

Description of EU Emissions Allowance Transactions

(former name: Description of Forward Transactions
of Sale of Greenhouse Gas Emission Allowances
with Cash Settlement Option)

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Table of contents

1.	Definitions	3
2.	EU Emissions Allowance Transaction	6
3.	Settlement of Transactions.....	7
4.	Settlement Disruption	8
5.	Settlement Suspension	9
6.	Non-Execution of a Transfer	9
7.	Non-Acceptance of Contracted Allowances	9
8.	Final Provisions.....	10
9.	General Description of Market Risks Related to Concluding a Transaction.....	10
10.	Entry into Force.....	10

Article 1. Definitions

1. The terms not defined herein have the same meaning as the terms defined in:
 - 1/ Rules of Cooperation for Financial Market Transactions, or
 - 2/ Framework Agreement.
2. This document ("Transaction Description") was formerly called: Description of Forward Transactions of Sale of Greenhouse Gas Emission Allowances with Cash Settlement Option.
3. Therefore, the term "forward transactions of sale of greenhouse gas emission allowances with cash settlement option" is equivalent to "EU Emissions Allowance Transactions". This rule applies to the documents provided to the Client before the name change, including:
 - 1/ Rules,
 - 2/ Transaction Descriptions,
 - 3/ transaction confirmations,
 - 4/ other documents and materials regarding transactions covered by this Transaction Description.
4. The following terms are additionally defined herein:

1/ Unauthorised Transfer	a transfer of an Allowance between accounts of two entities that was not initiated by: <ol style="list-style-type: none"> a/ authorised representative, or b/ additional authorised representative (within the meaning of the Registry Regulation) of the party initiating the transfer,
2/ Price or Transaction Amount (at Transaction settlement)	the product of the Unit Price and the Number of Allowances plus VAT,
3/ Unit Price	net price of an Allowance defined in the Transaction Terms. The Unit Price does not include the applicable value added tax ("Value Added Tax") imposed currently or in the future on a Delivery or Deliveries,
4/ Quoted Price	for Allowances: the final settlement price (Exchange Delivery Settlement Price) for EUA futures (called EUA Daily Futures or any other name replacing it, relevant for a futures contract for a given Specified Compliance Period), expiring on the Delivery Date, expressed in euro per metric ton, quoted on the ICE Futures Europe exchange, subject to Modification,
5/ Fourth Compliance Period	for Allowances: the period from 1 January 2021 to 31 December 2030,
6/ Delivery or Deliveries	obligation of the Seller to execute a Transfer of Contracted Allowances in accordance with the concluded Transaction,
7/ Affected Allowance	an Allowance that was or was alleged to have been subject to an Unauthorised Transfer in reasoned opinion of the Bank based on information provided by a Competent Source,
8/ Second Specified Compliance Period	for EUA: the period from 1 January 2008 to 31 December 2012,
9/ Directive	Directive 2003/87/EC of the European Parliament and of the Council of 13 October 2003 establishing a scheme for greenhouse gas emission allowance trading and amending Council Directive 96/61/EC, as amended (including Directive (EU) 2018/410 of the European Parliament and of the Council of 14 March 2018 amending Directive 2003/87/EC to enhance cost-effective emission reductions and low-carbon investments, and Decision (EU) 2015/1814),
10/ Delivery Date/Dates	a date/dates referred to as such in the agreed Transaction Terms,
11/ Payment Date/Dates	a day/days referred to as such in the agreed Transaction Terms,
12/ Business Day	any day other than Saturday, Sunday or statutory holidays, on which banks are opened to carry out their core activities in Warsaw,
13/ EUA/EUAA	allowances related to: <ol style="list-style-type: none"> a/ activities other than aviation activities within the meaning of Article 3 of the Directive (stationary installations) – EUA, b/ "aircraft operators" within the meaning of the Directive – EUAA,
14/ EUTL	independent transaction log referred to in Article 20 (1) of the Directive and Article 5 (1) of the Regulation,
15/ Registry Operation	irrespective of the potential occurrence of an Administrator Event, the operation of: <ol style="list-style-type: none"> a/ Relevant Registry, b/ EUTL, and c/ connection between the Relevant Registry and EUTL.
16/ Central Administrator	an entity responsible for EUTL management in line with Article 20 of the Directive and Article 6 of the Registry Regulation,

