



BREMEN COTTON EXCHANGE

RULES

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**Rules
of the
Bremer Baumwollbörse**
(Bremen Cotton Exchange)

**For the Trade in
Raw Cotton, Cotton Waste,
Linters and Waste
from Man-Made Fibres or Fibre Blends**

June 13, 2019

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Amendments to the rules as decided
by the General Assembly on June 13,
2019 are marked with a dash on the
right side of the paragraphs

Appendix I. General Trading Terms

Appendix II. Scale of Charges of the Court of Arbitration According to § 91 (1) of Part A.

Appendix III. Container Trade Rules

Appendix IV. Bremen Value Differences

A. TRADE IN RAW COTTON

I. General Rules

§ 1 Contract Clause

(1) The Rules of the Bremer Baumwollbörse as in force at the time of the conclusion of the contract shall apply to all contracts between the parties concerned which have been concluded subject to these Rules or with the clause "Bremen Arbitration" or with any similar clause, unless otherwise specifically agreed.

(2) In addition to the contracting parties themselves, other parties concerned are e.g. brokers, guarantors, agents, surety, etc.

(3) Unless otherwise provided for in these Rules, the law in force in the Federal Republic of Germany shall be exclusively applicable to all contracts concluded subject to the Rules of the Bremer Baumwollbörse, to the exclusion of the provisions relating to the "United Nations Convention on Contracts for the International Sale of Goods" (BGBl. 1989, part II, page 588 f.)

(4) The English wording shall be authoritative and final unless the Contract is concluded in German.

(5) The Board of Directors of the Bremer Baumwollbörse shall be authorised to issue binding definitions of the terms of these Rules and fees, such definitions and fees being attached to these Rules as appendices I, II and IV.

(6) The INCOTERMS apply in their latest edition.

§ 2 Periods and Dates

(1) If, on a given day or within a given period, a declaration of intention is required to be made or any act of performance to be done, and if the given day or the last day of the given period falls upon a Sunday, a day officially recognized in the place of declaration or performance as

a public holiday, or a Saturday, then the next business day takes the place of such a day.

(2) In calculating periods and dates, the date of the event as from which such period or date is calculated shall not be counted.

(3) If a lot of cotton has been re-sold once or several times, and if one party has duly and within the specified time carried out the requirements (declarations, applications, communication, etc.) such performance shall also hold good for the other parties, provided that they for their part carry out the necessary requirements without delay after they learn of the preceding performance of requirements.

§ 3 General Obligation of Inspection

(1) After discharge in the port (in the case of contracts for shipment) or after tendering (in the case of contracts for delivery), the parties or their representatives shall jointly weigh and sample each bale (handling of cotton). Any identity marks showing the origin of the cotton must not be removed from the bales.

(2) The buyer shall inspect each bale for deficiencies and, in order to protect his rights, he shall report such deficiencies without delay to the seller. For the establishment of quality claims and of deficiencies of the agreed instrumental values, the provisions of §§ 40 ff. or §§ 58 ff., and for the ascertainment of any other deficiencies, the provisions of §§ 34 ff. shall apply.

(3) If, in spite of proper examination, a deficiency was not detectable at the time of weighing and sampling, a claim must be filed immediately after detection of such deficiency, at the latest within 6 months from the last day of landing or from the day of tender. The bale in question shall otherwise be considered as approved in respect of such deficiencies.

(4) No claim shall be considered for any deficiency in bales which have already been passed to a processing machine.

§ 4 Foreign Currency

If a debt incurred in foreign currency cannot legally be paid in that currency within Germany, payment shall be effected in EURO at the rate at which the creditor can cover the foreign currency.

II. Rules Relating to Contracts

1. SHIPMENT AND DELIVERY

§ 5 Date of Shipment

A signed on board bill of lading will be evidence of the date of shipment.

§ 6 Documents

(1) The seller must provide an invoice or full and correct details of marks, ships' names and other facts contained in the bill of lading within the time set out in the contract. If the seller does not do so, the buyer can close all or part of the contract covered in the bill of lading and invoice it back to the seller as laid down in the Rules of the Bremer Baumwollbörse. The buyer must do this within 14 days (two weeks) of the deadline set out in the contract. If the seller provides the invoice or details after the deadline, and the buyer intends to close the contract or any part of it, he must let the seller know within three days.

(2) If there is no time limit set in the contract and the seller does not provide the invoice or details within 21 days (three weeks) of the date of the bill of lading, the above will apply.

(3) Shipping Instructions and Letters of Credit must be issued for the full value of the quantity of the shipment, notwithstanding the allowed variation in weight of the shipment.

(4) In the event that Letters of Credit are opened late, or shipments have not been made as stipulated in the contract, then both parties may agree to extend the shipment period. If the parties cannot agree

to extend the shipment period, then § 30 and § 31 applies.

(5) Slight differences in marks will not be relevant.

§ 7 Shut out Cotton

The contract will not be closed if the cotton, or part of it, is shut out from the named ship, as long as the bill of lading is correct and fits the definition given in Appendix I. This only applies to contracts for shipment, not to contracts for sailing or clearance.

§ 8 Container Trade Rules

If there is a dispute over a contract for the shipment of American cotton in containers from US ports it will be settled under the „Container Trade Rules“ set out in Appendix III of the Rules of the Bremer Baumwollbörse.

2. INSURANCE

§ 9 Insurance

When a buyer or seller takes out insurance on a shipment of cotton under a contract made under the Rules of the Bremer Baumwollbörse, the insurance must include:

- „Marine cargo insurance“ and „transit insurance“ in line with the Institute Cargo Clauses (A) or Institute Commodity Trades Clauses (A);
- „War Risks Insurance“ (War risk or risk of contamination by weapons with public danger or by ionizing radiation shall not, however be covered) in line with the Institute War Clauses (Cargo) or the Institute War Clauses (Commodity Trades);
- „strikes, riots and civil commotion's insurance“ in line with the Institute Strikes, Clauses (Cargo) or Institute Strikes Clauses (Commodity Trades) and Institute Radioactive Contamination, Chemical, Biological, Biochemical and Electromagnetic Weapons Exclusive Clause as per latest wording,

and cover the invoice value of the shipment plus 10%.

§ 10 **Country Damage**

Unless otherwise agreed between the parties, the seller shall be responsible for country damage, subject to the limitations detailed in §11 b and § 12 b.

§ 11 **Seller's Obligations**

The following conditions apply to contracts where the seller is responsible for providing marine cargo insurance, transit insurance and country damage insurance:

a) There must be a policy document or certificate of insurance. This document or certificate must be produced as one of the shipping documents.

b) If the cotton is country-damaged when it arrives, the buyer must separate the damaged bales and must make a claim against the seller within 7 days (one week) of weighing or devanning, whichever is later, notwithstanding that the claim must be made within 42 days (six weeks) of arrival of the cotton. The parties must try to agree on an allowance. If they cannot do so, a qualified surveyor recognised by the insurance company shall be appointed to inspect the damaged cotton.

The cost of the survey shall be for buyer's account in the first instance. If the survey confirms country damage, the seller's insurance shall be called upon to pay:

- the buyer for the market value of any country damaged cotton removed from the bales as set out in the surveyor's report, plus any reasonable charges incurred in the separation of the country damaged cotton,
- the cost of the survey.

If the loss is not covered by seller's insurance the seller must pay.

c) If a charge is made for collecting the insurance claim and the buyer

pays it, the seller must refund the buyer.

§ 12 **Buyer's Obligations**

The following conditions apply to contracts where the buyer is responsible For providing marine cargo insurance or transit insurance, and the seller responsible for providing country damage insurance:"

a) So that the buyer can arrange insurance, the seller must give the buyer the necessary details of each shipment.

b) If the cotton is country-damaged, the buyer must separate the damaged bales and must make a claim against the seller within 7 days (one week) of weighing or devanning, whichever is later notwithstanding that the claim must be made within 42 days (six weeks) of arrival of the cotton. The parties must try to agree on an allowance. If they cannot do so, a qualified surveyor recognised by the insurance company shall be appointed to inspect the damaged cotton. The cost of the survey shall be for buyer's account in the first instance. If the survey confirms country damage and that the damage is greater than 1.0% (one percent) of the total weight of the shipment, subject to a minimum claim of US-\$ 500.00, the seller's insurance shall be called upon to pay:

- the buyer for the market value of any country damaged cotton removed from the bales as set out in the surveyor's report, plus any reasonable charges incurred in the separation of the country damaged cotton,
- the cost of the survey.

If the loss is not covered by the seller's insurance the seller must pay.

c) If a charge is made for collecting the insurance claim and the buyer pays it, the seller must refund the buyer.

§ 13 **Refunding**

(1) The seller must refund the buyer any extra charge or premium which the buyer has to pay if:

- the buyer is responsible for marine insurance;
- the seller is responsible for booking the freight;
- the seller books the freight on a different ship from the one the buyer has asked for; and
- the ship is subject to an additional premium under the terms of the Institute Classification clause of the Institute of London Underwriters or another similar clause in force when the buyer learns the name of the ship.

(2) The buyer must pay the seller any extra charge or premium if:

- the seller is responsible for marine insurance;
- the buyer is responsible for booking the freight;
- the buyer books the freight on a different ship from the one the seller has asked for; and
- the ship is subject to an additional premium under the terms of the Institute Classification clause of the Institute of London Underwriters or another similar clause in force when the seller learns the name of the ship.

3. SAMPLING (OTHER THAN FOR MOISTURE)

§ 14 Sampling Procedures

(1) Sampling must take place at the point of delivery or other location as determined between buyer and seller. The buyer's and seller's nominated representatives must supervise the sampling.

(2) The buyer must notify the seller in writing of any quality claim within 28 days (4 weeks) of the arrival of the cotton at the point of delivery. The parties must provide in writing the names of their nominated representatives to supervise sampling within 14 days (2 weeks) of the notification in writing of any claim. Initially, each party will bear the costs of their nominated representative.

(3) In the event that either party fails to nominate their nominated representative within the 14 day (2 week) deadline and reply to the claim of the other, the other party may proceed with sampling by the expert of the Bremer Baumwollbörse.

(4) Samples to be used in any manual or instrument test based quality arbitrations, should be drawn within 28 days (four weeks) of the date of notification in writing of any claim.

(5) § 42 und § 60 stipulate the timetables and procedures governing manual quality and instrument test based arbitrations.

(6) The cost of drawing, supervision of drawing and dispatch of samples may be recoverable. In normal circumstances the costs may follow the event. Any dispute will be settled by arbitration under the Rules of the Bremer Baumwollbörse.

§ 15 Samples

(1) A sample from a bale of cotton should weigh about 150 grams. Unless otherwise agreed by the parties, samples drawn should be sealed by the buyer's and/or seller's nominated representatives.

