

(As of May 8<sup>th</sup>, 2017)

## Oil Declared Delivery Procedure

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### **Article 1 (Purpose)**

1. This Procedure shall prescribe matters necessary for the handling of Declared Delivery ("Declared Delivery") prescribed in Article 22 of the Oil Delivery Detailed Rules ("Detailed Rules").

### **Article 2 (Definitions)**

1. Declared Delivery means delivery carried out in a manner in which the Members (meaning Members provided for in Article 6.1 of the Market Rules; the same shall apply hereinafter in Article 4, Article 5, Article 6, Article 18 and Article 19), holding a position in the current contract month, conclude a written agreement, and the like, prescribing the terms of delivery, to be made under an agreement between the delivery parties prior to the last trading day of the current contract month, and make an application for such delivery to the Exchange.

### **Article 3 (Eligible Persons)**

1. Eligibility to carry out a Declared Delivery shall be limited to those who fall under either of the following items and are approved by the Exchange as appropriate:
  - (1) Members; or
  - (2) Commercials.
2. Notwithstanding the provision of preceding paragraph, in the case of gas oil, sellers shall fall under Article 3.1.1 and Article 3.1.2 of the Detailed Rules and buyers shall fall under any of the items from Article 3.1.1 through Article 3.1.4 thereof), and all be approved by the Exchange as appropriate.

### **Article 4 (Notice of Intention to Make Declared Delivery)**

1. In cases where Members holding a position in the current contract month (or the first contract month during the period from the business day immediately following the last trading day of the previous contract month to the last business day of the current month), seeks a counterparty to a Declared Delivery, the Members may notify the Exchange of its intention to make a Declared Delivery by submitting a document, prescribed by the Exchange, describing the delivery goods, delivery amount, delivery point, delivery day, delivery method, effective period for the notice, and other terms and conditions of the delivery, within the period from the business day immediately following the last trading day of the previous contract month to 2:30 p.m. of the business day immediately preceding the last day of the application period, as prescribed in Article 22.1 of the Detailed Rules.
2. Upon receipt of the notice prescribed in the preceding paragraph, the Exchange shall, without delay, notify Members of the contents of the document submitted, pursuant to the provisions of the preceding paragraph (with respect to the terms and conditions of delivery, the contents to be notified shall be limited to those approved by the applicant).
3. If the Members who has made such notice intends to change any of the matters described in the document prescribed in Paragraph 1 (excluding the effective period for the notice and the proposed delivery amount), the Members shall submit a revised document to the Exchange. In this case, the Exchange shall notify Members of the revisions without delay.

### **Article 5 (Application Method and Approval, etc.)**

1. The application method, approval, etc. for Declared Delivery shall be as follows:
  - (1) Members making an application for Declared Delivery shall submit the following documents to the Exchange by 2:30 p.m. of each business day falling within the application period prescribed in Article 22.1 of the Detailed Rules (or, with respect to the

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- document prescribed in Sub-item c, by 3:30 p.m. of the business day immediately preceding the delivery day if approved by the Exchange); provided, however, that the application shall be made by 2:30 p.m., two (2) business days prior to the delivery day.
- a. Application forms signed jointly by the seller and the buyer;
  - b. Copy of a written agreement or similar documents in the form prescribed in Article 5 of Oil Market and Chukyo-oil Market Delivery Related Procedure, describing the delivery day, delivery point, delivery amount, delivery method, etc., (“written agreement and the like”) that can be used to confirm that said delivery will be carried out;
  - c. In cases where delivery within a tank installed in a refinery, prescribed in Article 2.1.2 of the Detailed Rules, or a storage facility, prescribed in Article 2.1.3 thereof, without physically transferring delivery goods (“In-tank Title Transfer”) is to be carried out, a written document stating that a person who administers the delivery point, or warehouses of the delivery goods, has agreed that in-tank title transfer of said delivery goods will be made between the seller and the buyer; and
  - d. In cases where In-tank Title Transfer is to be carried out at the delivery point owned by the seller or the buyer (including a delivery point for which a leasing agreement or similar agreement has been concluded with a tank facility owner or others with respect to the whole or part of a tank), or within a tank in which said delivery goods are stored or administered by the seller or the buyer, the document prescribed in Sub-item c may be omitted.
- (2) If the Exchange determines that the Declared Delivery proposed in an application submitted pursuant to the preceding item would not be detrimental to market management, the Exchange shall approve the request, and upon such approval, the application shall be finalized and take effect. However, cases where the proposed delivery method is In-tank Title Transfer, the Exchange may require the applicant to provide a detailed explanation or relevant materials about the delivery. If the Members refuses without justification, or if as a result of receiving and examining said explanation or materials, the Exchange determines that delivery by way of In-tank Title Transfer is inappropriate, the Exchange may instruct the Members to change the delivery method, or may refuse to approve said application;
  - (3) The positions for which Declared Delivery has taken effect shall be excluded from the unrealized profit and loss calculation starting from the following Clearing Period;
  - (4) The Exchange shall, without delay, notify Members of applications that have taken effect, and of the Delivery Payment (including in the case of delivery of gasoline any amount of gasoline tax and local gasoline tax charged in proportion to the delivery amount and in the case of delivery of gas oil any amount of gas oil delivery tax charged when the delivery is made by way of a taxable transaction; the same shall apply hereinafter) and the amount of consumption tax applicable thereto (including local consumption tax; the same shall apply hereinafter) (the sum of the delivery payment and the amount of consumption tax applicable thereto shall be hereinafter referred to as “Delivery Payment”); and
  - (5) If Members who have made such an application intend to change any of the matters described in the application form, or the written agreement and the like, prescribed in Item 1 (excluding the proposed delivery amount), the Members shall submit a revised application form and other required documents to the Exchange by 3:30 p.m. on the delivery day (if the delivery day falls on a holiday, by 3:30 p.m. of the business day immediately preceding the delivery day). In this case, the Exchange shall notify said Members of the Delivery Payment again without delay.
2. When the proposed Declared Delivery has taken effect, the Members who have made such application shall carry out delivery, pursuant to the provisions of Article 14.

