

(I) CLEARING PROCEDURES

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House and such call will be confirmed by email to a designated e-mail account of each affected Clearing Member.

4.10 Contingency Holidays

If there is a bank holiday in the country of a particular currency, the Clearing House will call cash in another currency, as described in the Finance Procedures.

5. OPTIONS EXERCISE AND EXPIRY

5.1 Definitions

This paragraph 5 applies only to Options that are F&O Contracts. In these Clearing Procedures:

- (a) The term “**American-Style Option**” means an Option that can be exercised at any time between the purchase date and the expiration date under its Contract Terms.
- (b) The term “**European-Style Option**” means an Option that can only be exercised on the expiry date under its Contract Terms.
- (c) The term “**In The Money**”, in respect of an Option Contract or Set of Option Contracts for a Person with a Long position: for a Put Option, means where the Strike Price is greater than the Reference Price; and, for a Call Option, means where the Strike Price is less than the Reference Price.
- (d) The term “**Out Of The Money**”, in respect of an Option Contract or Set of Option Contracts for a Person with a Long position: for a Put Option means, where the Strike Price is less than the Reference Price; and, for a Call Option, means where the Strike Price is greater than the Reference Price.
- (e) The term “**At The Money**”, in respect of an Option Contract or Set of Option Contracts for a Person with a Long position: for a Put Option and a Call Option means, where the Strike Price is exactly equal to the Reference Price.

5.2 General

- (a) Options may only be exercised by Clearing Members in accordance with the Rules, the applicable Contract Terms and these Procedures.
- (b) Options may be exercised either:
 - (i) by ~~an~~ the submission of an elective exercise notification ~~entered manually~~ to the ICE Systems (as described in the ICE Systems user guide and relevant technical specifications);
 - (ii) automatically through the ICE Systems (as described in the ICE Systems user guide); or
 - (iii) automatically in accordance with the Contract Terms.

Those Options which are not so exercised by the time of expiry will expire (be abandoned) and will terminate.

- (c) The Contract Terms determine the days on which, and the times by which, notification of exercise of an Option may, or must, be made, as well as the default settings to be applied by the ICE Systems for the purposes of automatic exercise.

- (d) When an Option is exercised, a Contract at the Strike Price of the Option will arise in accordance with Rule 401.

5.3 Early Exercise

- (a) It is possible for Clearing Members to exercise Long American-Style Options at any time when the ICE Systems are open ~~via the ICE Systems exercise notification screen~~. Such exercises must be input by Clearing Members before the daily exercise cut-off time specified in the Contract Terms.
- (b) Clearing Members may not ~~manually enter an~~ submit an elective early exercise notification ~~on~~ to the ICE Systems for Options other than American-Style Options.

5.4 ~~Manual~~ Elective Exercise

- (a) Clearing Members are permitted ~~manually to input~~ to submit elective exercise notifications ~~on~~ to the ICE Systems ~~exercise notification screen~~ in the manner set out in the ICE Systems user guide and relevant technical specifications at any time within the deadlines specified in the Contract Terms.
- (b) Where permitted by the Contract Terms, Clearing Members wishing to exercise an Option which is Out Of The Money, or an Option that will not automatically exercise, must ~~input a manual Option~~ submit an elective exercise notification in respect of that Option in accordance with the ICE Systems user guide and relevant technical specifications.

5.5 Automatic exercise

- (a) On the relevant expiry day, once the exercise deadline has passed for an Option Set, the Clearing House will input into the ICE Systems the Reference Price communicated by the relevant Market and will instruct the ICE Systems to process an Option Set expiry. The ICE Systems will affect the automatic exercise of all Options in the relevant Set meeting the criteria in the automatic exercise instruction facility and the relevant Contract Terms.
- (b) The ~~default settings~~ settings of the automatic exercise instruction facility ~~is that all for particular Options are set out in the Contract Terms. For several Contracts, including ICE Brent Options, those~~ Options that are one ~~or more~~ minimum price variation (~~or greater~~ 'tick') ~~or more~~ In The Money will be subject to automatic exercise ~~(e.g. in the case of ICE Brent Options, one 'tick'). The Contract Terms for some, but not all, Option Sets include settings for the automatic exercise of At The Money Call Options, in addition to In The Money~~ Options. Clearing Members not wishing automatic exercise to take place should submit, where permitted by the Contract Terms, an abandon instruction via ICE Systems prior to the exercise deadlines specified in the Contract Terms.
- (c) Where permitted by the Contract Terms, Clearing Members wishing to exercise an Option that will not be automatically exercised must do so by ~~inputting~~ submitting, before the deadline is applied, an ~~instruction~~ elective exercise notification in respect of that Option, as described above ~~for manual exercises~~.
- (d) Clearing Members experiencing difficulties with any aspect of an Option exercise or who have any doubt about how to carry out specific exercise or abandonment instructions must contact the Clearing House's operations department in advance of the expiry deadline. ~~Failure to do so may result in the abandonment of In The Money Options.~~

5.6 Reference Price

(a) The Reference Price used by the ICE Systems automatic Option exercise facility to determine whether an Option is In The Money, At The Money or Out Of The Money will be determined in accordance with the Contract Terms, and will be made available to Clearing Members via ICE Systems in advance of the relevant exercise deadline.

(b) For example:

- (i) ~~for all ICE Futures Europe Options, the Reference Price will be (except in unusual circumstances) the Exchange Delivery Settlement Price of the underlying Future on the expiry day; and~~
- (ii) ~~for the ICE Futures US Natural Gas Swap, the Reference Price will be (except in unusual circumstances) the published monthly penultimate Exchange Delivery Settlement Price for the Henry Hub Natural Gas Contract.~~

5.7 Exercise Deadlines on Expiry Day

- (a) Clearing Members are referred to the Contract Terms of a particular Option Set to determine whether elective exercise and/or abandon notifications can be submitted on the relevant expiry day. Pursuant to Market Rules and the Contract Terms, where elective exercise and/or abandon notifications can be submitted on the expiry day, Clearing Members have a limited period after the time when trading in an Option Set ceases to ~~enter exercise and/or abandon~~submit such notifications. Once the ICE Systems deadline has passed for the exercise or abandon of an Option Set, it will not be possible to ~~input~~submit any exercise or abandon instructions. Options which have not been exercised in accordance with these Clearing Procedures at that time will expire.
- (b) Clearing Members are advised via ~~the~~ ICE Systems messages of the time by which all position maintenance instructions for expiring Options must be ~~inputted~~submitted and when the ICE Systems ~~Delivery/Exercise HIT/Assignment~~ report is available by selecting the relevant menu item in the ICE Systems.
- (c) Clearing Members are referred to the applicable Contract Terms for details on the deadlines for exercise of the Options currently supported by the Clearing House.
- (d) In the event that a Clearing Member's ICE Systems Options Exercise facilities are unavailable, it is essential that the Clearing House's operations department and the relevant Market's compliance department are informed. In such circumstances the Clearing House will determine appropriate steps to be taken in order to ensure exercise instructions can be processed, as appropriate.
- (e) The Clearing House can modify any exercise deadline at its discretion in accordance with the Rules. Any such modification shall take effect as an amendment to Contract Terms pursuant to Rule 109. Amendments to deadlines may occur following a Force Majeure Event and otherwise at the Clearing House's discretion.

5.8 Allocation of exercises

- (a) If, in relation to exercise of a particular Option Set, there are more open Short Options than are exercised by the holders of Long Options, the Clearing House will select Clearing Members with Short Open Contract Positions in the same Option Set against which to exercise a corresponding Option or Options and subsequently become party to a Future Contract or Contracts, or Contract of Sale.