

# Clear Grain Exchange Terms and Conditions

NZX Holding No. 4 Ltd trading as Clear Commodities ABN 72 375 021 249

## Frequently Asked Questions for Traders<sup>1</sup>

The Clear Grain Exchange is an electronic platform developed to facilitate the trading of grain harvested in Australia, and intended to provide Australia-wide industry transparency. Please find below some of the most frequently asked questions regarding the Clear Grain Exchange Terms and Conditions.

### ***Buying Grain using Clear***

#### **1. How do I become a registered Buyer on Clear?**

Simply fill out the two required buyer registration forms from [www.cleargrain.com.au/buy/about](http://www.cleargrain.com.au/buy/about) and email or fax them through to Clear. Clear will then conduct some company background checks and contact you regarding the registration. Note: Clear does require that a buyer has a current 'storage and handling agreement' with participating bulk handlers and is registered for GST in Australia.

#### **2. How can I create bids on Clear to purchase grain?**

Creating bids on Clear is easy; there are three types of bids:

**Individual Bid** – This creates a single bid for a site/grade/season combination and is ideal if you wish to purchase a specific offer from the market or are only interested in purchasing specific grain.

**Bid Sheet** – This creates multiple bids across a port zone for a range of grades per season. You simply create a bid sheet template that allows you to customise what sites you want included and what freight rates you want used (if different to the standard GTA location differentials), and you can then edit the price daily.

**Bid File** – A bid file allows you complete customization and allows for absolute scalability. You are able to upload a CSV of bids that can cover all combinations of site/grade/seasons in the one file.

#### **3. What price and quantity specifications does Clear use?**

All offers, bids and trades on Clear are based on a Free-In-Store (FIS) price and shrunk tonnes. All trade funds need to be received from the buyer into the custodial account on or before the fifth business day.

FIS simply means that the seller will cover all of the warehousing fees up until the day of trade settlement, including receipt and storage fees. You as the buyer are then responsible for any ongoing storage and outturn fees.

Shrunk tonnes means that the Bulk Handler shrinkage has already been applied. This means that what you purchase on Clear is the exact amount you are able to outturn.

#### **4. What contract types does Clear trade?**

Clear has two types of transactions; a Physical Grain transaction and a Forward Contract transaction.

A Physical Grain transaction means that the grain is currently in warehouse with an approved Bulk Handler. The grain will become available to the buyer upon funds being received by Clear (funds need to be received within 5 business days).

A Forward Contract is a contract with a grower that locks in a price on the day the contract is agreed but specifies a delivery date of physical grain in the future. Upon the grower performing a title transfer into Clear's settlement facility within the delivery period, the buyer will receive a Trade Settlement Note with the required payment details, with the physical grain being made available to the buyer upon funds being received by Clear (funds need to be received within 5 business days).

#### **5. How does the Forward Contract acceptance work on Clear?**

If a grower matches a buyer's bid, then the grower will have had the opportunity to review all aspects of the bid, including grade spreads in the case of a multi-grade contract, prior to creating the matching offer. The buyer will then have the opportunity to review the contract (including counterparty) and accept or decline its parameters within a 2-hour acceptance window.

If a buyer matches a grower's offer, then the buyer will have had the opportunity to review all aspects of the offer (including counterparty) whilst creating the matching bid. In the case of a multi-grade offer, the grower will then have the opportunity to review the buyer's grade-spreads and accept or decline these within a 2-hour acceptance window.

#### **6. What happens once there is a Forward Contract match?**

Clear will generate a 'Broker Note' outlining all aspects of the Forward Contract including the counterparties to the contract. This contract is closely aligned to GTA's standard 'Broker Note' and 'Trade Rules'. At this point, the buyer will have a direct contract with the grower and will be able to communicate directly with the grower if there is any requirement to do so.

## **7. How much does it cost to buy grain on Clear?**

It is completely free for traders to register and create bids on the exchange, Clear only charges \$1.00/mt for Physical Grain purchased and just \$0.50/mt for Forward Contracts entered into. These fees will be added to the trade price and sent to the buyer on the Trade Confirmation Note.

## **8. Does Clear notify Sellers of my bids on my behalf?**

Yes. Clear not only notifies sellers with open offers, it also notifies all active sellers who have matching grain warehoused. This means that even if there are no current offers matching what you are looking for, you can create an offer and Clear will notify the relevant sellers who can then instantly accept your bid directly out of warehouse. Clear notifies Sellers of your bids via SMS, Email, Twitter and through the market and sell opportunities screens on the website.

