

## Chapter 1108

### Western Canadian Select (WCS) Crude Oil Futures

#### 1108100. SCOPE OF CHAPTER

This chapter is limited in application to Western Canadian Select (WCS) Crude Oil futures. The procedures for trading, clearing, delivery and settlement not specifically covered herein or in Chapter 7 shall be governed by the general rules of the Exchange.

The provisions of these rules shall apply to all Western Canadian Select (WCS) crude oil bought or sold for future delivery in Hardisty, Alberta, Canada.

The terms "seller" and "buyer" shall mean the seller of the physical product and the buyer of the physical product, respectively.

For purposes of these rules, unless otherwise specified, times referred to herein shall refer to and indicate New York time.

#### 1108101. CONTRACT SPECIFICATIONS

The contract grade for delivery on futures contracts shall be a blend of heavy crude oil streams from Alberta, Canada meeting the grade and quality specifications for Western Canadian Select ("WCS") for and within the pipeline facilities of Husky Energy Inc. (including any successor in such capacity, "Husky") at Hardisty, Alberta ("Hardisty") and shall be deliverable in satisfaction of contract delivery obligations under these rules. The quality characteristics for WCS exhibit a five-year average for Density of 929.6 kilograms per cubic meter, 20.6 Degrees API for Gravity, and 3.46 weight percent for Sulfur content. The quality characteristics for WCS can be viewed at <http://www.crudemonitor.ca/crude.php?acr=WCS>.

#### 1108102. TRADING SPECIFICATIONS

Trading in Western Canadian Select (WCS) Crude Oil futures is regularly conducted in all calendar months. The number of months open for trading at a given time shall be determined by the Exchange.

##### 1108102.A. Trading Schedule

The hours for trading shall be determined by the Exchange.

##### 1108102.B. Trading Unit

The unit of trading shall be 1,000 U.S. barrels (42,000 U.S. gallons). All volumes shall be determined at 15 degrees Celsius (60 degrees Fahrenheit) in accordance with Husky's standard operating procedures for in-line transfers of title to product within the facilities of Husky (as defined below) at Hardisty, and using a conversion factor for U.S. barrels to cubic meters of 6.29287 U.S. barrels per cubic meter.

##### 1108102.C. Price Increments

The minimum price fluctuation shall be \$0.01 (1 cent) per barrel. Prices shall be quoted in U.S. dollars and cents per barrel.

##### 1108102.D. Position Limits, Exemptions, Position Accountability and Reportable Levels

The applicable position limits and/or accountability levels, in addition to the reportable levels, are set forth in the Position Limit, Position Accountability and Reportable Level Table in the Interpretations & Special Notices Section of Chapter 5.

A Person seeking an exemption from position limits for bona fide commercial purposes shall apply to the Market Regulation Department on forms provided by the Exchange, and the Market Regulation Department may grant qualified exemptions in its sole discretion.

Refer to Rule 559 for requirements concerning the aggregation of positions and allowable exemptions from the specified position limits.

##### 1108102.E. Termination of Trading

No trades in Western Canadian Select (WCS) Crude Oil futures in the expiring contract month shall be made after one (1) Canadian business day prior to the Notice of Shipments (NOS) date established and made publicly available by Enbridge Pipelines Inc. (including any successor in such capacity, "Enbridge") prior to the start of each calendar year under the Crude Petroleum Rules and Regulations (as amended, replaced or restated) for Enbridge's Mainline System for the month preceding the delivery month. The NOS date occurs on or

about the 20<sup>th</sup> calendar day of the month prior to the delivery month, subject to confirmation by Enbridge. Enbridge's monthly nomination schedule establishing the NOS date for each month of each calendar year will be posted on the Exchange website as part of the termination of trading schedule. Enbridge's monthly nomination schedule and the termination of trading schedule will be subject to amendment as permitted by Enbridge's Crude Petroleum Rules and Regulations.

Any contracts remaining open after termination of trading must be either:

- (a) Settled by delivery which shall take place no earlier than the first calendar day of the delivery month and shall be completed no later than the last calendar day of the delivery month, as determined by Husky in accordance with Husky's standard operating procedures for in-line transfers of title to product within the facilities of Husky at Hardisty; or
- (b) Liquidated by means of a bona fide Exchange for Related Position ("EFRP") pursuant to Rule 538. An EFRP is permitted in an expired futures contract until 3:30 p.m. on the last trade date of the expiring futures contract. An EFRP which establishes a futures position for either the buyer or the seller in an expired futures contract shall not be permitted following the termination of trading of an expired futures contract

### **1108103. INSPECTION**

Any inspection of product shall be conducted only in accordance with, and as permitted by, Husky's standard operating procedures for in-line transfers of title to product within the facilities of Husky at Hardisty. All certificates and other documents issued by Husky evidencing the quantity, quality, grade, type and specifications of product delivered and transferred to buyer as recorded by Husky in accordance with such standard operating procedures of Husky shall be determinative and conclusive for all purposes under these rules and for the purposes of any contract under these rules.