17/ Settlement Suspension Cost	<p>an additional compensation paid by the Buyer to the Seller in accordance with Article 5 due to the occurrence of a Settlement Suspension Event. It is calculated based on the €STR rate (or any other rate that will replace it) on the Price for the period from the Delivery Date (inclusive) to the earlier of the following dates:</p> <p>a/ date of the Transfer of Contracted Allowances, or</p> <p>b/ Deferred Delivery Date (excluding that date),</p>
18/ Replacement Costs of the Buyer	<p>an amount calculated in the following way:</p> <p>a/ The Bank sets the price the Buyer would have to pay for Contracted Allowances as a result of the settlement of a spot transaction for which the delivery date of the Contracted Allowances would fall relatively soon. This price is based on quotations obtained from the Allowance or EUA derivatives trading market on the Transaction termination date referred to in Article 6 (4) (2) (b),</p> <p>b/ The amount specified in Article 1 (18) (a) is reduced by the Price (plus the Settlement Suspension Cost, if any),</p> <p>c/ The amount specified in Article 1 (18) (b) is increased by the Default Interest calculated on the difference between the amounts set in Article 1 (18) (a) and Article 1 (18) (b) for the period from the Delivery Date (inclusive) to the date of submission of the Transaction termination notice (excluding that date),</p>
19/ Replacement Costs of the Seller	<p>an amount calculated in the following way:</p> <p>a/ The Bank sets the Price (plus potential Settlement Suspension Cost),</p> <p>b/ The Bank reduces the Price specified in Article 1 (19) (a), which corresponds to the amount the Seller would receive for Contracted Allowances as a result of the settlement of a spot transaction for which the delivery date of the Contracted Allowances would fall relatively soon. This price is based on quotations obtained from the Allowance or EUA derivatives trading market on the Transaction termination date referred to in Article 7 (4) (2) (b),</p> <p>c/ The amount specified in Article 1 (19) (b) is increased by the Default Interest calculated on the difference between the amount set in Article 1 (19) (a) and Article 1 (19) (b) for the period from the Delivery Date (inclusive) to the date of submission of the Transaction termination notice (excluding that date),</p>
20/ National Administrator	an entity responsible for administering the set of allowance accounts for and on behalf of a Member State in the Union Registry, in line with Article 7 (1) of the Registry Regulation,
21/ Cash Settlement Amount	the difference between the Market Value and the Price,
22/ Replacement Settlement Amount	the difference between the Replacement Value and the Price,
23/ International Rules	laws, regulations, guidelines, instructions, procedures related to international emission allowance trading, set in UNFCCC, Kyoto Protocol, Directive, Registry Regulation, COP/MOP decisions, public minutes of meetings of the Executive Board and all decisions and letters of all supporting bodies and technical panels established based on the Kyoto Protocol,
24/ Modification	a method of setting the Quoted Price, which the Bank can use in the case of a Price Quotation Disruption Event. The Bank sets the Quoted Price in an economically justified way based on market sources and other information that the Bank, acting in good faith, considers material,
25/ Latest Execution Date	for a Settlement Suspension Event taking place with respect to the obligation to deliver or accept an Allowance due in the Fourth Compliance Period: the day falling five days before the Settlement Date,
26/ Specified Compliance Period	<p>for Allowances:</p> <p>a/ the relevant period referred to in Article 11 (2) of the Directive, or</p> <p>b/ another relevant period that can be accepted within the Scheme, set in the Transaction Terms,</p>
27/ Operator	the operator as per the definition included in the Directive,
28/ Final Delivery Date	<p>the earlier of the following two dates:</p> <p>a/ second Settlement Business Day after submitting the call to the Seller in accordance with Article 6 (2),</p> <p>b/ Settlement Date which falls on or after the Delivery Date set in the agreed Transaction Terms,</p>
29/ Final Compliance Date	<p>the earlier of the following two dates:</p> <p>a/ second Settlement Business Day after submitting the call to the Buyer in accordance with Article 7 (2),</p> <p>b/ Settlement Date which falls on or after the Delivery Date set in the agreed Transaction Terms,</p>
30/ Member State	any member state of the European Union,
31/ Original Affected Party	an entity whose account was used to make an Unauthorised Transfer of Affected Allowances,
32/ Kyoto Protocol	the Protocol to the United Nations Framework Convention on Climate Change adopted at the Third Conference of the Parties to the United Nations Framework Convention on Climate Change in Kyoto, on 11 December 1997, as amended,
33/ Deferred Delivery Date	the date set in Article 5 (3),