## **9. In what preference order are physical trades matched on Clear?**

Trades on Clear are matched based on the trader with the highest bid price first, or if multiple traders have the same bid prices, the trader who created the bid first will be matched to the offer over the others. This means that the most effective way to ensure you purchase the grain over another trader is to create your best priced bid as early as possible, even if this means bidding above the offer price.

## **10. How do I know the physical offered grain exists and will be available?**

A unique feature of Clear for all physical integrated grain is that it ensures the grain is available with GrainCorp upon being offered, whilst on offer and once a trade is created, over the settlement prior, a true end to end solution. It does this by securing the title of the grain to ensure the grain remains available for you upon settlement.

For grain related to a Nominated Ticket Grain Sale Contract and Forward Contracts it is not guaranteed to exist when offered or traded. The seller is obligated to transfer the required grain post trade confirmation. Settlement will not take place until the required grain transfer is received from the seller.

## **11. What happens if grain is not received from the seller?**

If the seller has failed to have grain available for transfer within the required timeframe Clear will immediately advise the buyer. At the option of the buyer the settlement period may be extended via written notice specifying the new settlement expiry date. Alternatively the buyer can elect to have the sale contract terminated for breach by the seller in which case the seller will remain liable.

## **12. Are there any limits to protect my daily exposure?**

Clear has two methods of minimizing risk exposures; all bids have capped tonnage limits set at the time of creating bids, and all traders have daily physical grain trading tonnage or value limits which can not be exceeded. You also have the ability to instantly cancel all open bids in the market or edit them as required.

## **13. How will Canola oil and admixture adjustments be calculated?**

For Physical Transactions, canola is traded at a flat FIS price, meaning there aren't any price adjustments for oil or admixture content applied. Offers and bids for physical canola on Clear should therefore be adjusted to factor in the current stack average oil and admixture prior to being created into the Clear market.

For Forward Contracts, as the stack average is often unknown at the time of matching, Canola Offer and Bid Prices are made on the basis of 42% oil bonification and 0 % admixture. At settlement, payment for oil is based on the clean seed weight and is calculated on the delivered weight less the deduction for admixture as per AOF. The oil bonus/penalty to the base price is calculated at 1.5% of the base price for every 1% oil above or below the 42% oil content base.

## **14. If a Forward Contracts grain is delivered into a secondary site, how is the price calculated?**

In the event that a grower is unable to deliver into the primary site listed on the 'broker note', they are able to deliver into the specified secondary site listed. The price will be adjusted based on the difference in the current seasons (at settlement time) GTA Location Differentials between the primary and secondary site.

## ***Selling GrainCorp Bulk Grain using Clear***

### **1. Do I need to transfer GrainCorp Bulk Grain to sell through Clear?**

No. Clear and GrainCorp have completed an exiting new system upgrade that now allows you to create offers on Bulk Grain without it leaving your GrainCorp account or inventory position.

This enables you to instantly create an offer and/or accept a bid to trade your Bulk Grain, and you remain completely anonymous throughout the process.

### **2. How much does it cost to sell Bulk Grain through Clear?**

Selling Bulk Grain through Clear costs \$0.50/mt (made up of a \$0.40/mt Clear fee and a \$0.10/mt Custodial fee<sup>3</sup> to provide secure settlement). Clear will also collect the standard bulk handler title transfer fee on your behalf to pass on to the Bulk Handler. Clear believes this cost of selling bulk grain is in line with the cost of selling through external channels.

### **3. What happens whilst my Bulk Grain is on offer?**

Clear will periodically and automatically validate the offered grain's availability for sale at GrainCorp. If the grain is no longer available for sale the offer will be automatically cancelled. You as the seller also retain complete control of the offer with the ability to instantly edit or cancel the offer.

### **4. What happens when my Bulk Grain trades?**

Prior to being matched with a bid to trade, Clear will automatically re-validate the grain's availability at GrainCorp to ensure it is a firm offer and then proceed to automatically transfer the grain into Clear's custodial<sup>3</sup> account to secure title to the grain for the buyer upon settlement. If the grain is no longer available in GrainCorp for sale, the offer will be automatically canceled and will not trade.

