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## **GUIDANCE**

# **ICE Futures Singapore Guidance on Exchange for Related Positions (“EFRP”)**

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## ICE Futures Singapore Guidance on Exchange for Related Positions (“EFRP”)

This Guidance contains an overview on the permitted use of EFRP and the factors to be considered when bringing bilateral positions on-Exchange. It further includes the timings and method of reporting EFRP to the Exchange.

Each Member should ensure that it has appropriate systems and controls in place to ensure that EFRP are registered in accordance with Exchange Rules. Failure to do so may render the Member liable to disciplinary action by the Exchange.

### 1. Summary overview of EFRP

- The EFRP facility allows Members to register Exchange for Physical (“EFP”) trades which are Futures trades linked to physical and forward transactions and Exchange for Swap (“EFS”) trades which are Futures trades linked to swap transactions.
- EFRP transactions must be reported to the Exchange as set out in points 4.1 and 4.2 of this Guidance.
- On the day of the expiry of the contract month/date, EFRP trade transactions in respect of the expiring contract date/month may be submitted to the Exchange up to the times set out in point 4.1 below.
- For details about acceptance prices for EFRP, refer to point 3 below.
- The Exchange may require Members to supply evidence of the underlying physical, cash or swap transaction either prior or following registration of the trade and may refuse registration in its sole and final discretion.

### 2. Permitted use of EFRP

The key uses of the EFRP facility are as follows:

- To permit bilaterally traded physical and paper transactions to be hedged using ICE Futures Singapore contracts in a single contingent transaction (e.g. where the seller of Brent Crude cargo becomes the buyer of ICE Mini Brent Crude Futures and the buyer of Brent Crude cargo becomes the seller of ICE Mini Brent Crude Futures)
- To enable holders of bilateral swap to replace them with the equivalent in ICE Futures Singapore contracts.

There are a number of pricing mechanisms that are used in bilateral transactions which the Exchange will accept on an EFP/EFS registration basis.

These include, inter alia:

<ul style="list-style-type: none"> <li>• BWAVE - Brent Weighted Average Price</li> <li>• MOPs - Mean of Platts price</li> <li>• ICE Futures Europe marker prices</li> </ul>	<p>When a bilateral swap or physical transaction is based on the ICE BWAVE, ICE Futures Singapore marker (excluding any tradable marker e.g. the Brent Afternoon Marker) or MOPs and the bilateral contract has been executed contingent on its conversion into an ICE Futures Singapore contract at an agreed time, date or trigger point subsequent to the trade, the transaction may be reported to the Exchange as an EFP/EFS.</p>
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For the purposes of this Guidance and the Exchange Rules, the Exchange considers these and similar instruments to be legitimate bilateral transactions, the crucial factor being that they are not tradable on the Exchange and therefore are eligible to be registered on the Exchange using the EFRP facility.

As bilaterally agreed transactions, the trading of such instruments is outside the jurisdiction of the Exchange Rules until they are brought onto the Exchange. For the avoidance of doubt the negotiation of the purchase or sale of such instruments will not be considered by the Exchange as a breach of Exchange Rule G.4 and Trading Procedure 8.3.1 which prohibits prior arrangement.

Members and clients will need to ensure that, in bringing the contracts on-Exchange, they comply with all applicable Exchange Rules. In addition, Members and clients should also satisfy themselves that the relevant requirements of market conduct are satisfied, as well as other relevant regulations that may apply to the bilateral transactions.

### 3. Factors to be considered when bringing bilaterally agreed positions on-Exchange

The limiting factors on acceptance of EFRP for registration are:

- The facilities are not designed or intended to facilitate the transfer of funds between parties and/or locations whether for money laundering, resolution of errors or any other purpose other than as a consequence of normal commercial activity. If the Exchange is not satisfied that there is a legitimate commercial rationale for the EFRP, it will be refused.
- In the case of EFP transactions, the underlying physical contract must be properly documented and available for production to the ICE Futures Singapore Compliance department on demand in order to validate its legitimacy. In this context proper documentation is a legally binding bilateral contract between market participants - who may be Members or not. The contract should be either an industry standard contract or one whose terms are of an equivalent standard identifying the underlying product being traded, the price or prices involved and the mechanism by which the contracts may be converted into ICE Futures Singapore contracts.
- In the case of EFS transactions, the underlying swap agreement must be properly documented and available for production to the ICE Futures Singapore compliance department on demand in order to validate its legitimacy. Members must also maintain all documents relating to the EFRP transaction itself and the underlying swap, which may include order documentation such as, but not limited to: order slips (either trader or broker), confirmation notes, copies of electronic confirmations (email, Instant Message) or copies of a trader's blotter.