34/ Price Quotation Disruption Event	<p>one of the following situations:</p> <ul style="list-style-type: none"> a/ ICE Futures Europe (or any legal successor thereof) does not publish the price for futures on the Delivery Date for a given Specified Compliance Period or information from ICE Futures Europe is temporarily or permanently unavailable, b/ Allowances and EUA futures trading on an exchange or any other market on which Allowances or EUA futures are traded is suspended, ceased or limited to a significant degree in the opinion of the Bank, c/ EUA futures with new maturity dates are not introduced to trading, Allowances are withdrawn or prices for EUA futures relevant for futures for a given Specified Compliance Period permanently cease to be published or become permanently unavailable, d/ method of calculating the price of or settling EUA futures, relevant for futures for a given Specified Compliance Period, changes significantly in the opinion of the Bank,
35/ Settlement Disruption Event	<p>an event beyond the control of the Party that cannot be overcome using any reasonable measures, which prevents this Party from making a Transfer of or accepting Contracted Allowances. Events that do not constitute a Settlement Disruption Event are in particular situations where:</p> <ul style="list-style-type: none"> a/ the Party does not have the relevant Allowances to execute a Transfer of Contracted Allowances, b/ an insufficient number of Allowances was allocated to the Party for the purposes of making the Transfer of Contracted Allowances in the national plan for the allocation of greenhouse gas emission allowances, c/ the Party could buy Contracted Allowances in another state covered by the Scheme, but the Allowances allocated in the national plan for the allocation of greenhouse gas emission allowances were recorded in the Party's account in an untimely manner, d/ the Party replaced Allowances from one Specified Compliance Period with Allowances from the next Specified Compliance Period in an untimely manner,
36/ Settlement Suspension Event	<p>a situation preventing the Party from fulfilling its obligations to make a Transfer or accept Contracted Allowances arising from a Transaction. In such a situation the Bank is always the Affected Party. Such events are caused by:</p> <ul style="list-style-type: none"> a/ disruption in Registry Operation, b/ occurrence of an Administrator Event,
37/ Allowance Account	<p>for a given Party: an account in the Registry to which a Transfer of Allowances subject to a Transaction can be made. If, in a given case, a Transfer of Allowances cannot be made to the main account, the alternative account is considered the Allowance Account instead. The main and alternative accounts are defined:</p> <ul style="list-style-type: none"> a/ for the Client – in the Transaction Terms or by the Client in the Information Card, b/ for the Bank – in a separate statement of the Bank or in any other form defined by the Bank,
38/ Executive Board	<p>the board managing the clean development mechanism established pursuant to Article 12 (4) of the Kyoto Protocol and in accordance with International Rules,</p>
39/ Registry	<p>a registry established in line with International Rules for the purposes of issuing, holding, transferring, using or exchanging Allowances. To avoid doubt, references to the Registry include a reference to the Community Registry and Allowance Accounts in the Community Registry, which are subject to jurisdiction of the National Administrator and jointly constitute the Registry for a given state,</p>
40/ Community Registry	<p>a community registry referred to in Article 19 (1) of the Directive,</p>
41/ Settlement Business Day	<p>any day other than Saturday, Sunday or statutory holidays, on which:</p> <ul style="list-style-type: none"> a/ banks are opened to carry out their core activities in Warsaw and London, and b/ interbank payment and settlement system TARGET is operating,
42/ Registry Regulation	<p>Commission Regulation (EU) 2019/1122 of 12 March 2019 supplementing Directive 2003/87/EC of the European Parliament and of the Council as regards the functioning of the Union Registry,</p>
43/ Encumbrance Loss Amount	<p>amount of losses and costs related to a Transaction calculated in good faith, including:</p> <ul style="list-style-type: none"> a/ loss due to replacement of the position subject to the Transaction or termination of the position hedging the Transaction, b/ losses or costs incurred before the Buyer submitted a notification, c/ legal costs and other related expenses (except the excess emissions penalty within the meaning of the Directive or compensation for such penalty that the Buyer has to pay to a third party), d/ if a breach of the No Encumbrance Obligation resulted from a Transfer of Affected Allowances – any losses incurred due to a lawsuit, demand or proceedings instituted against the Buyer by a third party as a result of the Buyer transferring Affected Allowances delivered by the Seller during the execution of a Transaction,
44/ Party/Parties	<p>the Bank or the Client, respectively,</p>
45/ Affected Party	<p>a Party unable to fulfil the obligations under a Transaction due to the occurrence of:</p> <ul style="list-style-type: none"> a/ a Settlement Disruption Event, or b/ a Settlement Suspension Event,