#### **Article 6 (Cancellation and Change of Application, etc.)**

1. Members who have made a notice of intention to make Declared Delivery may not change the effective period of the notice or proposed delivery amount, nor cancel the notice, nor

execute an offset transaction for the proposed delivery amount. However, this provision shall not apply in cases where no application for Declared Delivery has been made by the expiration of the effective period for the notice, or where there occurred an event that was equivalent to those prescribed in Articles 16.1.1 through 16.1.3, Article 16.1.5 and Article 16.1.6 of the Detailed Rules.

2. Members who have made an application for Declared Delivery may not change the proposed delivery amount, nor cancel the application, nor execute an offset transaction for the proposed delivery amount. However, this provision shall not apply in cases where the Exchange has refused to approve an application, pursuant to the provisions of Article 5.1.2.

#### **Article 7 (Good Delivery Material)**

1. The Good Delivery Material shall be those delivery goods satisfying the standards prescribed below and agreed upon by the delivery parties:
  - (1) Gasoline  
Domestically refined gasoline, or imported gasoline for which the customs formalities for import have been completed, that satisfies the quality standard of the Japan Industrial Standard K2202, No.2;
  - (2) Kerosene
    - a. Kerosene  
Domestically refined kerosene, or imported kerosene for which the customs formalities for import have been completed, that satisfies the quality standard of the Japan Industrial Standard K2203, No.2;
    - b. Heavy Oil Bunker A  
Domestically refined heavy oil, or imported heavy oil for which the customs formalities for import have been completed, that satisfies the quality standard of the Japan Industrial Standard K2205, Type 1 in schedule 1;
    - c. Jet fuel  
Domestically refined aviation turbine fuel, or imported aviation turbine fuel for which the customs formalities for import have been completed, that satisfies the quality standard of the Japan Industrial Standard K2209; and
  - (3) Gas oil  
Domestically refined gas oil, or imported gas oil for which the customs formalities for import have been completed, that satisfies any of the quality standards (Special No. 1 through Special No. 3) set forth in Table 1 of the Japan Industrial Standard K2204 and that satisfies the quality standard prescribed in Article 22.1 of Act on the Quality Control of Gasoline and Other Fuels.

#### **Article 8 (Delivery Points)**

1. The delivery points shall be those refineries, prescribed in Article 2.1.2 of the Detailed Rules, or storage facilities prescribed in Article 2.1.3 thereof, that are located in Japan and are agreed upon by the delivery parties.

#### **Article 9 (Calculation of Weight of Delivery Goods)**

1. The weight of the delivery goods shall be based on the numerical value stated in the Agreements prescribed in Article 14.1.5; provided, however, that with respect to In-tank Title Transfer, the weight of the delivery goods shall be based on the numerical value stated in the application form, and the written agreement and the like, prescribed in Article 5.1.1.
2. The minimum measuring unit for delivery goods shall be 1 liter. Any resulting fraction that is less than 1 liter shall be rounded off.

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**Article 10 (Weight Tolerance of Delivery Goods)**

1. If the weight of the delivery goods is within plus or minus two-percents (2%) of the delivery amount stated in the application form, or the written agreement and the like prescribed in Article 5.1.1 (“stated delivery amount”), the buyer shall accept delivery and the settlement shall be completed at the delivery price for said weight of the delivery goods.
2. If the weight of the delivery goods exceeds or falls short of the weight limit of the stated delivery amount, plus or minus two-percents (2%) of the proposed delivery amount, the handling of the excess or shortage shall be determined between the delivery parties.

