Buyer or Seller to an Open Contract has taken or made Delivery, the Clearing House will select a Clearing Participant (which may or may not be the same Clearing Participant) as a counterparty to the Open Contract. The terms of such Open Contract are identical in all aspects but not necessarily contract price and contract date.
- (3) The Clearing House will make such selection in such manner as determined by the Clearing House.

8.02 Parties to Delivery under an Open Contract

Subject to the relevant Exchange Rules, Delivery under an Open Contract, other than an Option Open Contract, must at the absolute discretion of the Clearing House be either:

- (a) between a Clearing Participant who is Buyer to an Open Contract and a Clearing Participant who is Seller to an Open Contract the terms of which are identical in all aspects but not necessarily contract price and contract date and the Clearing House effected by:
 - (i) the Clearing House directing such Buyer to accept Delivery in accordance with the terms of the Open Contract; and
 - (ii) the Clearing House directing such Seller to Deliver in accordance with the terms of the Open Contract; and
 - (iii) the Buyer paying to the Clearing House a settlement amount in accordance with the directions of the Clearing House and the terms of the Open Contract to which the Buyer is party; and
 - (iv) the Clearing House paying to the Seller a settlement amount, calculated in accordance with the terms of the Open Contract to which the Seller is party;

OR

- (b) between the Clearing House and a Clearing Participant who is Buyer to an Open Contract and between the Clearing House and a Clearing Participant who is Seller to an Open Contract the terms of which are identical in all aspects but not necessarily contract price and contract date, effected by:
 - (i) Delivery by such Seller to the Clearing House and the Clearing House paying a settlement amount to such Seller calculated in accordance with the terms of the Open Contract to which the Seller is party; and
 - (ii) Delivery by the Clearing House to such Buyer and the Buyer paying a settlement amount to the Clearing House calculated in accordance with the terms of the Open Contract to which the Buyer is party.

8.03 Parties to Delivery under an Option Open Contract

Subject to the relevant Exchange Rules, Delivery under an Option Open Contract which has been Exercised must at the absolute discretion of the Clearing House be either:

- (a) between a Clearing Participant who is Buyer to an Option Open Contract and a Clearing Participant who is Seller to an Option Open Contract the terms of which are identical in all aspects but not necessarily contract price and contract date and the Clearing House effected by:
 - (i) in the case of a Call Option:
 - (aa) the Clearing House directing such Buyer to accept Delivery from such Seller in accordance with the terms of the Option Open Contract; and
 - (bb) the Clearing House directing such Seller to Deliver to such Buyer in accordance with the terms of the Option Open Contract; and
 - (cc) the Buyer paying to the Clearing House a settlement amount in accordance with the terms of the Option Open Contract to which the Buyer is party and directions of the Clearing House; and
 - (dd) the Clearing House paying to the Seller a settlement amount, calculated in accordance with the terms of the Option Open Contract to which the Seller is party;
 - (ii) in the case of a Put Option:
 - (aa) the Clearing House directing such Seller to accept Delivery from such Buyer in accordance with the terms of the Option Open Contract; and
 - (bb) the Clearing House directing such Buyer to Deliver to such Seller in accordance with the terms of the Option Open Contract; and
 - (cc) the Seller paying to the Clearing House a settlement amount in accordance with the terms of the Option Open Contract to which the Seller is party and the directions of the Clearing House; and
 - (dd) the Clearing House paying to the Buyer a settlement amount, calculated in accordance with the terms of the Option Open Contract to which the Buyer is party;

OR

- (b) between the Clearing House and a Clearing Participant who is Buyer to an Option Open Contract and between the Clearing House and a Clearing Participant who is Seller to an Option Open Contract the terms of which are identical in all aspects but not necessarily contract price and contract date, effected by:
 - (i) in the case of a Call Option:
 - (aa) Delivery by such Seller to the Clearing House and the Clearing House paying a settlement amount to such Seller calculated in accordance with the directions of the Clearing House and the terms of the Option Open Contract to which the Seller is party; and
 - (bb) Delivery by the Clearing House to such Buyer and the Buyer paying a settlement amount to the Clearing House calculated in accordance with the terms of the Option Open Contract to which the Buyer is party;

- (ii) in the case of a Put Option:
 - (aa) Delivery by such Buyer to the Clearing House and the Clearing House paying a settlement amount to such Buyer calculated in accordance with the directions of the Clearing House and the terms of the Option Open Contract to which the Buyer is party; and
 - (bb) Delivery by the Clearing House to such Seller and the Seller paying a settlement amount to the Clearing House calculated in accordance with the terms of the Option Open Contract to which the Seller is party.