46/ Scheme	a scheme for transferring Allowances between: a/ persons within the European Union, b/ persons within the European Union and persons from non-EU countries. In both cases, it is the scheme recognised in accordance with the procedure set in the Directive and subject to its provisions, introduced and implemented by every Member State and certain non-EU countries in accordance with their respective domestic laws,
47/ Settlement Date	the final date by which Allowances can be settled, i.e.: a/ 30 April of each year in relation to the previous calendar year, b/ any other date that can be set in the future in accordance with the provisions of the Scheme,
48/ Phase-End Settlement Date	the latest possible Settlement Date set for Allowances in a given Specified Compliance Period,
49/ Transfer	a transfer of certain Allowances between: a/ the Parties or b/ certain Allowance Accounts,
50/ Third Compliance Period	for Allowances: the period from 1 January 2013 to 31 December 2020 (in accordance with Article 16 of Directive 2009/29/EC),
51/ Allowance Type	EUA or EUAA,
52/ UNFCCC	United Nations Framework Convention on Climate Change,
53/ Allowance	one EUA or EUAA,
54/ Currency	the currency set in the agreed Transaction Terms,
55/ Market Value	the price set by the Bank. It is calculated as the product of the Number of Allowances and the price per Allowance as at the Delivery Date based on the Quoted Price (in euro),
56/ Replacement Value	the price set by the Bank as the market price of Contracted Allowances agreed for a Transaction to be terminated,
57/ Allowance Validity	the time limit set in an Allowance issued after 1 January 2021, which specifies: a/ the ten-year period for which the Allowance is issued, b/ the validity for emissions,
58/ Competent Authority	an authorised authority, the National Administrator and/or the Central Administrator or any other authority which in accordance with the Directive and/or rules of the Registry has the right to: a/ block, suspend, decline, reject, cancel or b/ otherwise affect a Transfer of Allowances (in whole or in a part),
59/ Relevant Registry	the Registry through which the Parties are obliged to make Transfers of Allowances in relation to Transactions,
60/ Competent Source	a competent authority (in accordance with the definition in the Registry Regulation), the Central Administrator, the National Administrator or any other entity authorised in accordance with the Directive or the Registry Regulation to block, suspend, decline, reject, cancel or otherwise affect a Transfer of Allowances (in whole or in a part). This also includes any other entity enforcing the law, tax offices of a Member State, the European Anti-Fraud Office or the European Police Office,
61/ Contracted Allowances	Allowances with the Allowance Specified Compliance Period and the Number of Allowances agreed in the Transaction Terms (or agreed in accordance with the Transaction Description),
62/ Administrator Event	suspension of some or all processes of the Relevant Registry or EUTL in accordance with the Registry Regulation by the National Administrator or the Central Administrator where: a/ the Relevant Registry has not been kept in line with the Registry Regulation or other applicable law, b/ the suspension is related to scheduled or unscheduled maintenance of the Relevant Registry, or c/ a security breach occurred or there is a justified suspicion of a security breach that could pose a threat to the integrity of the registry systems (including backup systems),
63/ No Encumbrance Obligation	the obligation referred to in Article 3 (12).12

Article 2. EU Emissions Allowance Transaction

1. An EU Emissions Allowance Transaction ("**CO₂ Transaction / Transaction**"):
1/ is a derivative transaction involving the purchase or sale of greenhouse gas emission Allowances,
2/ was previously called a "forward transaction of sale of greenhouse gas emission allowances with cash settlement option".
2. Transactions may be concluded based on:
1/ negotiations, or
2/ offer.
3. The Parties to a Transaction include:
1/ Buyer – the Party buying Allowances,
2/ Seller – the Party selling Allowances.
4. When concluding a Transaction, the Parties agree the terms listed below:
1/ Seller,
2/ Buyer,

- 3/ Allowance Type,
 - 4/ Specified Compliance Period,
 - 5/ Number of Allowances,
 - 6/ Unit Price,
 - 7/ Currency,
 - 8/ Delivery Date,
 - 9/ Payment Date.
5. If the Client fails to indicate a Specified Compliance Period when concluding a Transaction based on negotiations:
 - 1/ the Transaction is valid,
 - 2/ the Parties assume that the Specified Compliance Period:
 - a/ is the Specified Compliance Period applicable on the date of concluding the Transaction, where the Transaction is based on negotiations,
 - b/ is the Specified Compliance Period applicable on the date of submitting the offer, where the Transaction is based on offer.
 6. The Client and the Bank can set more than one Delivery Date. In such a case:
 - 1/ the Parties should at least agree the Payment Date, the Number of Allowances and the Unit Price separately for every Delivery Date,
 - 2/ the Parties are deemed to have concluded a Transaction consisting of several Transactions for which the Delivery Dates, Payment Dates, Numbers of Allowances and Unit Prices have been set separately,
 - 3/ the Transaction Terms agreed collectively for all components of the Transaction in accordance with Article 2 (4) are the same for every component of the Transaction.
 7. In order to conclude a Transaction based on offer, the Client submits an offer to conclude a Transaction to the Bank by phone and in a manner in which the Transaction Terms are agreed.
 8. The offer to conclude a Transaction submitted by the Client is valid:
 - 1/ until 11:00 am on the next Business Day after the offer submission day,
 - 2/ until the day and time additionally indicated by the Client in the offer.
 9. Before the validity of the offer expires, the Client can cancel the offer:
 - 1/ by phone only,
 - 2/ in a manner in which the Transaction Terms are agreed,
 - 3/ on condition that the Bank explicitly agreed to cancelling the offer.
 10. The Transaction is deemed concluded based on offer after the Bank calls the Client and confirms that it accepts the offer. If the Client cannot be reached by phone, the Bank can accept the offer and submit a statement setting out the Transaction Terms:
 - 1/ via email to the address given in the Information Card,
 - 2/ in any other form agreed by the Parties.