**Article 11 (Relationship Between the Number of Positions to Be Settled and the Weight of Delivery Goods)**

1. The number of positions in the current contract month that can be settled by Declared Delivery shall be the number agreed upon by the delivery parties, provided that the number falls within the range calculated by converting the weight of the delivery goods into the delivery units, prescribed in Article 17 of the Market Rules. However, in converting the weight of the delivery goods into the delivery units, any resulting fraction exceeding 50% of the minimum delivery unit may be deemed to the minimum delivery unit for purposes of settlement of the position.

**Article 12 (Delivery Day)**

1. The delivery day shall be a day falling within the period from the 1<sup>st</sup> day of the preceding month of the current contract month to the last day of the current contract month that is agreed upon between the delivery parties.

**Article 13 (Delivery Price)**

1. The delivery price shall be equal to the settlement price of the current contract month on the day on which the Declared Delivery takes effect.

**Article 14 (Delivery Method)**

1. The delivery method for Declared Delivery shall be as follows:
  - (1) The seller shall submit to the Exchange the Shipping Request and other documents prescribed in Article 54.2 of the Market Rules by noon of the business day immediately preceding the delivery day;
  - (2) The buyer shall, by noon of the business day immediately preceding the delivery day, deliver the Delivery Payment to the Exchange and receive the Shipping Request and other documents prescribed in the preceding item;
  - (3) In addition to maritime shipments, prescribed in Article 2.1.1 of the Detailed Rules, and ground shipment (meaning shipment using a mobile tank storage facility prescribed in Article 2.6 of the Cabinet Order concerning the Regulation of Dangerous Goods (Cabinet Order no.306 of 1959)), any other method agreed upon by the delivery parties may be used for delivery, provided that the delivery goods are transferred securely from the seller to the buyer;
  - (4) Notwithstanding the delivery unit prescribed in Article 17 of the Market Rules, the delivery prescribed in the preceding item may be carried out in more than one installment;
  - (5) In the case of Gas oil, both the seller and the buyer shall submit to the Exchange the gas oil delivery party's written confirmation prescribed in Article 3.4 in the Delivery Detailed Rule.
  - (6) The buyer shall submit to the Exchange the Delivery Completion Notice, prescribed by the Exchange, by 3:30 p.m. two (2) business days after the delivery day. In this case, the Delivery Completion Notice shall be made based on the documents, such as a copy of the

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- Cargo Handling Agreement or the statement of delivery, certifying that the delivery has been completed (“Agreements”);
- (7) The Exchange shall make the Delivery Payment to the seller by noon of the business day immediately following the day on which the Delivery Completion Notice, prescribed in the preceding item, is submitted to the Exchange (limited to those received by the Exchange by 3:30 p.m. on each business day);
  - (8) The buyer shall preserve the Agreements and shall submit the Agreements to the Exchange when deemed necessary by the Exchange; and
  - (9) If there is an excess or deficiency in the weight of delivery goods compared with the stated delivery amount (provided that such excess or deficiency is within the limit permitted under Article 10), the buyer shall report the weight of such excess or deficiency of the delivery goods to the Exchange by 3:30pm on the two business days after the last delivery day of the current contract month. The Exchange shall adjust the Delivery Payment for such excess or deficiency as follows:
    - a. In the case of an excess in the weight of delivery goods:
      - (i) The Exchange shall, on the day on which the Delivery Completion Notice is submitted or the excess in the weight of the delivery goods is reported, calculate the Delivery Payment with respect to the excess using the delivery price and notify both the seller and the buyer thereof; and
      - (ii) The buyer shall deliver to the Exchange said amount by noon on the fourth business day after the last delivery day of the current contract month, and the Exchange shall pay said amount to the seller by noon of the business day following the day on which said amount is delivered by the buyer.
    - b. In the case of a deficiency in the weight of the delivery goods:
      - (i) The Exchange shall, on the day on which the Delivery Completion Notice is submitted or the deficiency in the weight of the delivery goods is reported, calculate the Delivery Payment with respect to the deficiency using the delivery price and notify both the seller and the buyer thereof; and
      - (ii) The seller shall deliver to the Exchange said amount by noon on the fourth business day after the last delivery day of the current contract month, and the Exchange shall pay said amount to the buyer by noon of the business day following the day on which said amount is delivered by the seller.
2. Notwithstanding the provisions of the preceding paragraph, the delivery by way of In-tank Title Transfer shall be as follows:
    - (1) The buyer shall make the Delivery Payment to the Exchange by noon of the business day immediately preceding the delivery day;
    - (2) The buyer shall submit to the Exchange the Delivery Completion Notice, prescribed by the Exchange, by 3:30 p.m. of the business day immediately following the delivery day;
    - (3) The seller or the buyer shall submit to the Exchange a document containing assurance of a person who administers the delivery point, or warehouses of the delivery goods, that the delivery goods owned either by the seller or the buyer are or were stored in the tank as of the delivery day by 3:30 p.m. of the business day immediately following the delivery day;
    - (4) The Exchange shall make the Delivery Payment to the seller by noon of the business day immediately following the day on which the documents prescribed in the preceding two paragraphs are submitted; and
    - (5) Notwithstanding the delivery unit prescribed in Article 17 of the Market Rules, In-tank Title Transfer may be carried out in more than one installment.