(2) For manual classification claims, instrument testing claims and/or arbitrations, cotton must be sampled 10% unless otherwise agreed. Sampling will be on the basis of 10% random representative samples from each lot, mark, truck or container defined on the seller's commercial invoice or packing list.

(3) Samples may be drawn from part lots and/or shipments, however, a claim may only be made on the number of bales available at the time of sampling.

(4) The following will apply when sampling bales to test for internal moisture:

- Samples of at least 150 grams must be taken from each bale to be sampled in accordance with timelines and procedures stipulated in § 14.

- Representative samples must be taken from 5 % of the bales in each lot, mark, truck or container defined on the seller's commercial invoice or packing list (at least three bales) These bales must be selected at random.
- Samples must be taken from at least two different parts of each bale from a depth of about 40 centimetres inside the bale. The samples must be placed at once in dry, hermetically-sealed containers and labelled to show the identity of the bale the samples have come from.

§ 16 Seller's Permission

The buyer must not sample the bales before weighing without the seller's permission.

§ 17 Set of Samples

If the seller takes a set of samples after the issuance of the invoice, he must pay for them at the contract price of the cotton. If the buyer takes a set of samples before the issuance of the invoice, he must pay for them at the contract price of the cotton.

4. TARE

§ 18 Tare

- (1) Unless the seller declares and guarantees otherwise, all cotton must be sold on actual tare.
- (2) The buyer can insist that the actual tare be established at the time of delivery. The actual tare must be measured within 28 days (four weeks) of the date of arrival of the cotton and must be carried out by the buyer under the supervision of the seller's representatives. This will then be the measurement of tare applied to the weight adjustment.
- (3) If the buyer insists that the tare be measured and it proves to be not more than the allowance given in the contract or invoice, the buyer will

have to pay the costs of taring. Otherwise, the seller must pay these costs.

§ 19 Calculation of Tare

- (1) To calculate actual tare, a minimum of 5% of the bales, subject to a minimum of 5 bales of each type of tare composed in any one lot or mark must be checked.
- (2) Actual tare is established by ascertaining the average weight of the wrapping, bands, ropes or wires from each type of the different tares comprising the lot or mark and multiplying the average weight of each type of tare by the total number of bales in the shipment.
- (3) Repaired bales must be tared separately.

5. WEIGHT

§ 20 Gross Weight

All cotton must be weighed „gross weight“ on a bale by bale basis unless otherwise agreed. The tare is to be deducted from the gross weight.

§ 21 Weights

- (1) Gross Shipping Weights – must be established by an independent weighing organisation or other organisation as determined in writing between the buyer and seller within 28 days (four weeks), or any other time period as agreed between buyer and seller, before shipment.
- (2) Gross Landing Weights – All cotton must be weighed by the buyer, for buyer's account, under the supervision of the seller's representatives (for seller's cost) at the agreed point of delivery or other location as determined by the buyer and seller, in any event within 28 days (four weeks) of the date of arrival of the cotton. If the cotton has already been sampled, a weight allowance must be made for the samples taken.
- (3) Weighbridge Weights – If on agreement between seller and buyer, |

truck weigh bridge weighing is acceptable, the buyer must provide the seller's nominated representative a copy of the weighbridge calibration certificate unless it is agreed between the buyer and the seller the certificate is not required. The certificate must have been issued within the previous 12 months (fifty-two weeks) by an accredited authority. Weighting to be performed at the agreed point of delivery or other location as determined by the buyer and seller, in any event within 28 days (four weeks) of the date of arrival of the cotton. If the cotton has already been sampled, a weight allowance must be made for the samples taken.

(4) Both the buyer and the seller can appoint representatives at their own cost to supervise any weighing. The party arranging the weighing must advise the other party where and when it will take place, allowing a reasonable time to enable the representative to attend.

§ 22 **25 % Rule**

(1) The weight of bales which are condemned, short-landed or burst will be calculated according to the average gross weight of the landed bales, as long as at least 25% of the lot has been landed in good condition. If less than 25% is in good condition, the weight of these bales will be calculated according to the average invoice weight.

(2) Where a contract specifies specific bale numbers and the bales are wrongly marked or not marked then the weights of these bales may be shown separately. Should the quality of the cotton delivered be below that specified in the contract then the buyer may claim in accordance with the quality arbitration rules.

(3) If the buyer does not weigh the total shipment within 28 days (four weeks) of the date of the arrival of the cotton, the unweighed bales will be calculated according to the average gross weight of the weighed bales, as long as at least 90% of the lot has been weighed. If less than 90% of the lot has been weighed, the weight of the unweighed bales will be calculated according to the average invoice weight.

(4) If the shipment is by container, the 25% referred to in part (1) of this paragraph will apply to the number of bales delivered separately under each Bill of Lading

§ 23 **Variation of Weight**

(1) When contracts are made for shipments or deliveries of specified quantities during various shipment/delivery periods, each shipment or delivery should fall within the allowed variation. Each month's shipment or delivery shall form one weight settlement, even if shipped or arriving by more than one conveyance.

Proof of any variation in weight, must be sent to the other party within 49 days (seven weeks) of the date of arrival of the cotton. Compensation for variation in weight will normally be based on the invoice price. But, if the variation is more than the amount allowed for in the contract, the buyer may then demand compensation for the market difference over that amount of variation, based on the market value of the cotton on the date of arrival of the cotton. If the contract does not specify an allowable variation, the variation allowed will be 3%.

(2) Unless the buyer and seller agree otherwise, a kilogram will equal 2.2046 pound weight (lb).

6. INVOICING AND PAYMENT

§ 24 **Cash Payment**

When the shipment arrives, the payment must be made on arrival or within 49 days (seven weeks) of the date on the bill of lading or shipping documents, whichever is earlier.

Upon first presentation of the contracted shipping documents, the payment must be made within three working days unless otherwise agreed by the parties.

§ 25 **Payment of Claims**

Claims that are made in accordance with the terms of the contract must be paid within 21 days (three weeks) of the claim date. Interest shall be payable as from the due date at a rate to be fixed by the Committee for Fixing the Value Differences. The rate of interest shall be 3% higher for delayed payments.

§ 26 **Claims for Clerical Errors**

Claims for clerical errors in invoices will be accepted if there is evidence to support.

§ 27 **Value Added Tax**

The price of cotton set out in the contract will not include any Value Added Tax due, unless the contract says that it does.

7. SALES „ON CALL“

§ 28 **Sales „on call“**

(1) For sales on call based on any Intercontinental Exchange ('ICE') Cotton futures contract:

1. On a Buyer's Call Contract, the Seller should communicate any filled fixation level and the resultant price to the Buyer as soon as possible after the fill. On a Seller's Call Contract, the roles are reversed.
2. The fixation level and final price stated in the fixation confirmation for that fixed portion of cotton shall be binding upon both parties.
3. Price fixations may be achieved by either trading futures, or via calendar spread trades, option strategies or synthetically through options.

(2) On Buyer's call:

1. For sales on call based on any Intercontinental Exchange ('ICE') Cotton futures contract:

- a) The final price of cotton sold on call will be fixed based on the ICE Cotton futures contract month specified in the sales contract.
- b) The Buyer must communicate to the Seller executable fixation instructions in writing, either directly or through their appointed agent.

Unless agreed otherwise by the parties:

- c) Cotton shall be fixed no later than 12:00 pm (midday) Eastern Time 3 business days before first notice day for the ICE Cotton futures contract specified in the sales contract.
- d) If for whatever reason, the Buyer fails to fix cotton prior to the fixation deadline, the right and discretion to fix the contract price will pass immediately from the Buyer to the Seller and the final price shall be based on the trade the Seller attains by trading around Trade at Settlement (TAS) at the end of that session for the futures contract stated in the contract and that fixation shall be binding upon both parties.

2. For a contract fixation deadline not linked to First Notice Day:

If for whatever reason the Buyer fails to fix cotton prior to the fixation deadline established in the contract, the right and discretion to fix the contract price will pass immediately from the Buyer to the Seller and that fixation shall be binding upon both parties.

3. For sales on call with reference to products other than an 'ICE' Cotton futures contract:

- a) The final price of cotton sold on call will be fixed based on the quotation of the product specified in the sales contract.
- b) The Buyer must communicate to the Seller executable fixation instructions in writing, either directly or through their appointed agent. The Seller should communicate any filled fixation level

and the resultant price to the Buyer as soon as possible after the fill.

Unless agreed otherwise by the parties:

c) Cotton must be fixed prior to the expiration of the product specified.

d) If cotton has not been fixed prior to the expiration of the product specified then the fixation shall be based on the last published quotation of the product specified, or if no expiration date, then on the date of shipment/delivery.

(3) On Seller's call, the roles of the Buyer and Seller are reversed.

§ 29 Lot of the Futures Contract

Cotton sold „on call“ must be „called“ in one lot or in lots of not less than the smallest lot of the future contracts on which the deal is based.

8. CLOSING CONTRACTS

§ 30 Closing Contracts

(1) If for any reason a contract or part of a contract has not been, or will not be, performed (whether due to a breach of the contract by either party or due to any other reason whatsoever) it will not be cancelled.

(2) The contract shall in all instances be closed by being invoiced back to the seller in accordance with the rules of the Bremer Baumwoll-börse in force at the date of the contract.

(3) Claims for consequential damages will not be allowed.

(4) The arbitrators will set the invoicing back weight if:

1. the seller has not provided an invoice; or
2. no actual weights are available; or
3. the parties cannot agree the weight.

For the purpose of determining the invoicing back weight, when part of the contract has already been fulfilled, weight tolerances will not apply to the balance.

§ 31 Date and Price of Closure

(1) Where a contract or part of a contract is to be closed by being invoiced back to the seller, then the following provisions will apply:

1. If the parties cannot agree upon the price at which the contract is to be invoiced back to the seller, then that price will be determined by arbitration, and if necessary, appeal.

2. The date of closure is the date when both parties knew, or should have known, that the contract would not be performed. In determining that date the arbitrators will take into account:

- a) the terms of the contract;
- b) the conduct of the parties;
- c) any written notice of closure; and
- d) any other matter which the arbitrators or appeal committee consider to be relevant.

3. In determining the invoicing back price, the Arbitrators shall have regard to the following:

- a) the date of closure of the contract as determined in No. 2;
- b) the terms of the contract;
- c) the available market price of the cotton which is the subject of the contract or such like quality on the date of closure.

4. The settlement payable on an invoicing back will be limited to the difference (if any) between the contract price and the available market price at the date of closure.