### **1108104. DELIVERY**

All deliveries shall be made by in-line transfer of title to product to the buyer within the pipeline facilities of Husky at Hardisty without physical movement of product, free of all duties, liens, encumbrances, unpaid taxes, adverse claims, fees and other charges.

All deliveries shall be made in accordance with all applicable laws and regulations, and in accordance with Husky's standard operating procedures for in-line transfer of title to product within the facilities of Husky at Hardisty.

The seller retains title to, and bears the risk of, loss for the product until, and the buyer assumes title to, and bears risk of, loss for the product as and after, the time of transfer of title, which shall be deemed to occur when the in-line transfer of title to the buyer is recorded by Husky in accordance with Husky's standard operating procedures.

### **1108105. DELIVERY PROCEDURES**

#### **1108105.A. Responsibilities of Clearing Members Having Open Long Positions**

##### **1. Notice of Intention to Accept**

Exchange clearing members having open long positions shall provide the Clearing House with a Notice of Intention to Accept delivery by 4:00 p.m. on the final day of trading. The Notice of Intention to Accept must be in the form prescribed by the Exchange, and must be properly completed and indicate the name(s) of the buyer(s), the number of contracts to be accepted, and any additional information as may be required by the Exchange.

##### **2. Delivery Instructions**

By 4:30 p.m. on the final day of trading, the buyer's clearing member shall provide the seller's clearing member and the Exchange with properly completed Delivery Instructions in the form prescribed by the Exchange. Such Delivery Instructions must include the following information:

- a. Name of seller's clearing member;
- b. Tender Number
- c. Number of contracts;

- d. Method of delivery (which must conform to Husky's standard operating procedures for in-line transfers of title to product within the facilities of Husky at Hardisty in effect with respect to the manner of delivery and the quantity to be delivered); and
- e. Any additional information as may be required by the Exchange.

#### **1108105.B. Responsibilities of Clearing Members Having Open Short Positions**

##### **1. Notice of Intention to Deliver**

Exchange clearing members having open short positions shall provide the Clearing House with a Notice of Intention to Deliver by 4:00 p.m. on the final day of trading. The Notice of Intention to Deliver must be in the form prescribed by the Exchange, and must be properly completed indicate the name(s) of the seller(s), the number of contracts to be delivered, and any additional information as may be required by the Exchange.

##### **2. Scheduling Notice**

As soon as possible following determination of scheduling, but no later than the last business day of the month preceding the delivery month, the seller's clearing member shall provide the buyer's clearing member and the Exchange with a Scheduling Notice in the form prescribed by the Exchange which must state the delivery time.

#### **1108105.C. Amendment of Delivery Instructions**

Notwithstanding the foregoing, at any time prior to the last business day of the month preceding the delivery month, the buyer and the seller may, by mutual agreement, elect to change the delivery terms with respect to the method of delivery (provided that the method of delivery must continue to conform to Husky's standard operating procedures for in-line transfers of title to product within the facilities of Husky at Hardisty); or the timing of delivery.

#### **1108105.D. Final Settlement Price**

The final settlement price shall be the basis for delivery. The final settlement price shall be expressed as a differential to the calendar month average of the NYMEX Light Sweet Crude Oil futures first nearby settlement price.

#### **1108105.E. Notice Day**

The Clearing House shall allocate Delivery Notices and Notices of Intention to Accept by matching size of positions. The Clearing House shall provide copies of the notices to the respective clearing members on the final day of trading. The day on which the notices are provided to the clearing members shall be referred to as the Notice Day.

#### **1108105.F. Non-Transferable**

The clearing member who receives a Delivery Notice or a Notice of Intention to Accept from the Clearing House shall be deemed to have agreed to accept or deliver product. Delivery Notices and Notices of Intention to Accept are not transferable.

### **1108106.**

#### **TIMING OF DELIVERY**

Delivery shall take place no earlier than the first calendar day of the delivery month and shall be completed no later than the last calendar day of the delivery month as determined by Husky in accordance with Husky's standard operating procedures for in-line transfers of title to product within the facilities of Husky at Hardisty.

**Transfer of Title** — The seller shall provide the buyer with any quantitative certificates and appropriate documents evidencing the transfer of title to the buyer as recorded by Husky in accordance with Husky's standard operating procedures for in-line transfers of title to product within the facilities of Husky at Hardisty upon receipt of payment.

The seller shall provide preliminary confirmation of title transfer at the time of delivery by facsimile or in electronic format, or other appropriate form of documentation confirming the transfer of title to product, if and as provided from Husky.