### **Article 15 (Delivery Costs)**

1. The sharing of costs incurred for inspection, measuring, and loading required at the time of delivery shall be determined by the delivery parties.

**Article 16 (Filing of Deficiency)**

1. The buyer may not file any deficiency claims with respect to the delivery goods delivered to the buyer by way of Declared Delivery and other matters related to such delivery.

**Article 17 (Application Mutatis Mutandis of the Oil Delivery Detailed Rules)**

1. The provisions of Article 3.2 through 3.5, Article 3-2, Article 4, Article 15, and Article 16 of the Detailed Rules shall apply *mutatis mutandis* to Declared Delivery.

**Article 18 (Preservation of Documents Proving the Delivery)**

1. Members who carry out Declared Delivery shall preserve the documents prescribed in Article 5.1.1.c and Article 14.2.3.

**Article 19 (Recording on the Statutory Book)**

1. Members who carry out Declared Delivery shall record the delivery in the statutory book in a manner that clearly indicates that delivery was made by way of Declared Delivery.

**Article 20 (Others)**

1. Matters not prescribed in this Procedure shall be determined based on an agreement between the delivery parties.

**Article 21 (Revision or Abolition)**

1. Revision or Abolition to this Procedure shall be approved by the President & CEO.

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**Supplementary Provisions**

The Procedure shall be in effect as of December 1, 2008.

**Supplementary Provisions**

Revisions to Article 3 (Eligible Persons) through Article 7 (Good Delivery Material), Article 11 (Relationship between the Number of Positions to be Settled and the Weight of Delivery Goods), and Article 14 (Delivery Method) shall be in effect as of May 7, 2009.

**Supplementary Provisions**

Revisions to Article 2 (Definitions) shall be in effect as of October 8, 2009 when the revisions to Article 87 (Category of Membership) take effect.

**Supplementary Provisions**

Revisions to Article 3 (Eligible Persons), Article 5 (Application Method and Approval, etc.), Article 7 (Good Delivery Material), Article 9 (Weight of Delivery Goods), Article 14 (Delivery Method), and Article 18 (Preservation of Documents Proving the Delivery) shall be in effect as of May 6, 2010.

**Supplementary Provisions**

Revisions to Article 3 (Eligible Persons), Article 5 (Application Method and Approval, etc.), Article 6 (Cancellation and Change of Application, etc.), Article 9 (Weight of Delivery Goods), and Article 19 (Recording on the Statutory Book) shall be in effect as of May 15, 2012.

**Supplementary Provisions**

Revisions to Article 2 (Definitions) and Article 3 (Eligible Persons) shall be in effect as of March 31, 2014.

**Supplementary Provisions**

Revisions to Article 14 (Delivery Method) shall be in effect as of October 1, 2014.

**Supplementary Provisions**

Revisions to Article 14 (Delivery Method) and Article 18 (Preservation of Documents Proving the Delivery) shall be in effect as of March 22, 2016.

**Supplementary Provisions**

Revisions to Article 7 (Good Delivery Material) and Article 12 (Delivery Day) shall be in effect as of October 20, 2016 and shall apply to the December 2016 contract month and subsequent contract months.

**Supplementary Provisions**

Revisions to Article 2 (Definitions), Article 3 (Eligible Persons), Article 4 (Notice of Intention to Make Declared Delivery), Article 5 (Application Method and Approval, etc.), Article 6 (Cancellation and Change of Application, etc.), Article 18 (Preservation of Documents Proving the Delivery) and Article 19 (Recording on the Statutory Book) shall be in effect as of October 31, 2016.

**Supplementary Provisions**

Revisions to Article 7 (Good Delivery Material) shall be in effect as of November 14, 2016 and shall apply to the delivery of June 2017 contract month and subsequent contract months.

**Supplementary Provisions**

Revisions to Article 5 (Application Method and Approval, etc.), Article 14 (Delivery Method) and Article 18 (Preservation of Documents Proving the Delivery) shall be in effect as of May 8, 2017.