5. Any settlement due and payable on an invoicing back of a contract closed in accordance with §§ 30 and 31 will be calculated and shall be paid regardless of whether the party receiving or making the payment is considered to be responsible for non-performance and/or breach of the contract.

(2) Any other losses or claims expressly agreed between the parties as recoverable will not be included in an invoicing back price. Such

losses or claims should be settled by amicable settlement, or claimed at arbitration.

9. QUALITY OF THE COTTON DELIVERED

§ 32 Quality

Unless „average“ has been stated in the contract, the cotton must be equal to or better than contracted quality.

§ 33 Characteristics

(1) The buyer and seller should say in the contract what the grade, length, micronaire, strength and other fibre characteristics of the delivered cotton must be. The contract may also lay down what allowances, differences, limits, acceptable variations in the fibre characteristics, control limits and so on apply, and, where applicable, what type of instruments must be used to establish the characteristics in the event of a dispute (Please read Appendix IV).

(2) The buyer and seller should say in the contract whether the arbitration will be based on the results of manual classification or instrument testing. If the parties fail to include such a clause in their contract, or fail to agree on the method of classification and arbitration, § 40 will apply.

(3) If the buyer and seller disagree about a claim, the dispute will be settled by arbitration under the Rules of the Bremer Baumwollbörse.

10. CLAIMS FOR FALSE PACKED, MIXED BALES AND SO ON

§ 34 Mixed Packed Bales

(1) The buyer must claim for false packed, mixed packed or plated bales within 6 months (26 weeks) of the date of arrival of the cotton.

(2) If the buyer believes that the cotton or cotton waste is false packed, mixed packed or in plated bales, every bale that is subject to the claim

must be inspected by the nominated representatives of the sellers and the buyers.

(3) The bales must be set aside for inspection for 28 days (four weeks) after the claim is made and the inspection must be done by the nominated representatives of the sellers and the buyers.

(4) If the seller tells the buyer within 14 days (two weeks) of the claim being proved that he intends to take back this cotton, he has the right to do so. If the buyer has already paid for the cotton, the seller must buy it back at the market value of good cotton on the date the claim is proved by the nominated representatives and repay the buyer his substantiated expenses.

(5) If the seller does not take back the cotton, the claim must be settled based on the market value of good cotton on the date the claim is proved to the seller. The seller must also repay the buyer his substantiated expenses

§ 35 Foreign Matter

(1) The buyer must claim for foreign matter in the cotton within 6 months (twenty-six weeks) of the date of arrival of the cotton.

(2) The bales to be claimed must be set aside for inspection for 28 days (four weeks) after the claim is made and the inspection must be done by the nominated representatives of the sellers and the buyers.

(3) The buyer will be able to claim reasonable substantiated expenses from the seller for removal of the foreign matter.

§ 36 Country Damage

(1) The buyer must give notice of any claim for country damage as detailed

in §§ 11 or 12

(2) The survey shall be completed by the nominated representatives of the sellers and the buyers within 14 days (two weeks) of the notice of

claim, or within 56 days (eight weeks), of the date of arrival of the cotton, whichever is earlier.

11. INTERNAL MOISTURE

§ 37 Internal Moisture

(1) The buyer must

- give notice of any claim for internal moisture within 42 days (six weeks)
- sent samples immediately to a testing laboratory mutually acceptable to both parties.
- produce a report from the mutually agreed laboratory and final claim within 63 days (9 weeks),
of the date of arrival of the cotton.

(2) The allowance given to the buyer will be based on the laboratory's report. The allowance will be the difference between:

- the weight of the absolutely dry fibre in the lot plus the percentage of moisture regain set out in the contract; and
- the total weight of the lot.

This allowance will also be based on the invoice price.

(3) The party claiming and asking for the moisture test will have to pay the cost of sampling and all related charges. If the claim is proved, sampling, courier and laboratory charges will be reimbursed by the other party.

§ 38 Dispute Proceedings

(1) In the event that the parties are unable to mutually agree a laboratory or fail to appoint a nominated representative to verify any claim within 14 days of the notification of claim under § 34 - § 37 the following conditions will apply.

- At the request of either party, the Bremer Baumwollbörse will nominate its experts to proceed to inspection and/or sampling within 28 days (four weeks).
- At the request of either party, the Bremer Baumwollbörse will nominate the ICA Bremen laboratory to issue a report for the testing of the drawn samples.

(2) The final claim to be presented within 63 days (nine weeks).

§ 39 Dispute Settlement

If the buyer and seller disagree about a claim under § 34 - § 37, the dispute will be settled by arbitration under the Rules of the Bremer Baumwollbörse.

III. Claims and Arbitrations for Quality

1. GENERAL RULES

§ 40 Claims for Quality Deficiencies

(1) Quality arbitrations will be conducted on the basis of samples and decided by manual examination for grade and staple, unless both parties agree in writing to accept instrument testing.

(2) Instrument testing arbitrations will be conducted on the basis of test reports. The information on the test reports will be final, provided the parties have followed the regulations established under § 61 and § 62.

(3) Unless agreed otherwise, any party must notify the other of any quality claim in writing in accordance with § 14 (2) prior to the commencement of arbitration.

(4) If the cotton delivered differs from the contracted quality as to grade, length, micronaire, strength and other fiber characteristics, only a claim for allowance at the market value shall be admissible, unless there is an option for closing the contract (see § 30 ff).

(5) Allowances for differences in quality shall, upon application, be decided by the quality arbitration of the Bremer Baumwollbörse; such decision shall be final and binding upon the parties.

§ 41 Additional Allowances

Without prejudicing the buyer's right to close the contract in the case of contracts for delivery, the seller shall pay an additional allowance on the basis of the average invoice value for each deficient bale according to the following provisions

- a) for each bale deficient in quality by more than 10%
of the contract price 3%
- b) in the case of sales on description - for cotton
from USA, Mexico and Central America also in the case
of sales on type - for each bale deficient by one grade
and a half or more 3%
- c) in the case of cotton sold as middling or lower with
the guarantee standard colour, for each bale falling off
more than two steps in colour..... 3%
- d) in the case of cotton sold higher than middling with
the guarantee standard colour, for each bale falling off
more than half a step in colour 3%
- e) in the case of sales of coloured cotton up to and
including spotted, for each bale falling off to tinged,
stained or more colour 3%
- f) for each bale falling off in staple length by 1/16" 2%
- g) for each bale falling off in staple length
by more than 1/16" 3%

2. QUALITY ARBITRATION PROCEDURE IN THE FIRST INSTANCE

§ 42 Application for Arbitration

(1) The application for quality arbitration shall be submitted to the Bremer Baumwollbörse within a period of 42 days (6 weeks) of the date of notification in writing of any claim according to § 14 (2). The application shall be effective only if a copy thereof is dispatched simultaneously to the opposing party

(2) The application for arbitration shall cover the entire lot.

(3) In his application for arbitration and in his notice to the opposing party, the application shall state:

1. the name of the applicant;
2. the exact quality guarantee and the date of the contract;
3. the number of bales, their marks, the bale numbers and the name of the ship, if any;
4. either the date of arrival at the point of delivery or the date of tender;
5. the name of the opposing party to whom the duplicate of the certificate is to be sent;
6. the name of the firm furnishing the samples;
7. the name of the firm to whom the samples shall be sent after expiry of the time for appeal;
8. the type of arbitration applied for (ordinary arbitration, arbitration stating the numbers of the bales found deficient with or without mentioning the value of the allowances, urgent arbitration, classification according to § 57.

(4) Samples must be sent to the place of arbitration within 56 days (8 weeks) of the date of the notification in writing of any claim.

§ 43 Suspension of Application

(1) An application for arbitration may, with the consent of the opposing party, be suspended only once for a period of up to 21 days (3 weeks) from the date of the application.

(2) The suspension of the application shall be void if one of the parties objects.

(3) Such suspension shall not prejudice the period prescribed for the submission of the arbitration samples to the sample room of the Bremer Baumwollbörse.

§ 44 Arbitration Samples

(1) The arbitration shall be carried out on the basis of the arbitration samples drawn in accordance with § 14 (2).

(2) If only a percentage sampling has taken place, the arbitration award shall be effective proportionately for the entire lot.

(3) The arbitration samples, properly sealed, shall be sent to the Bremer Baumwollbörse within the period fixed for the application for arbitration (see § 42).

The Bremer Baumwollbörse may, if practicable, order fresh arbitration samples to be drawn. Each party shall bear one half of the fees arising therefrom. In so far as unsealed arbitration samples and/or types are submitted to the Bremer Baumwollbörse, this fact shall be mentioned in the certificate.

§ 45 Arbitration Procedure: Market Value, Value Differences

(1) The cotton delivered shall be arbitrated against the contracted quality on the basis of the market value.

(2) Where non-USA cotton is sold on the basis of Universal Standards for American cotton then Bremer Baumwollbörse USA Value Differences shall apply for grade and staple. This shall not apply for growths that are already described in the Value Differences Circular in terms

of Universal Standards.(3) The arbitration on staple length shall be decided on the basis of the type, unless a specific staple length has been guaranteed.

(3) The arbitration on staple length shall be decided on the basis of the type, unless a specific staple length has been guaranteed.

(4) Differences in market value of the various growths shall be fixed by the Committees for Fixing the Value Differences, attached to these Rules as Appendix IV and published in the fortnightly Bremen Cotton Report of the Bremer Baumwollbörse.

(5) In so far as no differences in market values have been fixed by the Committee for Fixing the Value Differences, the competent Committee shall fix such differences in market values in each individual case.

(6) In the case of contracts for delivery, the value difference shall be that of the day of tender; in the case of contracts for shipment, the value difference shall be that of the date of arrival of the cotton.

§ 46 Arbitration Procedure: Purchases on Type and on Description

(1) The arbitration shall be carried through by comparing the arbitration samples with the purchase type, unless the purchase has been made on description and corresponding standards adopted by the Bremer Baumwollbörse are available.

The parties may agree that standards not being adopted, in so far as such standards are deposited with the Bremer Baumwollbörse, be used as a basis for the arbitration; in such case, the standards shall serve as types.

(2) In so far as official Bremen standards or internationally adopted standards are available for the various growths of cotton, such standards shall be used as a basis for determining the value differences in arbitrations, both in the case of purchases on description as well as in the case of purchases on type.

(3) In the case of purchases on description, the average quality of the

standard, and in the case of purchases on type, the average quality of the type shall be the basis for the arbitration.

§ 47 deleted

§ 48 **Compensation**

(1) Compensation shall not be allowed between within grade, colour, staple and character.

(2) Only bales inferior in grade by up to half a grade may be compensated, within a limit of up to 25% of the lot, by bales which are correspondingly better in grade. This shall not apply to contracts with a rejection/replacement clause.