Article 3. Settlement of Transactions

1. Transactions are settled physically through a Transfer of Contracted Allowances.
2. On the due date of cash obligations of the Bank or the Client resulting from a Transaction or this Transaction Description:
 - 1/ the Bank credits or debits, respectively, the Client's Settlement Accounts with amounts of these obligations, or
 - 2/ the Client undertakes to transfer funds to the Settlement Accounts indicated by the Bank.
3. On the date referred to in Article 3 (2), the Client undertakes to have in their Settlement Account sufficient funds to settle the Transaction.
4. The Seller undertakes to complete the Transfer of Contracted Allowances to the Buyer on the Delivery Date by 4:00 pm Central European Time (CET). The above principle applies to all Transfers.
5. The Transfer is deemed completed after the Buyer receives the Contracted Allowances to the Buyer's Allowance Account.
6. If the Transfer of Contracted Allowances ends:
 - 1/ on a given day after 4:00 pm CET, or
 - 2/ on a day other than a Settlement Business Day,
 the Contracted Allowances are deemed delivered at 10:00 am CET on the next Settlement Business Day. The risk related to the Contracted Allowances is transferred to the Buyer upon their delivery by the Bank to the Buyer's Allowance Account.
7. Where the Bank is the Seller:
 - 1/ the Bank has the right to suspend the Transfer of Contracted Allowances until the Buyer pays the Price,
 - 2/ the Bank transfers a number of Allowances corresponding to the fraction of the Price paid by the Buyer (rounded down),
 - 3/ the provisions of Article 6 (3) apply accordingly.
8. The Buyer undertakes to:
 - 1/ accept the Contracted Allowances from the Seller on the Delivery Date, and
 - 2/ pay the Seller the Price denominated in the Currency on the Payment Date.
9. Where the Bank is the Buyer:
 - 1/ the Bank has the right to suspend the payment of the Price to the Seller until the Transfer of Contracted Allowances is completed,
 - 2/ the Bank pays the fraction of the Price corresponding to the number of Allowances delivered,
 - 3/ the provisions of Article 6 (3) apply accordingly.
10. Unless the Parties agree otherwise, on the Delivery Date, where two or more Transactions in Allowances of the same Allowance Type and the same Specified Compliance Period are settled between the same Allowance Accounts, the Parties decide that:
 - 1/ if there is no difference between the number of settled Allowances, their mutual obligations are fulfilled (there is no need to discharge them),
 - 2/ if there is a difference between the number of settled Allowances, the Party originally obliged to deliver a higher total Number of Allowances undertakes to deliver the excess of Allowances to the other Party.
11. Each Party undertakes to:
 - 1/ have and maintain all communication channels,
 - 2/ meet all other conditions and requirements that may be necessary to make a Transfer or accept Allowances in accordance with the rules binding within the Scheme and the agreed Transaction Terms, in particular:
 - a/ ensure that the Allowance Account is valid and suitable for transfers of Allowances within the Scheme,
 - b/ perform all the activities defined in the laws of the respective jurisdiction that may be necessary to successfully complete a Transfer.
12. The Seller is obliged to deliver to the Buyer the Contracted Allowances which are free from any third parties' rights, claims and encumbrances, in accordance with the Transaction Terms ("**No Encumbrance Obligation**").
13. If the Seller breaches the No Encumbrance Obligation:
 - 1/ such a breach does not constitute a breach of the Transaction Terms within the meaning of Article 9 of the Rules,
 - 2/ all the remaining Transactions not affected by the breach remain valid,
 - 3/ if the Buyer notifies the Seller of a breach of the No Encumbrance Obligation, the Buyer should immediately:
 - a/ estimate the Encumbrance Loss Amount,
 - b/ present to the Seller detailed calculations of the loss amount,