8.04 Delivery procedures

- (1) A Clearing Participant must comply with all provisions of the Rules and the terms of such Open Contract relating to Delivery to the Clearing House or to Clearing Participants (as the case may be) and the acceptance of any Delivery.
- (2) Acceptance of Delivery by a Clearing Participant effected in accordance with Rule 8.02 or 8.03 and payment to the Clearing House in accordance with Rule 8.02 or 8.03 and the terms of an Open Contract are deemed to be full and complete discharge of obligations under such Open Contract.
- (3) Delivery by a Clearing Participant in accordance with the terms of an Open Contract and payment by the Clearing House to such Clearing Participant in accordance with Rule 8.02 or 8.03 are deemed to be full and complete discharge of obligations under such Open Contract except if that Clearing Participant has delivered a forged or false Instrument or forged or false document evidencing title to such Instrument in which case such delivery does not constitute a discharge of its obligations under such Open Contract as against the Clearing House.
- (4) The Clearing House is not obliged to check any Instrument or purported Instrument or document evidencing title to such Instrument received by the Clearing House from a Seller to an Open Contract or from a Buyer to an Option Open Contract which is a Put Option.
- (5) The delivery of any Instrument or purported Instrument or document evidencing title to such Instrument to a Clearing Participant as Buyer to an Open Contract or Seller to an Option Open Contract which is a Put Option in accordance with the terms of such Open Contract is not to be taken to be acceptance by the Clearing House of such Instrument or document evidencing title to such Instrument.
- (6) Rejection in accordance with the procedures from time to time determined by the Clearing House, of any Instrument or document evidencing title to such Instrument delivered to a Clearing Participant as Buyer to an Open Contract or Seller to an Option Open Contract which is a Put Option pursuant to the terms of such Open Contract is deemed to be rejection by the Clearing House of such Instrument or document evidencing title to such Instrument.

8.05 Forgery

- (1) The Clearing House does not have liability with respect to any forged instrument or Document delivered to Clearing Participants pursuant to Rule 8.02 or 8.03.
- (2) The sole recourse of the Clearing Participant receiving such forged Instrument or Document is to the Clearing Participant which delivered or caused to be delivered that forged Instrument or Document.

8.06 Failure to Deliver or pay settlement amount

- (1) A Clearing Participant, directed to Deliver in accordance with Rule 8.02 or 8.03 who fails to make such Delivery within the time prescribed by the Clearing House is in default of its obligations.
- (2) A Clearing Participant who fails to accept Delivery or pay a settlement amount in accordance with Rule 8.02 or 8.03 is in default of its obligations.
- (3) If the Clearing House is unable to Deliver or effect Delivery due to the failure of a Clearing Participant to meet its obligations under an Open Contract the Clearing House will be under no obligation to Deliver or to effect Delivery but may effect settlement in accordance with Rule 2.09(1)(f).

8.07 Failure to accept Delivery

- (1) A Clearing Participant accepting Delivery in fulfillment of an Open Contract who has not made payment calculated in accordance with the terms of such Open Contract and the directions of the Clearing House is in default of its obligations.
- (2) Any Instrument which is the subject of such Delivery may be sold by the Clearing House.
- (3) The proceeds from such sale less any expenses incurred by the Clearing House and related taxes will be credited to the account of the Clearing Participant that failed to meet its obligations and that Clearing Participant remains liable to pay to the Clearing House the balance of the full settlement amount calculated in accordance with the terms of the Open Contract.

8.08 Duty of Clearing Participants to Mitigate Risk of Non-Delivery

Each Clearing Participant is required to mitigate the risk of non-delivery by requiring evidence from its Client, that all Open Positions in respect of any of its Open Contracts that will not be offset by the last trading day, will be completed by Delivery.

8.09 Cash settlement

In the case of an Open Contract which is to be cash settled, settlement must be effected in accordance with the terms of such Open Contract and in accordance with such procedures as are determined by the Clearing House, by the Clearing House paying or receiving, as the case may be, the settlement amount in cash calculated in accordance with the terms of the Open Contract.

8.10 Contract settlement fees

- (1) The Clearing House may charge such fees or levies in respect of the settlement of all rights and obligations of an Open Contract performed in accordance with this Chapter of the Rules.
- (2) Such fee and levies will be determined by the Clearing House from time to time.

8.11 Alternative Delivery Procedure

- (1) A Seller and Buyer of a Market Contract may agree to make and take delivery under terms or conditions of delivery which differ from the provisions of these Rules, and the applicable contract specifications for the Instrument being delivered ("Alternative Delivery Procedures"), if the Clearing House has specified Alternative Delivery Procedures for such Market Contract.

- (2) The relevant Clearing Participants must comply with such requirements the Exchange or the Clearing House may prescribe in relation to Alternative Delivery Procedures.
- (3) Where Alternative Delivery Procedure is agreed, the relevant Clearing Participants must notify the Clearing House in the form and manner prescribed by the Clearing House.
- (4) Upon receipt of the notification, the Clearing House will return to the Clearing Participants all margins held for the account of each Clearing Participant with respect to the Market Contracts involved.
- (5) The relevant Clearing Participants and the Clearing House shall be released from their respective obligations or liabilities in respect of delivery pursuant to the Rules upon the election of an Alternative Delivery Procedure.

[End of Chapter]