§ 49 **Replacement Clause (if agreed)**

(1) If the contract stipulates that the cotton must not be inferior to the quality agreed upon or must not deviate in character, the seller shall, at the buyer's demand replace any inferior or deviating bales with bales corresponding to the quality agreed upon (replacement clause).

(2) Such replacement is to be made within a period of 42 days (6 weeks). Where replacement is not effected within these 42 days (6 weeks), the buyer shall have the right to close the contract as per §§ 30 ff. in respect of the undelivered bales or those not delivered in accordance with the terms of the contract.

(3) If the parties cannot agree upon the bales to be replaced, either the entire lot or, at the seller's option, only the bales objected to shall be arbitrated in accordance with §§ 42 ff.

(4) Where the amount of the award on the bales falling off is also to be determined, this shall be specifically applied for.

(5) Each party shall bear its own expenses arising in connection with the selection and handling of the cotton.

(6) The fees of the first arbitration instance shall be borne by the seller

of the bales found deficient and, where the whole lot has been arbitrated, he shall also bear the costs for the bales which the buyer has already accepted. All other costs shall be borne by the buyer.

The terms of § 56 (2) shall apply as regards fees for the appeal.

(7) The value date for the bales accepted by the buyer and for the bales deemed acceptable in the arbitration shall be the day of tender. The value date shall, however, always apply to a truck load of 10,000 kg. Where, with the consent of both parties, more or less than 10,000 kg is to be loaded, the value date shall apply to the loaded portion. Where replacement of bales has taken place, the value date shall be the first day of tender for those truck loads for which the replacement procedure has been carried through within 14 days (2 weeks) after the first day of tender; if the replacement procedure ends only after such period of 14 days (2 weeks), the value date shall be the fourteenth day preceding the end of the procedure.

§ 50 **Classers, Anonymity, Certificate**

(1) In the first instance of the Arbitration Board, quality arbitration shall be carried out by the sworn classers of the Bremer Baumwollbörse.

(2) The names of the parties and the marks of the lots shall not be disclosed to the classers.

(3) For each quality arbitration, the Bremer Baumwollbörse shall issue each party with a copy of the certificate bearing the award.

(4) In the case of cotton from USA, Mexico and Central America, the deviation in grade, colour, staple, and character must be stated separately in the certificate.

§ 51 **Supplementary Arbitration: Simultaneous Procedure**

(1) The opposing party may apply to the Bremer Baumwollbörse for a supplementary arbitration to be held against its supplier if it has bought the cotton with the same quality terms and if the same day is

applicable for the determination of the value differences.

(2) The application for supplementary arbitration shall be made immediately after the application for the first arbitration has become known. The supplier of the cotton must be notified simultaneously.

(3) The supplementary arbitration and the first arbitration shall be carried through simultaneously.

(4) The Bremer Baumwollbörse shall issue a certificate for each arbitration showing the same award and the same distribution of the fees.

(5) The Bremer Baumwollbörse shall consider both arbitrations as one arbitration in relation to the fees.

(6) Where the application for supplementary arbitration is made only after the first arbitration has been carried out, such supplementary arbitration shall be considered as a separate arbitration in respect of the fees.

3. PROCEDURE ON APPEAL

§ 52 Periods, Withdrawal

(1) Both parties may lodge an appeal with the Bremer Baumwollbörse against the award of the Arbitration Board within 14 days (2 weeks) after the date of the certificate. The opposing party shall be notified simultaneously.

(2) The application for appeal shall include the names of the buyer and the seller as well as all other parties concerned.

(3) The application for appeal may be withdrawn by giving written notice of withdrawal to the Bremer Baumwollbörse and to the opposing party, provided that the latter agrees to the withdrawal. Consent to withdrawal shall be deemed given unless the opposing party lodges written protest with the Bremer Baumwollbörse within 14 days (2 weeks) after the receipt of such notice of withdrawal.

§ 53 Appeal, Judges

(1) The Managing Director of the Bremer Baumwollbörse shall immediately inform the Committee for the Nomination of Appeal Judges and Arbitrators of the application for appeal. The Committee shall appoint three appeal judges out of the list compiled by the Board of Directors in accordance with § 23 (2) of the By-Laws of the Bremer Baumwollbörse.

(2) The appeal judges shall decide by majority vote. The appeal judges shall be joined by one of the classers of the Arbitration Board as advisory member upon order of the Bremer Baumwollbörse.

(3) If one or more appeal judges are of the opinion that the first decision of the Arbitration Board should be considerably amended, then the Bremer Baumwollbörse, upon application, shall enlarge the Appeal Board by two additional appeal judges.

(4) The award of the classers and the samples shall be submitted to the appeal judges, without, however, disclosing the names of the parties or the marks of the lots. Furthermore, the appeal judges shall not be informed whether the seller or the buyer has lodged the appeal.

§ 54 Appeal Certificate

(1) The Bremer Baumwollbörse shall forward to each party a copy of the appeal certificate.

(2) The decision of the Appeal Board shall be incontestable.

4. FEES

§ 55 Amount of Fees and Payment in Advance

(1) The amount of fees shall be fixed according to the Scale of Charges of the Bremer Baumwollbörse.

(2) The fees and other charges shall appear on the certificate.

(3) The fees and charges shall be collected from the applicant by the

Bremer Baumwollbörse.

(4) The Bremer Baumwollbörse shall be entitled to demand from the applicant a payment in advance of fees and charges likely to accrue within a fixed time. Should the applicant fail to comply with the demand for such payment in advance within the time-limit stipulated, the applications for arbitration (see § 42) or for appeal (see § 52) shall be considered as withdrawn, the Bremer Baumwollbörse shall notify the opposing party accordingly. In this case, the opposing party shall have the right to lodge the appeal within 14 days (2 weeks) after receipt of such notification.

§ 56 **Distribution of Fees**

(1) The fees and charges of the Arbitration Board shall be borne by the applicant for the entire lot if the award does not exceed double the amount of the fees for the arbitrated lot.

In all other cases, the opposing party shall bear all fees and charges for the arbitration.

(2) The fees and charges of the Appeal Board shall be borne by the party who lodged the appeal if the award of the Arbitration Board is confirmed.

If the decision of the Arbitration Board is amended by the Appeal Board, each party shall pay one half of the appeal fees and charges; the distribution of fees and charges of the Arbitration Board shall, however, be governed by the result of the appeal award.

(3) Where, as a result of incorrect details in the application, a re-classification or a new arbitration should become necessary, the fees and charges for the invalid classification or arbitration shall be borne by the party at fault.

5. CLASSIFICATION

§ 57 **Applicable Regulations**

(1) Where classification alone (determination of the quality of the cotton) is to be made, this must be specifically noted in the application.

(2) The application may be rejected by the Bremer Baumwollbörse if the classification should prove impracticable.

(3) The provisions relating to quality arbitrations shall apply accordingly.

IV. Instrumental Testing Procedures

§ 58 **Testing Instruments**

The criteria for certification of acceptable testing instruments must be in compliance with the Universal Calibration Standards (e. g. HVI-CCS and USDA Color Calibration Tiles) and appropriate parameters (e. g. UHML und UI).

§ 59 **Allowance by Deviation**

(1) Where the cotton delivered deviates from the instrumental values agreed upon, an allowance may only be claimed for the difference in market value of the deviation.

(2) No control limits will be applied, unless the parties agree otherwise.

(3) The differences in market value of the various growths shall be fixed by the Committee for Fixing the Value Differences and together with the control limits attached to these Rules as appendix IV and published in the Bremen Cotton Report of the Bremer Baumwollbörse.

(4) In so far as no differences in market values have been fixed by the Committee for Fixing the Value Differences, the competent Committee shall fix such differences in market values in each individual case.

(5) In the event the parties cannot reach agreement on the allowances to be applied, or the interpretation of the test results, § 40 (4) is applicable.

§ 60 Application for Testing

(1) The application for testing shall be submitted to a laboratory according to § 61 (3) within a period of 42 days (6 weeks) of the date of notification in writing of any claim according to § 14 (2). Such application shall only be valid if a copy of it is submitted simultaneously to the opposing party.

(2) In the application and in the notification to the opposing party, the applicant shall state:

1. the name of the applicant;
2. the exact quality guarantee including the date of the contract;
3. the number of bales, their marks, the bale numbers, and the name of the ship, if any;
4. the date of arrival at the point of delivery or the date of tender;
5. the opposing party to whom the duplicate of the test report is to be sent;
6. the name of the firm furnishing the samples;
7. the name of the firm to whom the samples shall be delivered after expiry of the time-limit for a second test.

(3) Samples must be sent to the place of testing within 56 days (8 weeks) of the date of the notification in writing of any claim.

§ 61 Testing Procedure

(1) High Volume Instrument testing or classification shall be carried out in accordance with the approved practices and procedures listed in the latest version of the Universal Cotton Standards Agreement between the United States Department of Agriculture and the international signatories.

(2) If sealed samples have already been taken for manual arbitration in accordance with § 14 (2) and § 15, the same samples can be used for the tests, provided they have been resealed.

(3) The first test may only be undertaken in the ICA Bremen Laboratory or any other ICA Bremen Certified Laboratory agreed by both parties. If the parties cannot agree, the first test will be done in the ICA Bremen Laboratory. A list of the certified laboratories may be obtained from the BBB.

(4) The laboratory which does the first test will issue a test report signed and/or stamped by its authorised personnel. The test report will show the results of the test.

(5) The samples will be resealed by the laboratory and retained for up to 35 days (five weeks) in case a second test is called for.

(6) The information on the test report will be final, if no request for a second test is lodged.

(7) The terms of § 51 shall apply to a supplementary test.

§ 62 Request for a Second Test

(1) Either party can request a second test within 21 days (3 weeks) of the first results being dispatched.

(2) A second test may only be undertaken in the ICA Bremen Laboratory. If the first test was also undertaken in the ICA Bremen Laboratory, a different operator will be used for the second test.

(3) Any request for a second test must apply to the total number of bales in the first test. The test will be made on samples of cotton drawn from the original resealed samples.

(4) Test reports will be issued and signed and/or stamped by the laboratory's authorised personnel. The test report will show the results of the test.

(5) The provisions of § 61 shall apply to the second test procedure.

§ 63 Fees for Testing

(1) The amount of fees shall be fixed according to the Scale of Charges of the Bremer Baumwollbörse.

(2) Whichever party asks for the tests must pay the laboratory the whole cost:

a) If the buyer pays, the seller must repay the cost of testing every bale which does not come within the instrumental values set out in the contract or, where agreed, within the usual control limit specified in Appendix IV attached to these Rules.

b) If the seller pays, the buyer must repay the cost of testing every bale which comes within the instrumental values set out in the contract or, where agreed, within the usual control limit specified in Appendix IV attached to these Rules.