- 4/ The Seller pays the Buyer the Encumbrance Loss Amount within three Business Days from the later of two dates. These dates are:
 - a/ date of receiving the call to pay this amount, or
 - b/ date of receiving the notification and the detailed calculations referred to in Article 3 (3),
- 5/ payment of the Encumbrance Loss Amount covers all claims of the Buyer resulting from the breach of the No Encumbrance Obligation. If the Seller fails to pay the Encumbrance Loss Amount when due, the Buyer has the right to receive Default Interest on Encumbrance Loss Amount. The interest is calculated for the period from the due date of this amount (inclusive) to the actual day of its payment (exclusive),
- 6/ if the breach of the No Encumbrance Obligation causes a transfer of Affected Allowances and on the date of the first purchase of the Affected Allowances the Seller:
 - a/ did not act in good faith, the Seller is obliged to pay the Encumbrance Loss Amount,
 - b/ acted in good faith, the Seller is obliged to pay the Encumbrance Loss Amount only where:
 - i. the Buyer, being a party to a lawsuit brought by the Original Affected Party, used its best endeavours to avoid the Encumbrance Loss Amount from arising by defending itself against such a lawsuit concerning Affected Allowances (including Article 40 of the Registry Regulation) and was unsuccessful (other than for reasons of its own lack of good faith), or
 - ii. the Buyer, who acted in good faith when buying the Affected Allowances and is a party to a lawsuit brought by a third party (other than the Original Affected Party) with regard to the Affected Allowances, used its best endeavours to reduce or avoid the Encumbrance Loss Amount from arising.
14. The Party intending to change its Allowance Account undertakes to notify the other Party about its intention not later than ten Settlement Business Days before the Delivery Date. If it is the Client that intends to change their Allowance Account, they must update the Client's Information Card. The Bank informs the Client once their instruction is executed.
15. If the Transactions settled through a Transfer of Contracted Allowances are subject to the Value Added Tax, the Seller undertakes to hold a VAT account with the bank that maintains their the Settlement Account.
16. If the Value Added Tax is due in connection with a Transaction, the Seller sends the Buyer a valid "**VAT Invoice**", i.e. a VAT invoice valid in the light of the laws of the place of delivery, stating the following:
 - 1/ number of delivered Allowances,
 - 2/ purchase Price of Allowances,
 - 3/ total amount due from the Buyer ("**VAT Invoice**").
17. Subject to Article 3 (8), when the Bank is the Buyer, the Bank has the right to suspend the payment of the Price to the Seller until it receives a valid VAT Invoice issued in accordance with this section of the Transaction Description. In the case where the Client transferred a part of Contracted Allowances and the Bank paid for it in accordance with Article 3 (9) based on a VAT Invoice received from the Client, the Client undertakes to immediately send a corrective VAT Invoice to the Bank. In the case where the Bank transferred a part of Contracted Allowances in accordance with Article 3 (8) after the Client had paid a fraction of the Price, the Bank undertakes to immediately send a corrective VAT Invoice to the Client.

Article 4. Settlement Disruption

1. Each Party can notify the other Party in writing of a Settlement Disruption Event and of a Transaction (Transactions) affected by the Settlement Disruption Event. The notifying Party must specify:
 - 1/ what exactly the Settlement Disruption consists in,
 - 2/ the Transactions affected by the Settlement Disruption,
 - 3/ the Affected Party, and
 - 4/ the end date of the Settlement Disruption Event.
2. If the notification referred to in Article 4 (1) is sent by the Affected Party, the Affected Party should also enclose:
 - 1/ a description of the Settlement Disruption Event, and
 - 2/ information about the estimated period during which the Affected Party will not be able to fulfil its obligations due to the Settlement Disruption Event.
3. In the case of Settlement Disruption Event notified by one of the Parties to the other in a way described in Article 4 (1):
 - 1/ the obligation of the Affected Party to execute a Transfer or to accept Contracted Allowances arising from the Transaction affected by the Settlement Disruption Event is suspended for the duration of the Settlement Disruption Event, subject to the sections below,
 - 2/ the other Party cannot demand that the obligation affected by the Settlement Disruption Event be fulfilled, whereas the Buyer can withhold the payment of the Price,
 - 3/ The Affected Party undertakes to take all reasonable efforts to limit the consequences and duration of the Settlement Disruption Event.
4. Subject to Article 4 (5), after the Settlement Disruption Event has ceased, the Parties are obliged to resume fulfilling their obligations as soon as practically possible, but in any case no later than on the second Settlement Business Day after the day on which the Settlement Disruption Event ceased to exist.
5. In the case where the Settlement Disruption Event persists for nine Settlement Business Days after the Delivery Date (the delivery would have succeeded if the Settlement Disruption Event had not occurred) or on a day falling on three Settlement Business Days before the Phase-End Settlement Date:
 - 1/ the Transactions affected by the Settlement Disruption Event are terminated,
 - 2/ the obligations of the Parties arising from these Transactions are substituted with the obligation to pay the amount stipulated in Article 4 (7).
6. The termination date is accordingly:
 - 1/ the ninth Settlement Business Day after the Delivery Date, or
 - 2/ the Settlement Date, if the period of nine Settlement Business Days would end after the Settlement Date falling on the Delivery Date or soon after the Delivery Date, or
 - 3/ the third Settlement Business Day before the Phase-End Settlement Date.
7. Obligations arising from each of the terminated Transactions are replaced by the obligation to pay the Cash Settlement Amount, where the Replacement Value is calculated based on quotations for spot transactions, for which the delivery date of Contracted Allowances would fall within a possibly short period after the day of their conclusion, obtained by the Bank:
 - 1/ on the Transaction termination date, or
 - 2/ during any other, possibly similar period.
 The Bank will notify the Client of the Cash Settlement Amount on the first Business Day after it has been determined.
8. The form of payment on account of settlement of terminated Transactions depends on the total of Replacement Settlement Amounts. If the total is:
 - 1/ positive – the Seller should pay the Buyer the total of Replacement Settlement Amounts,
 - 2/ negative – the Buyer should pay the Seller the absolute value of the total of Cash Settlement Amounts.
9. The payment date referred to in Article 4 (8) is the first Business Day after the day of receiving the calculation referred to in Article 4 (7).