### **1108107.**

#### **DELIVERY MARGIN AND PAYMENT**

##### **1108107.A. Definitions**

For purposes of this Section 107,

"Payment Date" shall mean the twenty-fifth day of the month following the delivery month, or if such date is a Saturday or an Exchange or a Canadian bank holiday other than Monday, payment shall be made on the preceding day which is not an Exchange or a Canadian bank

holiday. If such day is a Sunday or an Exchange or Canadian bank holiday which occurs on a Monday, payment shall be made on the next day which is not an Exchange or a Canadian bank holiday.

"Long" shall mean the customer of a long clearing member or the long clearing member if such clearing member is acting for their own account;

"Short" shall mean the customer of a short clearing member or the short clearing member if such member is acting for their own account.

#### **1108107.B. Margin**

On the third business day following the last day of trading, the clearing member shall obtain from any buyer margin equal to the full value of the product to be delivered and the clearing member shall obtain from any seller margin in an amount fixed, from time to time, by the Exchange.

The buyer's clearing member and the seller's clearing member shall deposit with the Clearing House margins in such amounts and in such form as required by the Exchange. Such margins shall be returned on the business day following notification to the Exchange that delivery and payment have been completed.

#### **1108107.C. Payment**

No later than 12:00 p.m. on the third business day prior to the Payment Date, the seller shall advise its clearing member of the name and address of the bank, and the name of the account to which payment shall be made. The clearing member shall advise the opposite clearing member who shall advise the buyer. On the Payment Date, the buyer shall pay the short contract value by federal funds wire transfer to the account of the seller at the bank nominated by the seller. The term "contract value" shall mean the amount equal to the settlement price on the last day of trading in a futures contract times one thousand (1,000) times the number of contracts to be delivered.

No later than 12:00 p.m. on the Payment Date, the buyer shall advise its clearing member of the federal funds wire transfer number and the name of the sending bank. The clearing member representing the buyer shall advise the opposite clearing member who shall similarly advise the seller.

No later than the business day following the Payment Date, the seller shall advise its clearing member of receipt of payment, who shall deliver a notice of payment to the clearing member representing the buyer and the Clearing House. Upon receipt of such notice, the delivery shall be complete.

Any payment made on the Payment Date shall be based on volume actually delivered as determined by Husky in accordance with Husky's standard operating procedures for in-line transfers of title to product within the facilities of Husky at Hardisty. All quantitative certificates and other documents issued by Husky evidencing the transfer of title to the buyer as recorded by Husky in accordance with Husky's standard operating procedures shall be determinative and conclusive for these purposes. If quantitative results are unavailable prior to the time established in these rules for payment of product, a pro-forma payment based on 1,000 U.S. barrels per contract shall be made. Similarly, if the quality inspection is unavailable, a pro-forma payment based on par qualities shall be made. Payment adjustments based on the actual quantity or quality transferred shall be completed by 12:00 p.m. on the fifth business day after initial payment.

The seller shall be responsible for all royalties, charges, fees, duties, taxes and excises (each and collectively, "Governmental Charges") levied, assessed or imposed by any governmental authority before title to product is transferred to the buyer, and the buyer shall be responsible for all Governmental Charges levied, assessed or imposed by any governmental authority as or after title to product is transferred to the buyer pursuant to any futures contract under these rules. Subject to the foregoing, any Government Charge that is levied, assessed or imposed by any governmental authority on the transaction pursuant to any futures contract under these rules or that is levied, assessed or imposed on, or measured by, the settlement price of or the proceeds of sale from a futures contract under these rules (other than any income tax) is not included in the settlement price payable by the buyer, and the buyer shall be responsible for all such applicable Governmental Charges, furnish the seller with satisfactory certificates evidencing any exemption claimed by the buyer from any such applicable Governmental Charges, and reimburse the seller for any such applicable Governmental Charges paid by the seller.

**1108108. VALIDITY OF DOCUMENTS**

The Exchange makes no representation respecting the authenticity, validity or accuracy of any inspection certificate, Notice of Intention to Deliver, Notice of Intention to Accept, check or any document or instrument delivered pursuant to these rules.

**1108109. ALTERNATIVE DELIVERY PROCEDURES**

A seller and buyer matched by the Exchange under Section 105.E. may agree to make and take delivery under terms or conditions which differ from the terms and conditions prescribed by this Chapter. In such a case, clearing members shall execute an Alternative Notice of Intention to Deliver on the form prescribed by the Exchange and shall deliver a completed and executed copy of such notice to the Exchange. The delivery of an executed Alternative Notice of Intention to Deliver to the Exchange shall release the clearing members and the Exchange from their respective obligations under the rules of this Chapter and any other rules regarding physical delivery.

In executing such notice, clearing members shall indemnify the Exchange against any liability, cost or expense the Exchange may incur for any reason as a result of the execution, delivery, or performance of such contracts or such agreement, or any breach thereof or default thereunder. Upon receipt of an executed Alternative Notice of Intention to Deliver, the Exchange will return to the clearing members all margin monies held for the account of each with respect to the contracts involved.