(3) The party applying for a second test shall pay for the resealed samples to be dispatched to the ICA Bremen Laboratory.

V. Claims on Account of Other Deficiencies and the Procedure to be Followed

§§ 64 – 70 deleted

VI. Procedure in the Court of Arbitration

1. JURISDICTION

§ 71 General Jurisdiction, Seat, Applicable Law

(1) All legal disputes over technical matters shall be decided by the Court of Arbitration of the Bremer Baumwollbörse to the exclusion of the ordinary courts of law, save where both parties agree in writing to a decision by the ordinary courts of law.

(2) The same shall apply to disputes arising as to the validity of the main contract and the arbitration agreement, as well as to the jurisdic-

tion of the Court of Arbitration. Actions arising out of cheques or bills of exchange may be raised before the ordinary courts of law in summary proceedings based on documentary evidence.

(3) The seat of the Court of Arbitration is Bremen. The Court of Arbitration shall maintain an office with the Bremer Baumwollbörse, which shall carry out the ordinary business.

(4) In so far as the parties have agreed to settlement of the dispute in an ordinary court of law, or in so far as, for some other reason, the cooperation or decision of the ordinary courts of law becomes necessary, the Court of Bremen shall be deemed exclusively and irrevocably competent.

§ 72 Decision by the Ordinary Courts of Law

(1) Where in exceptional cases the taking of evidence proves particularly difficult or where the evidence proves inappropriate to be taken in arbitration proceedings, either party may make a motion to have the dispute settled by the Courts of the Civil Division of the Regional Court of Bremen.

(2) The motion for such a decision by an ordinary court of law shall be made and substantiated by the plaintiff in his statement of claim or by the defendant in his defence.

(3) Such an application may be made by the Court of Arbitration at each stage of the proceedings. This shall also apply where an application made by the parties has been previously rejected, but where, in the opinion of the Court of Arbitration, important new facts have emerged.

(4) The Presidency of the Bremer Baumwollbörse shall decide on such an application; its ruling shall be final.

2. THE ARBITRATORS

§ 73 Eligibility, Position

(1) In disputes between Members of the Bremer Baumwollbörse only

owners, partners, legal representatives or authorised signatories (Prokuristen) of firms, who are Ordinary or Associate Members of the Bremer Baumwollbörse as well as Personal Members of the Bremer Baumwollbörse, may be appointed as arbitrators.

(2) In disputes between a Member and a non-member or amongst non-members, representatives with equivalent expertise (see part 1 of this paragraph, supra) of firms, which although non-members, are active in the cotton business and registered with a Register of Companies within the Federal Republic of Germany, may be appointed arbitrators.

(3) The arbitrators are not party representatives; they shall exercise their office impartially to their best knowledge and belief.

(4) There shall be no direct communication between the individual arbitrators and the parties. All applications and motions shall be addressed directly to the Office of the Court of Arbitration.

§ 74 Appointment, Notification

(1) Each party shall appoint an arbitrator in accordance with § 81 for the first instance of the Court of Arbitration.

(2) Where arbitrators are unable to agree upon the arbitration award, they shall appoint a third arbitrator as umpire. Where they cannot agree upon the umpire, each arbitrator shall propose as umpire. A decision between the two proposed umpires shall be made by drawing lots. The lots shall be drawn by the Legal Adviser to the Bremer Baumwollbörse.

(3) The Committee for the Nomination of Appeal Judges and Arbitrators shall appoint a presiding judge of the Regional or Higher Regional Court of Bremen and two additional arbitrators for the appeal instance. Where an application is lodged according to § 83 (4), nomination of the additional arbitrators for the appeal shall be made by the Chamber of Commerce in Bremen. They must be qualified according to § 73 (1) or (2).

(4) An arbitrator may resign only for an important reason.

(5) Where an arbitrator dies or retires for some other reason or refuses acceptance of the office of arbitrator or resigns from the contract concluded with him or unduly delays the fulfilment of his duties, the body in charge of the nomination shall appoint a new arbitrator within 14 days (2 weeks) after being informed of any of the foregoing.

(6) The Office of the Court of Arbitration shall, as far as necessary, notify the parties and the arbitrators about the appointment of the arbitrators and shall deliver up the documents to the Court of Arbitration.

3. GENERAL RULES OF PROCEDURE

§ 75 Principles of Procedure

(1) Procedure shall be regulated within the discretion of the Court of Arbitration; the parties shall, however, be given adequate opportunity to state their case.

(2) The proceedings shall be in writing. The Court of Arbitration may order an oral hearing. It must do so, where a party requests such hearing.

(3) The Court of Arbitration may, at its discretion, take and assess evidence, demand further explanations from the parties as to the subject matter and issue mandatory orders to the parties.

(4) Violation of a procedural rule shall not be plead where the party, in so far as is admissible, has failed to insist on the observance of such a rule. This shall particularly apply where the party, although aware of the violation, has joined or continued proceedings without protest.

§ 76 Default

Where a party fails to make a written statement within the time set by the Court of Arbitration or by these Rules, or where the said party or his authorised representative does not appear for the oral hearing,

despite having been properly summoned in writing and having been given a period of 14 days (2 weeks) between service of the summons and the date of hearing, the Court of Arbitration may assume that the said party will make no further pleas and will not or does no longer dispute the statements of the opposing party. The Court of Arbitration may in such cases decide on the basis of the documents on file.

§ 77 Third Party Notice

(1) Where a party, against whom a claim brought is likely to succeed, wishes to take recourse against a third party, or where such party anticipates a third party claim against him, he may request the third party to join the proceedings in the Court of Arbitration. This shall be done by filing pleadings in quintuplicate with the Office of the Court of Arbitration. The Office shall serve one copy of such pleadings upon the third party.

(2) In the case of a timely request to join the proceedings, the third party, in so far as he is subject to the Rules of the Bremer Baumwollbörse, may not plead that the litigation has been incorrectly conducted or decided.

§ 78 Offsetting of Counterclaims

The Court of Arbitration may, within its discretion, decide upon a counterclaim filed for the purpose of setting-off against the claim, even if such counterclaim is not subject to arbitration proceedings.

§ 79 Suspension in the Case of Default

The Court of Arbitration is entitled to suspend the proceedings if and as long as the plaintiff is listed in a List of Unfulfilled Awards of a member organisation of CICC (Committee for International Cooperation between Cotton Associations).

4. PROCEDURE IN THE FIRST INSTANCE OF THE COURT OF ARBITRATION

§ 80 Filing of Statement of Claim and Appointment of Arbitrators

(1) The arbitration proceedings shall be commenced by filing a statement of claim. This shall be done by submitting a written statement in quadruplicate to the Office of the Court of Arbitration.

(2) The statement of claim shall include:

1. the names of parties;
2. a short summary of facts of the case including any evidence available;
3. a specific plea as to the relief sought;
4. the name of the arbitrator nominated by the plaintiff and a request to the defendant to designate his arbitrator in his defence;
5. proof that the dispute is subject to the Rules of the Bremer Baumwollbörse.

(3) The Office of the Court of Arbitration shall forward one copy of the statement of claim to the defendant and at the same time set a time limit within which the defence, in quadruplicate, together with the designation of the defendant arbitrator has to be submitted to the Office of the Court of Arbitration. Where such time limit has expired without result, the Committee for the Nomination of Appeal Judges and Arbitrators shall appoint an arbitrator for the defendant.

(4) Contracts, letters, and other documents, which are material for a decision in the dispute and to which reference is made by the parties, shall be submitted in quadruplicate.

§ 81 Amendment of Claim, Cross-Claim, Withdrawal of Claim

(1) An amendment to the statement of claim and the filing of a cross-claim shall be admissible in so far as the matter in dispute is subject to the arbitral jurisdiction. In other respects, amendments to claims and cross-claims shall be rejected.

(2) A request for arbitration and a cross-claim may only be withdrawn with the consent of the opposing party. Such withdrawal shall be effected by filing a written application in quadruplicate with the Office of the Court of Arbitration. The Office shall forward one copy thereof to the opposing party. The opposing party shall be deemed to have consented unless he files a written protest with the Office of the Court of Arbitration within 14 days (2 weeks) after receiving a copy of the application for withdrawal.

5. PROCEDURE IN THE APPEAL INSTANCE OF THE COURT OF ARBITRATION

§ 82 Lodging of Appeal

(1) A party may lodge an appeal against the decision of the First Instance of the Court of Arbitration within 14 days (2 weeks) after receipt of the arbitration award, such appeal being addressed in writing, by telegraph, or by telex, fax and e-mail to the Office of the Court of Arbitration.

(2) The Office of the Court of Arbitration shall notify the opposing party and the Committee for the Nomination of Appeal Judges and Arbitrators of the lodging of the appeal.

§ 83 Statement of Grounds for Appeal

(1) A statement giving the grounds for appeal shall be submitted to the Office of the Court of Arbitration in quintuplicate within a period of 14 days (2 weeks) after the date on which the appeal has been lodged.

(2) The Office of the Court of Arbitration shall forward to the opposing party one copy of the statement of the grounds for appeal and set a time limit within which the answer must be lodged in quintuplicate with the Office of the Court of Arbitration.

(3) Upon request the Office of the Court of Arbitration may extend such periods for a reasonable length of time.

(4) A petition for nomination of an arbitrator for the appeal instance

through the offices of the Bremer Chamber of Commerce may be lodged where § 73 (2) applies, together with the statement of grounds for appeal as well as with the defence. The Office of the Court of Arbitration shall forward the petition to the Chamber of Commerce in Bremen without delay.

§ 84 Cross-Appeal by Opposing Party

Prior to decision being made in the Appeal Instance of the Court of Arbitration, the opposing party may join the appeal proceedings by lodging a cross-appeal in quintuplicate with the Office of the Court of Arbitration, stating at the same time reasons for such appeal.

§ 85 Amendment of Claim, Withdrawal of Appeal

(1) An amendment to the claim, the filing of a cross-claim and the extension of the scope of the appeal shall only be admissible where the Appeal Court considers it appropriate.

(2) An appeal can only be withdrawn with the consent of the opposing party. Withdrawal of an appeal shall be by written notice in quintuplicate to the Office of the Court of Arbitration. The opposing party shall be deemed to have consented unless written protest is lodged with the Office of the Court of Arbitration within 14 days (2 weeks) after receiving one copy of such notice.

§ 86 Compliance with Formalities, Decision

(1) The Appeal Court shall first examine whether all requirements relating to lodging the appeal have been duly observed and shall state the result of such examination in their reason for the award given.