- There must be evidence of a bona fide pre-existing physical or swap agreement that is not directly dependent on the transaction being registered as an ICE Futures Singapore EFS. This cannot be a 'contingent' EFS – the underlying swap leg must not be retrospectively cancelled out by a further linked swap that comes into effect if the trade is accepted by the Exchange as an EFS.
- If the price at which the EFRP is to be registered is not at current market price or within the high/low range of the day, the Exchange Compliance department may request further information to ensure that the transaction is a legitimate use of the facility.
- The Compliance department may ask for further documentation or request sight of evidence in support of the registration as outlined in Rule F.5A (whether by sight of contract notes or otherwise) to confirm the legitimacy of the underlying transaction. Members will appreciate that the processing of such trades will be significantly quicker on most occasions if such documentation is available at the time of requesting the registration. In any event the Exchange will retrospectively monitor a random sample of accepted EFRP to ensure that there was a legitimate underlying transaction.
- Members should ensure that they post sufficient collateral with ICE Clear Singapore to offset any negative variation margin which results from the posting of an EFRP. ICE Clear Singapore may also require that sufficient cover is held on account to meet any consequential change to initial margin. Failure to do so may result in a refusal by ICE Clear Singapore to register the trade in accordance with ICE Clear Singapore Rule 404. To ensure that this requirement is fulfilled, relevant Exchange staff will examine all EFRP as they are presented for registration and if necessary registration may be delayed until both the Exchange and ICE Clear Singapore are satisfied that funds in the relevant Member's ICE Clear Singapore account are adequate.

#### **4. Procedures for the Reporting of EFRP to the Exchange**

##### **4.1 Reporting Time Limits**

EFRP trades for all eligible futures should be submitted to the Exchange as soon as possible following agreement to the terms by the relevant parties. Any trade reported after 19:00 hrs SGT will be cleared on the next business day (T+1 trade date).

On the expiry day, EFRP trades in respect of the expiring contract date/month must be reported within one hour after the expiry of the contract date/month.

##### **4.2 Reporting to the Exchange**

Once an EFRP has been organized, the Member(s) must report the details to the Exchange in accordance with ICE Futures Singapore Trading Procedure 16. EFRP may be reported to the Exchange by the entry of the details to the ICE Block facility (or by any other means determined by the Exchange from time to time). If such transactions are not entered to the ICE Block facility immediately, the date and the time of execution of the EFRP transaction must be captured and recorded on a separate record containing the other trade details to the EFRP.

Members may post an EFRP by entering into ICE Block the buy and sell sides of the trade as a cross trade. When the EFRP is agreed between two separate Members ("Non-crossed Trade") one of the Members party to a Non-crossed Trade inputs into ICE Block its own side of the deal (i.e. either the buy or sell side of the trade) alleging the counterparty Member to the deal. The counterparty Member to the deal is required to accept the alleged Non-crossed Trade in ICE Block. Once the Non-crossed Trade has been accepted by the counterparty it flows through to the ICE Systems in the normal manner.

In order to facilitate the swift matching of Non-crossed Trades the submitting Member must complete mandatory Order Reference and Contact Number fields to assist any queries prior to acceptance by the counterparty Member. Unless otherwise agreed by the relevant Members, Non-crossed Trades shall be entered by the buying Member in respect of Non-crossed Trades in single contract months. All legs pertaining to multi-legged strategy trades should be entered into ICE Block by the Buyer of the front month.

ICE Block assigns each new trade a unique deal ID and provides an audit of all actions undertaken on ICE Block for that particular day. Only Exchange Members are able to register EFRP on ICE Block. Affiliate or group companies may be eligible to trade on behalf of an Exchange Member but only with the specific written permission of that Member which has been received by the Exchange.

All Exchange Members are eligible to register EFRP using ICE Block but must first apply to the Exchange for access.

The Exchange may check the validity of the EFRP details submitted by the parties to the trades. If the Exchange (following consultation, where necessary, with ICE Clear Singapore and subject to their right to refuse registration) is not satisfied that all such details are valid, it will void the EFRP. Any decision by the Exchange not to register an EFRP is final. Registration of a transaction does not preclude the Exchange from instigating disciplinary procedures in the event that the transaction is subsequently found to have been made other than in compliance with the Regulations.

EFRP volume will be broadcast to the Market via the ICE Platform.

For the trade type codes that will be used for registration see the table below:

Transaction Type	Trade Type Code
EFP	E
EFS	S