

Circular 23/140

London Cocoa Futures Contract - update on potential Contract Rule amendments in response to the European Deforestation Regulation

Category

Trading

Attachments

None

This Circular is directed at participants in the London Cocoa Futures Contract.

In Circular [23/030](#) the Exchange referred to EU Regulation 2021/0366(COD) of the European Parliament and Council, related to the making available on the Union market, and export from the Union, of certain commodities and products, including cocoa, associated with deforestation and forest degradation (the "EUDR"). The EUDR entered into force on 29 June 2023 and will apply from 30 December 2024 (the "Application Date"). Circular 23/030 advised that the Exchange will take account of the EUDR, and has various powers under its Rulebook which allow Contract Rules to be amended in these circumstances. Participants were reminded that any plans to trade, or deliver against, any contract months affected by the entry into force of the EUDR should consider the possible impact of the legislation and the potential for amendments to the Exchange's Contract Rules.

The purpose of this Circular is to advise market participants of the principles that the Exchange intends to use in developing and implementing any Rule amendments necessary to support compliance with the EUDR, and to seek comments on the Exchange's principles and plan from interested parties. The principles for consideration are as follows:

1. Beginning 30 December 2024, all cocoa submitted for grading for the first time must have required EUDR compliance information ("EUDR CI") submitted to the Exchange for acceptance. The required EUDR CI will be defined by the Exchange in due course, with the intention (but with no guarantee) that if the cocoa passes Exchange grading on or after the Application Date it will be accompanied by the necessary information to comply with the Due Diligence requirements of the EUDR. The Exchange will specify the format and validation methods or system it will use for EUDR CI.
2. All Exchange stocks with a valid grading certificate on the Application Date (30 December 2024) and a proven storage date between the Entry into Force date (29 June 2023) and that date will remain deliverable after the Application Date. ICE will specify the proof of storage date requirements.
 - a. Exchange stocks in this date category without the required EUDR CI will incur a price discount accruing at £10 per MT per month beginning January 2025. For example, stock in this category delivered against the March 2025 contract will have a £30 per MT discount applied to the delivery invoice.
 - b. Exchange stocks in this date category with the required EUDR CI will not incur the discount.
3. All Exchange stocks with a valid grading certificate on the Application Date and a proven storage date prior to the Entry into Force date (29 June 2023) will remain deliverable after the Application Date. Exchange stocks in this category will not incur the non-compliance discount.
4. For the avoidance of doubt, the above requirements apply to all Delivery Areas, including those in the UK.

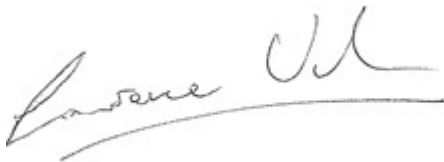
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5. Enforcement of the EUDR is a matter for the national competent authorities. Acceptance by the Exchange of EUDR CI does not indicate any assurance or representation as to its compliance (or compliance of the underlying goods) with the requirements of the EUDR.
6. In the event the Application Date is postponed, delayed, or otherwise not enforced, the Exchange reserves the ability to delay the implementation of the above requirements.

Market participants are invited to submit their views and feedback on the principles outlined above for consideration by the Exchange to the below email contact by 6 October 2023.

Please ensure that the appropriate members of staff within your organisation and customers are advised of the content of this Circular.

Signed:

A handwritten signature in black ink, appearing to read 'Laurence Walton', with a horizontal line underneath.

Laurence Walton
Head of Regulation and Compliance

For more information, please contact:

Toby Brandon | +44 (0) 20 7012 8798 | toby.brandon@ice.com | comops-ifeu@ice.com

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