Article 5. Settlement Suspension

1. The Affected Party should immediately notify the other Party in writing about a Settlement Suspension Event. The notifying Party must specify:
 - 1/ what exactly the Settlement Suspension Event consists in,
 - 2/ the Affected Party, and
 - 3/ the end date of the Settlement Suspension Event,
 - 4/ the course of the Settlement Suspension Event,
 - 5/ the estimated period during which the Affected Party will not be able to fulfil its obligations due to the Settlement Suspension Event.
2. In the case of a Settlement Suspension Event notified by one of the Parties to the other in a way described in Article 5 (1), the obligations of the Parties arising from the Transaction affected by the Settlement Suspension Event are suspended for the duration of the Settlement Suspension Event, subject to the provisions below.
3. Once the Settlement Suspension Event has ceased, the fulfilment of obligations arising from the Transaction is no longer on hold. The Parties are obliged to fulfil the obligations arising from the Transaction as soon as possible, i.e. by the earlier of the following two time limits:
 - 1/ the tenth Settlement Business Day after the Settlement Suspension Event has ceased, or
 - 2/ the third Settlement Business Day before the Phase-End Settlement Date ("**Deferred Delivery Date**"). In this case, whenever the Transaction Description mentions the "Delivery Date", we understand it as the "Deferred Delivery Date".
4. For the purposes of settling the Transaction pursuant to Article 5 (3), the Price is increased by the Settlement Suspension Cost.
5. If the Settlement Suspension Event persists on the Latest Execution Date, the obligations arising from the Transaction affected by the Settlement Suspension Event are waived.
6. In the case where an event constitutes both a Settlement Disruption Event and a Settlement Suspension Event, it is assumed that only a Settlement Suspension Event has occurred.

Article 6. Non-Execution of a Transfer

1. Non-execution of a Transfer of Contracted Allowances does not constitute a breach of Transaction Terms within the meaning of Article 9 of the Rules.
2. If a Transfer of Contracted Allowances has not been executed, as described in Article 6 (1), due to a Settlement Disruption Event or a Settlement Suspension Event, or if the Buyer has not accepted Contracted Allowances:
 - 1/ the Delivery Date is postponed,
 - 2/ the Buyer may request in writing that the Seller execute the Transfer of Contracted Allowances.
3. If the Seller responds to the request referred to in Article 6 (2) (2) and executes the Transfer of Contracted Allowances no later than on the Final Delivery Date:
 - 1/ the Buyer undertakes to:
 - a/ accept the Contracted Allowances from the Seller, and
 - b/ pay the Price to the Seller pursuant to Article 3 (a) of the Transaction Description. The Delivery Date is then deemed to be the date on which the Transfer of Contracted Allowances was executed. The Payment Date is accordingly adjusted to the Delivery Date,
 - 2/ the Seller undertakes to pay the Buyer a contractual penalty on the Payment Date. The penalty is equal to the Default Interest on the Price for the period from the Original Delivery Date (inclusive) to the actual Delivery Date (exclusive),
 - 3/ when settling cash payments, the Bank has the right to set off the amounts referred to in Article 6 (3) (1) and Article 6 (3) (2).
4. If the Seller fails to execute the Transfer of Contracted Allowances, despite the request referred to in Article 6 (2) (2), by the Final Delivery Date:
 - 1/ The Buyer may notify the Seller in writing about terminating the Transaction with respect to which the Seller failed to meet the obligation to execute the Transfer of Contracted Allowances in a timely manner,
 - 2/ once the Seller has received the notification of the Transaction termination, the Seller's settlement obligations referred to in Article 3 of the Transaction Description arising from the Transaction:
 - a/ are waived,
 - b/ are replaced by the obligation of the Seller to pay the Buyer the Replacement Costs of the Buyer on the first Business Day upon the date of receiving the notification of the Transaction termination,
 - c/ the obligation to pay the Replacement Costs of the Buyer arises only when these costs are higher than zero.
5. If only part of Contracted Allowances were not transferred, provisions of Articles 3 and 6 of the Transaction Description apply accordingly. In such a case:
 - 1/ the Buyer is obliged to pay a fraction of the Price corresponding to the delivered part of Contracted Allowances pursuant to Article 3 of the Transaction Description,
 - 2/ with respect to the undelivered part of the Contracted Allowances, provisions of Article 6 the Transaction Description apply accordingly, whereas:
 - a/ the relevant part of the Price must be paid for the part of Contracted Allowances delivered pursuant to Article 6 of the Transaction Description,
 - b/ the Replacement Costs of the Buyer must be paid for the undelivered part of Contracted Allowances.