Where the appeal does not comply with the Rules or has not been filed in time, the appeal shall be rejected without further examination. Where – in spite a summons by the Court of Arbitration or a grant of extension of a time-limit – the statement of grounds for the appeal or the answer is not filed in accordance with § 83, the Appeal Court shall decide on

the basis of the documents on file.

(2) The Appeal Court may make reference to the statement of facts in the award of the First Instance of Arbitration Court.

6. THE ARBITRATION AWARD

§ 87 Voting, Legal Consultation

(1) If the Court of Arbitration considers the facts of the case sufficiently clarified, it shall render its decision within the scope of pleas submitted by the parties.

(2) The arbitrators shall decide by majority vote.

(3) The First Instance of the Court of Arbitration as well as the Appeal Instance may call upon the Legal Adviser to the Bremer Baumwollbörse or his representative as advisory member.

(4) An Arbitrator, a Legal Adviser to the Bremer Baumwollbörse or his representative shall, in accordance with § 41, part 6 of the German Code of Civil Procedure be excluded where he participated in the contested decision of a preceding decision.

§ 88 Contents of Award

The Arbitration Award shall include:

1. the exact denomination of the parties, their names, domiciles and their role in the proceedings;
2. the names of the arbitrators;
3. the tenor of the decision excepted from the statement of facts of the case and from the statement of the reasons for the decision;
4. a brief summary of the facts of the case, indicating the pleas of the parties;
5. the reason for the decision;
6. the decision relating to the distribution of fees and their amount.

§ 89 Signatures, Formalities

(1) The arbitration award shall be signed by each of the arbitrators on three identical originals and shall state the date on which the award was made. The chairman, the umpire and the other arbitrators may sign jointly on behalf of an arbitrator who is prevented from giving his signature; the reason preventing such arbitrator from signing shall be stated in the award.

(2) An arbitrator shall not withhold his cooperation in delivering and signing the arbitration award even if he has been outvoted.

(3) One Original of the arbitration award shall remain with the records.

(4) One original is to be sent to each of the parties with receipt of delivery. Where more than two parties are involved in the arbitration procedure, it shall be sufficient to submit copies of the arbitration award authenticated by the Bremer Baumwollbörse. The receipts of delivery shall be attached to the original kept on file.

(5) The Bremer Baumwollbörse shall be authorised to publish the arbitration award without, however, disclosing the names of the parties and arbitrators and shall further be entitled to publish in a default list the names of parties having failed to abide by a final arbitration award (quality and technical) issued by the Bremer Baumwollbörse or any member association of CICC (Committee for International Cooperation between Cotton Associations) after notification by the opposing party of the case concerned.

§ 90 Legal Validity of Award and Enforcement

(1) As far as is legally admissible, the parties explicitly renounce the right to take any further legal action against an award against which there is no appeal. Such award shall be final.

(2) Each party shall take his own steps to obtain an order of enforcement and execution.

7. FEES

§ 91 Fees and Distribution thereof

(1) The fees have to be calculated from a scale of charges, attached to these rules as appendix. The respective VAT must be added. Besides the fees is a flat rate of about 10 percent of the arbitration fees charged for writing, postage, service of a writ, and other expenses. Any costs arising from translation or travel of the Court Members are reimbursed separately. The necessary of expenditures is decided by the Court of Arbitration. Cost arising out of court will not be refunded.

(2) In the first Instance of the Court of Arbitration, three quarters of the fees shall accrue to the arbitrators and one quarter to the Bremer Baumwollbörse.

(3) In the Appeal Instance of the Court of Arbitration, three tenths of the fees shall accrue to the chairman; the remaining seven tenths shall be divided equally between the other arbitrators and the Bremer Baumwollbörse.

§ 92 Allocation of Fees

(1) The fees in all instances of the Court of Arbitration shall be charged to the losing party and shall be stated in the arbitration award.

(2) If the claim is only awarded in part, the fees shall be charged to the parties proportionately.

(3) In case of a withdrawal of a claim or of an appeal, the fees shall be paid by the plaintiff or by the appellant.

(4) If both parties have appealed, and if the award has not been altered on appeal, each party shall pay one half of the appeal fees.

(5) If the award of the preceding instance is altered, the Appeal Court shall also, at its discretion, fix the distribution of fees incurred in the preceding instance.

§ 93 Liability for Payment for Fees, Payment in Advance,

Settlement of Fees

(1) The fees shall be collected by the Office of the Court of Arbitration from the plaintiff or from the appellant.

(2) The Office of the Court of Arbitration shall be entitled to demand a payment to account of the probable amount of fees from the plaintiff or the appellant. Should the plaintiff or appellant fail to make such payment in advance within the stipulated time, the claim or the appeal shall be considered withdrawn. The Office of the Court of Arbitration shall notify the opposing party thereof.

(3) The parties shall arrange payment of fees between themselves in accordance with the decision rendered.

B. TRADE IN COTTON WASTE AND LINTERS

§ 1 Scope of Application

The Rules of Part A shall be applied to the trade in cotton waste and linters with the following alterations and additions:

§ 2 Claims as to Quality Deficiencies

(1) If the commodity delivered deviates from the quality agreed upon, the buyer shall be entitled to an allowance on the basis of the market value. For every full 10% quality deficiency, the buyer shall be entitled to an additional allowance of 2% of the purchase price (see § 41 of Part A).

(2) If, in the case of contracts for delivery, the quality deficiency exceeds 20% of the purchase price, the buyer shall have the option either to accept the commodity against payment of the allowance or to close the contract; if the deficiency exceeds 40%, the buyer shall have the additional option to cancel the contract.

(3) In the case of contracts for delivery covering waste of guaranteed pure cotton and/or in principle pure cotton according to § 4 (4), the buyer shall have the right to accept the shipment against payment of the allowance or to close the contract as soon as the admixture of chemical fibres and/or of animal spinning fibres exceeds 3%.

§ 3 Quality Arbitration

(1) The Quality Arbitration of the Bremer Baumwollbörse shall decide upon request on the quality delivered; its award shall be final and binding upon the parties.

(2) The commodity delivered shall be arbitrated against the quality agreed upon on the basis of the market value.

(3) § 45 of Part A shall not be applicable.

§ 4 Quality Arbitration Procedure

(1) Further to the particulars enumerated in § 42 (3) of Part A, the request for quality arbitration shall also state the contract price.

(2) The quality arbitration shall in the first instance be carried out by sworn classers of the Bremer Baumwollbörse.

(3) The market value of the entire lot shall be assessed. Where the classers feel unable to do so, they may pass on the request to the Appeal Board for Quality Arbitration for decision. The decision of the Appeal Board for Quality Arbitration shall be final.

(4) In case of cotton waste only the share of the cotton component in the fibre material shall be arbitrated. The following tolerance for foreign fibres shall be considered permissible:

- a) for cotton waste considered "in principle" pure: up to 3 percent;
- b) for pure cotton: up to 0.1 percent;
- c) in the case of guaranteed pure cotton no percentage of foreign fibres is permitted.

A request for quality arbitration shall be supported by a certificate of the Fibre Laboratory of the Bremer Baumwollbörse indicating the percentage of foreign fibre substances. Each party shall bear one half of the costs of such certificate.

§ 5 Testing Procedure

The terms of § 61 of Part A shall apply accordingly to the testing procedure determining the admixture of foreign fibres.

§ 6 Appeal against the Laboratory Assessment

An appeal against the assessment of the Laboratory shall not be admissible. The certificate issued by the Laboratory of the Bremer Baumwollbörse shall be final and binding upon the parties.

§ 7 Ascertainment of Fibre Composition

(1) Where the parties cannot agree upon the nature and/or the extent of the admixture of foreign fibres, each party may apply for a test to be carried out by the Laboratory of the Bremer Baumwollbörse. The Laboratory shall issue a certificate about the test which is binding upon both parties. A request for a laboratory test may be made for the determination of

- a) the content of foreign fibres, without stating the percentage;
- b) the content of foreign fibres and their percentage;
- c) the content of foreign fibres with particulars as to the nature or kinds of such foreign fibres, with or without their percentage.

(2) The costs shall be borne by the buyer if the commodity delivered is found to be in conformity with the terms of the contract, otherwise by the seller.

§ 8 Rights in Case of Deviation from Specifically Guaranteed Fibre Composition

(1) If the commodity delivered deviates considerably from the specific guarantee regarding the contents of foreign fibres and/or regarding the nature of the fibres, the parties shall themselves agree upon an allowance unless the terms of § 2 (3) are applicable.

(2) Where the parties cannot reach agreement, each party or Court of Arbitration may apply for an authoritative opinion of the Experts' Committee for other Deficiencies of the Bremer Baumwollbörse. The Experts' Committee consists of an equal number of spinner and merchant members of the Bremer Baumwollbörse who are nominated by the Board of Directors.

(3) In the case of a contract for delivery, a Committee of Experts established in accordance with these provisions may also declare that the buyer cannot be expected to accept the commodity. In such a case, the buyer shall have the right to close the contract.

(4) Immediately after notification of the buyer's intention to close the seller may, however, declare that he will substitute the shipment with a commodity conforming to the terms of the contract within 14 days (2 weeks) after such declaration. If the substitute commodity is again inferior to the quality agreed upon, or if the substitution takes place only after the period of 14 days (2 weeks), the buyer shall also be entitled to refuse acceptance of the substitute delivery.

(5) The amount of the fees and expenses shall be fixed by the Experts' Committee at their discretion. Their decision shall be binding upon the parties.

§ 9 Foreign Matter

In the case of cotton waste, any admixture of foreign matter shall be considered substantial if it exceeds, according to general knowledge, the unavoidable minimum customary to both the kind of waste in question and to the prevailing standards of the cleaning, sorting and pressing methods.

§ 10 Supplementary Provision for the Trade in Linters for Chemical Processing

If the request for an arbitration shows that it relates to linters destined for additional chemical processing, the Quality Arbitration of the Bremer Baumwollbörse shall be limited to a merely visual inspection of the commodity. The Bremer Baumwollbörse shall not undertake an evaluation on the basis of chemical examinations.

C. TRADE IN WASTE FROM MAN-MADE FIBRES OF FIBRE BLENDS

§ 1 Scope of Application

For trade in waste from man-made fibres and fibre blends as well as in sub-standard material, Part A of the Rules of the Bremer Baumwollbörse shall be applicable with the subsequent modifications and/or additions, whereby any demarcation to Part B shall be determined by reference to the description used in the contract.

§ 2 Claims for Quality Deficiencies

(1) If the commodity delivered deviates from the quality agreed upon, the buyer shall be entitled to an allowance on the basis of the market value.

(2) The parties shall themselves agree upon the amount of the allowance for quality deviations.

