

MemberUpdate

UPDATE 15 of 19 • 17th May 2019

TOPIC: GTA Trade Rule 13 & Circle Trade Settlement Date

DISTRIBUTION: GTA Members – primary contact list. Please circulate to all appropriate internal parties.

1. Purpose

The purpose of this Member Update is to provide GTA Members an update on a recent meeting of the GTA Commerce Committee which considered several Submissions received relating to the following two issues:

1. Providing more clarity on the GTA Trade Rules Conveyance and Delivery Instructions (i.e. Trade Rule 13) and the term **“Buyers Call”**; and
2. Risk associated with the current Settlement Date when settling a Circle Trade. (ie Trade Rule 18.1)

2. Update

1. **Conveyance and Delivery Instructions:** (for further information refer [Member Update 5 of 19](#))

a) Background:

In response to member feedback a GTA Commerce Sub-committee was established to consider issues surrounding the GTA Trade Rules, particularly Definitions and Trade Rules 13.1.1 & 13.1.2, to seek to provide clarity in this area.

The steps considered by the Sub-committee to resolve these issues were:

- 1) Carry out further communication on the process of contract execution; and/or
- 2) Make amendments to the GTA Trade Rules.

GTA Member Update 5 of 19 issued on date 8th of March 2019 contained information on:

- Precedence of Brokers Notes/Counterparty agreements, GTA Standard form contracts and GTA Trade rules;
- Information and graphic illustration on the processes of conveyance, delivery instructions, Buyers Call; and a
- Call for Member submissions on the information provided in Member Update 5 of 19 and proposals (if any) for amendments to GTA Trade Rules.

b) Update:

Strong interest from Members was evident with seven Member Submissions received raising issues with the graphic illustration and proposing amendments to the GTA Trade Rules. From

the submissions it was evident there is a variety of opinions interpretations as to the issues raised in Member Update 5 of 19.

The Commerce Committee resolved:

- The context of GTA Trade Rules be reviewed considering they were established in the late 1990s and drafted for a different trading environment than today;
- Further work should be undertaken on the graphic information tool and the information provided in the GTA Member Update and it should be considered a draft, withdrawn and disregarded in the intervening period;
- A Sub-committee be established to commence a review of the GTA Trade Rules to assist with clarifying issues around Conveyance and Delivery instructions and Buyers Call.
- The Sub-committee objective is to prepare a draft amendment to the Trade Rules Conveyance and Delivery sections that will be provided to GTA Members for review and comment through a subsequent Member Update.

2. Circle Trade Settlement Date:

a) Background:

Ten Member Submissions were recently received by GTA on the issue of settlement dates in a Circle Trade. This issue (originally raised in 2018) highlighted the additional risk on a counterparty in a Circle Trade due to credit insurance being difficult/cost prohibitive to obtain for long settlement periods and may likely be voided in the event a trade becomes non-physical. Many of the Submissions called for the terms (timing) of settlement be changed to an earlier date such as the earliest date of the contract being settled via Circle agreements rather than the mean date (of the delivery period) as currently applies.

The issues raised in the Member Submissions were reviewed at the Commerce Committee in April 2019.

b) Update:

The Member Submissions and the Commerce Committee discussion noted:

- The Submissions received indicate a strong Member support for evaluation of a change to bring forward the settlement date for Circle Trades and Contract Washouts to 7 days after raising of an invoice.
- As part of any potential change that:
 - the definition for Settlement in the Track Contract should also be reviewed; and
 - straight 'Washouts' should also be considered to ensure consistency.

The Committee agreed to establish a Subcommittee to consider and prepare draft changes (as required) to the GTA Trade Rules and to seek GTA Member engagement through the GTA Member Update and submission process.

A Member Update and call for submissions will be issued as soon as practicable.

3. Further Details

Visit the GTA website for full details. <http://www.graintrade.org.au>