Upon funds being received from the buyer into Clear's custodial<sup>3</sup> account within 5 business days, title to the grain will automatically be transferred to the buyer and the funds will be disbursed to you as the seller. This unique secure settlement mechanism eliminates counterparty risk for both the seller and buyer.

### **5. Does this mean Clear can view my inventory?**

No. Clear does not retrieve or store any Traders inventory information. Clear is only able to validate a specific site/grade/season upon you as the seller creating an offer on the exchange. Clear does not have the ability to view your inventory outside of this user driven process, ensuring all your information remains confidential.

## ***Selling Viterra/CBH/Grainflow Bulk Grain using Clear***

### **1. Can I sell Bulk Grain stored at other Bulk Handlers<sup>2</sup> through Clear?**

Yes. Bulk Grain stored at Viterra/CBH/Grainflow can be nominated to Clear by completing a buyer-to-buyer transfer into Clear. This grain will then become available in your Clear account and can be offered for sale and/or accept a bid to trade your Bulk Grain.

### **2. How much does it cost to sell Bulk Grain through Clear?**

Selling Bulk Grain through Clear costs \$0.50/mt (made up of a \$0.40/mt Clear fee and a \$0.10/mt Custodial<sup>3</sup> fee to provide secure settlement). Clear will also collect any incurred Bulk Handler storage fees on your behalf. Clear believes this cost of selling bulk grain is in line with the cost of selling through external channels.

### **3. What happens when my Bulk Grain trades?**

Once your grain trades you will receive a trade confirmation and upon funds being received from the buyer into Clear's custodial<sup>3</sup> account within 5 business days, title to the grain will automatically be transferred to the buyer and the funds will be disbursed to you as the seller. This unique secure settlement mechanism eliminates counterparty risk for both the seller and buyer.

### **4. What happens if I want to get my grain out of Clear?**

"Reversing" your grain out of Clear is simple, all you need to do is request a transfer of the specific parcel of grain through your Clear account. The grain will then become available in your bulk handler inventory shortly after. Note: If your grain has incurred storage fees whilst in your Clear account, you will receive an invoice from Clear for these fees upon requesting a transfer.

## **General Clear FAQ's**

### **1. What hours is the Clear market open for trading?**

The exchanges trading hours are between 10.00am and 6.15pm AEST each Business Day. The Clear website however remains accessible 24 hours, 7 days a week. Bids and Offers entered on Clear outside these hours will be recorded, time and date stamped (in the sequence they are received by Clear) ready for matching at the commencement of business the following Business Day.

### **2. Can I access extended payment term options to purchase grain?**

Yes, in certain circumstances. Clear may develop relationships with Designated Credit Providers (DCP's) who may provide trade-financing options to eligible Clear users. Please contact Clear for more information on how to access these options.

### **3. Does Clear ever handle trade payments?**

No. Clear has engaged Perpetual<sup>3</sup> as the independent Custodian to deal with all trade payments and disbursements. Clear at no time will hold funds due to either a Buyer or Seller.

### **4. What happens if a Buyer doesn't pay on time?**

Clear will immediately advise the Seller, at which point the Seller has 2 options:

- Extend the settlement period, at which point Clear will notify the Buyer; or
- Terminate the sale contract for breach by the Buyer, by providing written notice to Clear. Clear will then notify the Buyer and reinstate the Sellers grain so it is available to be resold on Clear.

### **4. What options does a Seller have should a dispute arise with the Buyer?**

If, for whatever reason, a Buyer does not pay for grain they have purchased on Clear they are in breach of the sale contract terms and remain liable to the Seller. Clear will inform the Seller of the Buyer's details so that the Seller can take the appropriate action against the Buyer, including debt collection, legal action and/or other mediation or dispute resolution processes as desired. GTA arbitration is an option, however GTA requires both parties to agree to participate in dispute resolutions.

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<sup>1</sup> These Frequently Asked Questions are for general guidance only and do not form part of the Clear Grain Exchange Terms and Conditions.

<sup>2</sup> Currently CBH (Western Australia), Viterra and Grainflow (South Australia) still require nomination.

<sup>3</sup> Perpetual Nominees Limited acts as an Authorised Representative of Perpetual Trustee Company Limited ("PTCL") under PTCL's Australian Financial Services Licence number 236643 (Authorised Representative number 266798).