Article 7. Non-Acceptance of Contracted Allowances

1. Non-acceptance of the Transfer of Contracted Allowances by the Buyer does not constitute a breach of Transaction Terms within the meaning of Article 9 of the Rules.
2. If Contracted Allowances were not accepted due to a Settlement Disruption Event,
 - 1/ the Delivery Date is postponed,
 - 2/ the Seller may request in writing that the Buyer accept the Contracted Allowances.
3. If the Buyer responds to the request referred to in Article 7 (2) (2) and accepts the Contracted Allowances no later than on the Final Compliance Date:
 - 1/ the Seller undertakes to execute the Transfer of Contracted Allowances,
 - 2/ the Buyer undertakes to pay the following to the Seller:
 - a/ the Price pursuant to Article 3 of the Transaction Description. The Delivery Date is then deemed to be the date on which the Transfer of Contracted Allowances was accepted. The Payment Date is accordingly adjusted to the Delivery Date,
 - b/ contractual penalty – on the Payment Date. The penalty is equal to the Default Interest on the Price for the period from the Original Delivery Date (inclusive) to the actual Delivery Date (exclusive that day).
4. If the Buyer does not accept Contracted Allowances, despite the request referred to in Article 7 (2) (2), by the Final Compliance Date:
 - 1/ the Seller may notify the Buyer in writing about terminating the Transaction with respect to which the Buyer failed to fulfil the obligation to accept Contracted Allowances in a timely manner,
 - 2/ once the Buyer has received the notification of the Transaction termination, the Buyer's settlement obligations referred to in Article 3 of the Transaction Description arising from the Transaction:

- a/ are waived,
 - b/ are replaced by the obligation of the Buyer to pay the Seller the Replacement Costs of the Seller on the first Business Day upon the date of receiving the notification of the Transaction termination,
 - c/ the obligation to pay the Replacement Costs of the Seller arises only when Replacement Costs of the Seller are higher than zero.
5. If the Buyer has not accepted only a part of Contracted Allowances, provisions of Articles 3 and 7 of the Transaction Description apply accordingly. In such a case:
- 1/ The Buyer is obliged to pay a fraction of the Price corresponding to the accepted part of Contracted Allowances pursuant to Article 3 of the Transaction Description,
 - 2/ with respect to the unaccepted part of Contracted Allowances, provisions of Article 7 the Transaction Description apply accordingly, whereas:
 - a/ the relevant fraction of the Price must be paid for the part of Contracted Allowances accepted pursuant to Article 7 of the Transaction Description,
 - b/ The Replacement Costs of the Seller must be paid for the number of Contracted Allowances that was not accepted.

Article 8. Final Provisions

1. All the costs, fees and charges calculated or charged by the Competent Authority in relation to the Transfer of Allowances arising from the Transaction are covered by the Client. The Client immediately reimburses the Bank for the costs and fees due.
2. If, prior to the Delivery Date, the European Community makes a formal, written announcement to the public that the Scheme will be discontinued or suspended, the obligations arising from concluded and unsettled Transactions expire as long as one of the Parties notifies the other in writing about such expiration.

Article 9. General Description of Market Risks Related to Concluding a Transaction

1. Market risks mean an adverse, from the Client's perspective, impact a change in market risk factors may have on a Transaction, in terms of both:
 - 1/ settlement amount on the settlement date,
 - 2/ the value of collateral required by the Bank during the whole Transaction period – due to the revaluation of the Transaction (net present value).
2. The main market risk factors for Transactions include:
 - 1/ risk of change in prices of greenhouse gas emission allowances,
 - 2/ FX risk,
 - 3/ expiration of the Allowance Validity.
3. The risk of change in prices of greenhouse gas emission allowances means an adverse, from the Client's perspective, impact of a change in spot and forward prices of these allowances on the Transaction. These changes may stem from:
 - 1/ the functioning of the greenhouse gas emissions trading scheme, and
 - 2/ changes in the supply-to-demand ratio as regards greenhouse gas allowances due to, in particular:
 - a/ conclusion of international agreements,
 - b/ introduction of domestic regulations concerning the reduction of greenhouse gas emissions, and
 - c/ the manner of allocating greenhouse gas emission allowances between the scheme participants.
4. The foreign exchange risk is the risk of an adverse, from the Client's perspective, impact of changes in market levels of currency exchange rates of the Transaction settlement on this Transaction.
5. The Client should also take into account the impact on the Transaction of other market risk factors, such as:
 - 1/ risk of change in prices of other commodities,
 - 2/ situation on the commodity markets,
 - 3/ risk of changes in interest rates (their level influences primarily the discount of future cash flows and thus the valuation of the Transaction).
6. Changes in market risk factors:
 - 1/ can expose the Client to unlimited profit or unlimited loss, which may exceed funds invested by the Client,
 - 2/ depend on various macroeconomic parameters, especially such as economic growth rate, budget deficit level, deficit on the account.

Article 10. Entry into Force

1. The Transaction Description comes into force on 1 May 2023.
2. As regards transactions concluded before the entry into force of the Transaction Description, the term "forward transactions of sale of greenhouse gas emission allowances with cash settlement option" may be used interchangeably with the term "EU Emissions Allowance Transaction".