§ 3 Quality Arbitration

(1) Failing amicable agreement as to the deficiencies or the allowance, the Quality Arbitration of the Bremer Baumwollbörse shall, upon request, make a final decision binding upon the parties.

(2) § 3(2) and (3), § 4 (1) and § 7 of Part B in conjunction with § 5 shall be applied accordingly.

§ 4 Arbitrators, Umpire

(1) The Quality Arbitration shall be carried out by two expert arbitrators nominated from a list of arbitrators compiled by the Bremer Baumwollbörse for the trade in waste from man-made fibres and fibre blends.

(2) The Committee for the Nomination of Appeal Judges and Arbitrators shall appoint one arbitrator from trade and one from industry (§ 73 (1) of Part A shall be applied correspondingly not only to the arbitra-

tor but also to the umpire, if any.)

(3) Where the arbitrator cannot agree on the Quality Arbitration, they shall appoint a third expert as umpire. Where arbitrators cannot agree on the umpire, each arbitrator shall propose an expert as umpire. The decision between these shall be made by drawing lots. The lots shall be drawn by the Legal Adviser to the Bremer Baumwollbörse.

§ 5 Quality, Arbitration Procedure

(1) The arbitrators shall request the Laboratory of the Bremer Baumwollbörse for actual ascertainties or supplements thereof if and in so far as they deem this necessary in a specific case.

(2) In the case of a contract for the delivery of waste from man-made fibres or fibre blends, the arbitrators may decide that the buyer shall not be expected to accept the commodity and, upon application by one of the parties, fix the market value thereof.

§ 6 Options

(1) In such a case, the buyer has the option either to close the contract or to cancel it.

(2) Immediately after notification of the buyer's intention to close or to cancel the contract, the seller may, however, declare that he will substitute the shipment with a commodity conforming to the terms of the contract within 14 days (2 weeks) after such declaration.

(3) Where the substituted commodity is again inferior to the quality agreed upon or where the replacement takes place only after the period of 14 days (2 weeks), the buyer shall also be entitled to refuse acceptance of such replacement delivery and to proceed with the chosen remedy of closure or cancellation.

(4) § 31 of Part A shall be applicable not only to the buyer's declaration that he will close or cancel the contract, but also to his refusal of acceptance.

§ 7 **Certificate**

The Bremer Baumwollbörse shall issue to each party a certificate showing the ascertained deviation and/or the award for each quality arbitration.

§ 8 **Fees**

The arbitration fees and expenses as well as their allocation shall be fixed by the arbiters at their discretion. Three quarters of the arbitration fees shall accrue to the arbiters including the umpire and one quarter to the Bremer Baumwollbörse. § 93 of Part A shall be applied correspondingly.

§ 9 **Foreign Matter**

For waste in terms of § 1, the amount of foreign matter shall be considered substantial if it exceeds, according to general knowledge, the unavoidable minimum allowable according to the prevailing standards of cleaning, sorting and pressing methods.

Appendix I.

Definitions

In the rules of the Bremer Baumwollbörse and in any contract made under Bremen Rules the following expression will have the meanings given unless their context clearly shows them to have a different use:

1 “American cotton” means all cotton grown anywhere within the contiguous states of the United States of America, including cotton known as Upland, Gulf or Texas cotton, but not including the Sea Island or Pima varieties.

2 “Cotton waste” or “cotton linters” will be treated as cotton if it has been included in contracts which are subject to our bylaws and rules.

3 “Country damage” is the damage or deterioration of the fibre caused by the absorption of excessive moisture, dust or sand from the exterior because it has been:

- exposed to the weather; or
- stored on wet or contaminated surfaces

prior to loading to trucks/containers or the vessel.

Country damage does not include:

- any internal damage; or
- any other contamination; or
- any damage

which takes place after loading to containers or vessel.

4 “Date of arrival” will, depending on the context, have one of the following meanings:

- For break bulk shipments, it will mean the date the vessel arrives in the port of destination named in the bill of lading. But, if the vessel is diverted or the cotton is moved to another ship, it will be the

date the cotton arrives in the port stated in the bill of lading or in another port acceptable to the buyer.

- For cotton shipped in containers, it will be the date the cotton arrives in the port of destination named in the bill of lading or the combined transport document. But, if the carrying vessel is diverted or the containers are moved to another ship, it will be the date the containers arrive in the port stated in the bill of lading or in another port acceptable to the buyer.

- other means of transport it will be the date each delivery is made to the place stated in the contract.

5 “Dispute” or “difference” relating to a contract will include any argument, disagreement or question about how to interpret the contract, or the rights or responsibilities of anyone bound by the contract.

6 “False packed bale” is a bale containing:

- substances which are not cotton;
- damaged cotton;
- good cotton on the outside and inferior cotton on the inside; or
- pickings or linters instead of cotton.

7 “Far East cotton” means cotton grown in Bangladesh, Burma, China, India or Pakistan.

8 “Foreign matter” means anything that is not part of the cotton plant.

9 “Immediately” means within 3 days.

10 “Institute Cargo Clauses” and “Institute Commodity Trades Clauses” mean the clauses of the Institute of London Underwriters.

11 “Internal moisture” or “Moisture regain” mean the weight of moisture in the cotton expressed as a percentage of the weight of the fibre when totally dry.

- 12** "Lot" is a number of bales placed under one mark.
- 13** "Mixed packed bale" is a bale containing many different grades of colour or staple.
- 14** "Marine cargo insurance" and "transit insurance" mean insurance against the risks covered by the Marine Policy Form (MAR form) used in conjunction with the Institute Cargo Clauses, or covered by similar first-class policies in other insurance markets.
- 15** "On-board bill of lading" means a bill which is signed by the captain or his agent when the cotton has been loaded on the ship.
- 16** "Plated bale" is a bale in which a layer of very different quality cotton appears on the outside of at least one side.
- 17** "Prompt" means within 14 days (two weeks).
- 18** "Shipment" means the loading of cotton onto any means of transport for delivery from the seller or his agent to the buyer, or to a carrier who can provide a bill of lading or a combined transport document.
- 19** "Shipping" or "shipped" means loading or loaded for shipment.
- 20** "Shipping documents" means the document of title showing how the cotton is to be shipped under the contract.
- 21** "Strikes, riots and civil commotion's insurance" means insurance against the risks set out in the Institute Strikes Clauses (Cargo) or Institute Strikes Clauses (Commodity Trades), or similar clauses of other first-class insurance markets.
- 22** "Tare" means the weight of wrapping, bands, ropes or wires used to cover cotton bales.

- 23** "War risks insurance" means insurance against the risks set out in the Institute War Clauses (Cargo) or Institute War Clauses (Commodity Trades), or similar clauses of other first-class insurance markets.
- 24** "ASTM" means the American Society for Testing Materials.
- 25** "Certified laboratory" means a laboratory that is on an approved list issued by the Bremer Baumwollbörse.
- 26** "Control limit" means the variation in readings taken on different instruments, using the same cotton.
"Usual control limit" and "UCL" mean the variation allowed in readings to account for the normal variation expected from different instruments, even if the same cotton is used.
- 27** "Percentage allowance" means a percentage of the invoice price.
- 28** "Micronaire" means a measurement of the combination of fineness and maturity of raw cotton fibre.
- 29** 'Fixed Price' is the value per unit the Buyer pays the Seller for cotton. The Fixed Price is arrived at in two ways:
- a) The value per unit quoted at the time of the sale and stated as price per unit on the contract.
 - b) The combination of the fixation(s) of an on-call contract and the basis quoted on the contract, expressed in the currency unit per weight unit as stated in the contract.
- 30** 'Spread Trade'. A cotton futures spread trade is the simultaneous trading of two opposite positions in two different months. Each month traded is referred to as a leg. Example of a spread, purchase 5 March futures contracts and sell 5 May futures Contracts

31 'Synthetic Price Future' is when Ice Cotton Futures are "locked" at the daily limit, a synthetic futures price is created by the simultaneous but opposite trading of a call and put option at the same expiry and strike price. A long call option and short put option yields a synthetic long future while a short call option and a long put option yields a synthetic short future.

32 'ICA Bremen Certified Laboratory' means a laboratory certified by ICA Bremen.

Appendix II.

Scale of charges of the court of arbitration according to § 91 (1) of Part A.

- No. 1 Amount in dispute up to EUR 50,000:
8 percent of the amount in dispute, at least EUR 1,500;
- No. 2 Amount in dispute above EUR 50,000 up to EUR 500,000:
EUR 4,000 plus 2.8 percent of the amount, exceeding
EUR 50,000;
- No. 3 Amount in dispute above EUR 500,000 up to EUR 1.0 million:
EUR 16,600 plus 1.3 percent of the amount, exceeding
EUR 500,000;
- No. 4 Amount in dispute above EUR 1.0 million up to EUR 2.0 million:
EUR 23,200 plus 0.8 percent of the amount, exceeding
EUR 1.0 million;
- No. 5 Amount in dispute above EUR 2.0 million up to EUR 5.0 million:
EUR 31,300 plus 0.3 percent of the amount, exceeding
EUR 2.0 million;
- No. 6 Amount in dispute above EUR 5.0 million:
EUR 40,400 plus 0.05 percent of the amount, exceeding
EUR 5.0 million;
- No. 7 The charges for the Appeal Instance are 30 percent higher.

Appendix III.

Container Trade Rules

for U.S. cotton shipped from U.S. ports adopted at 57th annual convention of „ACSA“ San Francisco – May 15, 1981 as amended through November 26, 1984 – according to the rules of the Bremer Baumwoll-börse Part A § 8

SECTION A: DEFINITIONS

1. CONTAINER YARD (CY) means a location where containers may be parked, picked-up or delivered full or empty. A container yard may further be a place of loading/stuffing by a shipper or unloading/devanning by a receiver of cargo, and/or where water carrier accepts custody and control of cargo at origin.

2. CONTAINER FREIGHT STATION (CFS) means a location where the water carrier and/or its agent is loading or unloading containers under their control.

3. HOUSE TO/CONTAINER YARD TO/DOOR TO means shipper-controlled loading at a location determined by the shipper. All costs beyond point of loading, as well as the cost of providing containers, at House/CY/Door are for the account of the party responsible for freight booking.

4. PIER TO/CONTAINER FREIGHT STATION TO means carrier-controlled loading where the cargo is delivered to the carrier at a pier or container freight station.

5. TO HOUSE/TO CONTAINER YARD/TO DOOR means deliver to consignee's location (warehouse or mill) upon arrival at port of destination.

6. TO PIER/TO CONTAINER FREIGHT STATION means carrier will deliver container at pier at port of destination or at a container freight station.

7. MINI-BRIDGE means cargo carried by rail or substitute transportation from U.S. port area to another U.S. port area for onward transportation in containers on water. Intermodal Bill of Lading is issued by the water carrier at originating port covering transport to the overseas destination.

8. MICRO-BRIDGE means cargo moving directly from interior point by rail or substitute transportation (either in containers or other equipment) to port for onward transportation in containers on water. Intermodal Bill of Lading is issued by the water carrier at interior loading point covering transport to the overseas destination.

9. LAND-BRIDGE means cargo arriving by water carrier, and moving from one coast to another via rail for onward transportation on water.

10. FREE CARRIER - NAMED POINT OR INTERIOR POINT INTERMODAL (IPI) means the seller fulfills his responsibility when he delivers the cargo into the custody of the water carrier at the named point. If no precise point can be mentioned at the time of contract of sale, the parties should refer to the place or range where the water carrier should take the cargo into his charge.

11. SHIPPER'S LOAD AND COUNT means the shipper assumes responsibility for the contents of the container (CY) loading.

12. INTERMODAL BILL OF LADING OR COMBINED TRANSPORT DOCUMENT means a negotiable document issued by a water carrier after receipt of container or cotton on board a rail car or

other transport equipment.

SECTION B: TRADE RULES

1. SHIPMENT: Cotton may be shipped by water and/or inter-modal transportation at the option of the party responsible for freight booking. All charges imposed by the carrier, whether included in the freight rate, shown as separate item(s) in the B/L, or billed separately, are for the account of the party responsible for the freight booking; however, if the seller elects to use a CFS facility, then the difference between CFS and CY charges at such location shall be for seller's account.

2. PROVIDING CONTAINER AND/OR TRANSPORT: The party responsible for freight booking is obliged to provide containers in time for transport and loading within contracted shipping month at the port(s) or point of origin stated in the contract.

3. DATE OF SHIPMENT: In case of intermodal transportation, the date of the Intermodal Bill of Lading shall constitute the date of shipment.

4. INSURANCE: In case of FOB/FAS/C&F or "Free Carrier (named point)" sales, buyer's insurance to cover all risks from the time the cotton is shipped or on board or is accepted into the custody and control of the water carrier, whether advised or not.

5. FULL CONTAINER LOAD (FCL):

- (a) Unless otherwise stated, sale should be based on freight rates for full forty foot container loads. Any extra charges for overflow bales or minimum charges shall

be paid by the party responsible for booking the freight.

- (b) If quantity is expressed in containers it shall mean:
 - (1) Origin Gulf Area - about 78 bales per forty foot container
 - (2) Origin West Coast - about 83 bales per forty foot container.

Containers other than forty footers may be substituted for House to Pier or Pier to Pier shipments only.

6. LOADING AND UNLOADING: It shall be seller's choice to load at House/CY or Pier/CFS and buyer's choice to unload at House/CY or Pier/CFS. However, seller shall ship to Pier, unless specifically instructed by buyer to ship to House.

7. WEIGHING: Unless otherwise agreed, Pier to House and House to House shipment shall be understood to mean: net certified shipping weights final.

8. SAMPLING:

- (a) Buyer may ask seller to by-load samples, subject to seller's agreement. Any extra charges shall be for the buyer's account.
- (b) In case of Pier to House or House to House shipments, normal arbitration rules shall apply, except that sampling may take place on buyer's premises under supervision. Sampling expenses are for buyer's account.

9. MISSING BALES: In case of shipper's load and count, seller is liable for the contents of the container. Unless otherwise agreed between buyer and seller, any claim must be supported by cer-

tificates issued by seller's controller stating the container serial and seal number and certifying that the seal was intact. However, in shipments involving Pier to House or House to House movements and when seals are broken by customs or other authorities at port of entry container must be resealed and both the original seal and new seal numbers provided to shipper's controller.

10. PAYMENT:

- (a) Letter of Credit Payment: Letter of Credit must allow Intermodal Bill of Lading.
- (b) Cash Against Documents on First Presentation: Buyer must pay against Intermodal Bill of Lading.
- (c) Cash on Arrival: Buyer shall pay against the Bill of Lading upon arrival of the vessel at destination named in the Bill of Lading. However, if the containers are on-carried by feeder vessels or other means, payment shall be made upon arrival of the feeder vessel or on-carrying conveyance at the final destination named in the contract.

In case of seller's freight booking, if any containers are not on board the vessel named in the Bill of Lading, buyer shall have the right to claim against the seller for refund of interest until actual arrival of the container(s). This is not applicable if shipment by container vessel is required by buyer subsequent to entering the contract.

RESPONSIBILITY CHARTS FOR COST AND PERFORMANCE: FOLLOWING PAGES

Delineation of responsibility for cost and performance HOUSE TO HOUSE

| | FOB | | FAS | | CIF | | C&F | |
|--|--------------------|------------------|---------------------|------------------|--------------------|------------------|--------------------|------------------|
| | Responsibility for | | Responsibility for | | Responsibility for | | Responsibility for | |
| | Cost | Perfor- mance | Cost | Perfor- mance | Cost | Perfor- mance | Cost | Perfor- mance |
| 1. Draying of empty container to point of stuffing | Buyer | Carrier | Buyer | Carrier | Seller | Carrier | Seller | Carrier |
| 2. Stuffing | Seller | Seller | Seller | Seller | Seller | Seller | Seller | Seller |
| 3. Transport of full container to point of loading on railroad or vessel | Buyer | Carrier | Buyer | Carrier | Seller | Carrier | Seller | Carrier |
| 4. Lift charges | | | Included in freight | | | | | |
| 5. Freight | Buyer | Carrier | Buyer | Carrier | Seller | Carrier | Seller | Carrier |
| 6. Lift off charges to ship's rail | | | Included in freight | | | | | |
| 7. Clearance and port/terminal charges after ship's rail | Buyer | Carrier | Buyer | Carrier | Buyer | Carrier | Buyer | Carrier |
| 8. Transport of container to point of destination | Buyer | Carrier | Buyer | Carrier | Buyer | Carrier | Buyer | Carrier |
| 9. Devanning | Buyer | Buyer | Buyer | Buyer | Buyer | Buyer | Buyer | Buyer |

Delineation of responsibility for cost and performance HOUSE TO PIER

| | FOB | | FAS | | CIF | | C&F | |
|--|--------------------|------------------|---------------------|------------------|--------------------|------------------|--------------------|------------------|
| | Responsibility for | | Responsibility for | | Responsibility for | | Responsibility for | |
| | Cost | Perfor- mance | Cost | Perfor- mance | Cost | Perfor- mance | Cost | Perfor- mance |
| 1. Draying of empty container to point of stuffing | Buyer | Carrier | Buyer | Carrier | Seller | Carrier | Seller | Carrier |
| 2. Stuffing | Seller | Seller | Seller | Seller | Seller | Seller | Seller | Seller |
| 3. Transport of full container to point of loading on railroad or vessel | Buyer | Carrier | Buyer | Carrier | Seller | Carrier | Seller | Carrier |
| 4. Lift charges | | | Included in freight | | | | | |
| 5. Freight | Buyer | Carrier | Buyer | Carrier | Seller | Carrier | Seller | Carrier |
| 6. Lift off charges to ship's rail | | | Included in freight | | | | | |
| 7. Clearance and port/terminal charges after ship's rail | Buyer | Carrier | Buyer | Carrier | Buyer | Carrier | Buyer | Carrier |
| 8. Devanning at point of arrival or CFS | Note 1 | Carrier | Note 1 | Carrier | Note 1 | Carrier | Note 1 | Carrier |
| 9. Transport of cotton to warehouse or mill | Buyer | Buyer | Buyer | Buyer | Buyer | Buyer | Buyer | Buyer |

Note 1: Normally included in freight charges. If not included, buyer bears cost.

Delineation of responsibility for cost and performance PIER TO HOUSE

| | FOB | | FAS | | CIF | | C&F | |
|--|---------------------|------------------|--------------------|------------------|--------------------|------------------|--------------------|------------------|
| | Responsibility for | | Responsibility for | | Responsibility for | | Responsibility for | |
| | Cost | Perfor- mance | Cost | Perfor- mance | Cost | Perfor- mance | Cost | Perfor- mance |
| 1. Delivery of cotton to point of shipment | Seller | Seller | Seller | Seller | Seller | Seller | Seller | Seller |
| 2. Stuffing | Note 1 | Carrier | Note 1 | Carrier | Note 1 | Carrier | Note 1 | Carrier |
| 3. Lift on charges | Included in freight | | | | | | | |
| 4. Freight | Buyer | Carrier | Buyer | Carrier | Seller | Carrier | Seller | Carrier |
| 5. Lift off charges to ship's rail | Included in freight | | | | | | | |
| 6. Clearance and port/terminal charges after ship's rail | Buyer | Carrier | Buyer | Carrier | Buyer | Carrier | Buyer | Carrier |
| 7. Transport of container to point of destination | Buyer | Carrier | Buyer | Carrier | Buyer | Carrier | Buyer | Carrier |
| 8. Devanning | Buyer | Buyer | Buyer | Buyer | Buyer | Buyer | Buyer | Buyer |

Note 1: Normally included in freight charges. If not included, seller bears cost.

Delineation of responsibility for cost and performance PIER TO PIER

| | FOB | | FAS | | CIF | | C&F | |
|--|---------------------|------------------|--------------------|------------------|--------------------|------------------|--------------------|------------------|
| | Responsibility for | | Responsibility for | | Responsibility for | | Responsibility for | |
| | Cost | Perfor- mance | Cost | Perfor- mance | Cost | Perfor- mance | Cost | Perfor- mance |
| 1. Delivery of cotton to point of shipment or CFS | Seller | Seller | Seller | Seller | Seller | Seller | Seller | Seller |
| 2. Stuffing | Note 1 | Carrier | Note 1 | Carrier | Note 1 | Carrier | Note 1 | Carrier |
| 3. Lift on charges | Included in freight | | | | | | | |
| 4. Freight | Buyer | Carrier | Buyer | Carrier | Seller | Carrier | Seller | Carrier |
| 5. Lift off charges to ship's rail | Included in freight | | | | | | | |
| 6. Clearance and port/terminal charges after ship's rail | Buyer | Carrier | Buyer | Carrier | Buyer | Carrier | Buyer | Carrier |
| 7. Devanning at point of arrival or CFS | Note 1 | Carrier | Note 1 | Carrier | Note 1 | Carrier | Note 1 | Carrier |
| 8. Transport of cotton to warehouse or mill | Buyer | Buyer | Buyer | Buyer | Buyer | Buyer | Buyer | Buyer |

Note 1: Stuffing and devanning charges normally included in freight. If not included, seller bears cost of stuffing, buyer bears cost of devanning.