EEX Asia
Consultation Paper

Proposed Launch of EEX Asia Handysize TC Avg 7 Routes Options on Futures Contract

11 March 2020
Responding to this consultation paper

EEX Asia invites comments on this Consultation Paper between 11 March 2020 and 10 April 2020 via:

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Mail: EEX Asia Pte Ltd
103 Penang Road
Unit 11-07, Visioncrest Commercial
Singapore 238467 (Attention: Mr Zhi Rui Ang)

Comments should be organized in the following manner:

- Cover Page;
- Statement of Interest;
- Table of Contents;
- Summary of Major Points;
- Comments; and
- Conclusion

Supporting material may be attached as an annex. All submissions should provide reasoned explanation for any proposed revision to the rules. Participants are encouraged to identify the specific rule on which they are commenting. In any case in which a participant chooses to suggest revisions to the text of the rules, the participant should indicate clearly the specific changes to the text that they are proposing.

All submissions should be made on or before 10 April 2020. Participants submitting commentaries should include their personal/company particulars as well as their correspondence address, contact numbers and email addresses on the cover page of their submissions.

Respondents to this Consultation Paper are asked to identify the specific proposal or rule that they are commenting on. EEX Asia Private Limited reserves the right to make known all or parts of any written submission and to disclose the identity of the source. Participants may request confidential treatment for any part of the submission that the participant believes to be proprietary, confidential or commercially sensitive. Any such information should be clearly marked and placed in a separate annex. If EEX Asia Private Limited grants confidential treatment, it will consider the comments but will not publicly disclose the information. If EEX Asia Private Limited declines the request for confidential treatment, it will return the information to the participants that submitted it and disregard it. In the interests of market transparency, participants should limit any request for confidential treatment of information submitted. EEX Asia Private Limited will not accept any submission that requests confidential treatment of all, or a substantial part, of the submission.

This Consultation Paper is available for download from the EEX Asia website at www.eexasia.com.
# Table of Contents

- **Introduction** .......................................................................................................................... 4
  1. **Scope of Public Consultation** .......................................................................................... 4
  2. **Background** ...................................................................................................................... 4
- **Details of the Proposal** ......................................................................................................... 5
  3. **Contract Specification** ..................................................................................................... 5
  4. **Proposed Commencement of Trading** ............................................................................ 6

**Appendix 1:** EEX Asia Dry Bulk Handysize Timecharter Average of 7 Routes Options on Futures (F48-H7TC_O) Contract Specifications ............................................................................. 7
Introduction

1. **Scope of Public Consultation**

EEX Asia Private Limited (“EEX Asia”) seeks public comment on its proposal to introduce F48-H7TC_O - Handysize TC Avg 7 Routes Options on Futures contracts for trading on the EEX Asia trading platform.

2. **Background**

2.1. The EEX Asia F48-H7TC_O Options on Futures contract expands EEX Asia’s current suite of commodities products. It allows market participants to leverage on our risk management tools within a single platform. With the introduction of this contract, traders will be able to better manage their risk and cost in the Dry Bulk Timecharter market while being exposed to other range of complimentary products in freights, agriculture and metals.

2.2. EEX Asia proposes to list the F48-H7TC_O Handysize TC Avg 7 Routes Options on Futures contracts for trading. The proposed contracts are European style options listed as contract months, quarters and calendar years which will be automatically exercised at expiry if they are in-the-money. The contracts shall be listed up to a maximum of 36 consecutive months.
Details of the Proposal

3. Contract Specification

3.1. The contract specifications of the proposed EEX Asia F48-H7TC_O are attached at Appendix 1.

3.2. EEX Asia seeks public feedback on the proposed contract specifications. In particular, EEX Asia seeks the public’s views on the following:

3.2.1. Trading Unit (Clause 2.3)

The trading unit shall be one (1) lot which is 1 Day.

3.2.2. Termination of Trading (Clause 2.6)

For a Month Contract, the Last Trading Day is the last day of the Delivery Period for the month in question. If the Last Trading Day is a non-trading day, the Last Trading Day is defined as the nearest Trading Day prior to this. For a Quarter Contract, the Last Trading Day is the Last Trading Day of the first month of the quarter. For a Year Contract, the Last Trading Day is the Last Trading Day of the first month of the Year.

3.2.3. Option Type (Clause 2.7)

Options are European style and will be automatically exercised on the expiry day if they are in-the-money. If an option is out-of-the-money it will expire automatically. It is not permitted to exercise the option on any other day or in any other circumstances. However, the final settlement of the option will be based on the arithmetic average of all the indices over the contract period.

3.2.4. Option Premium (Clause 2.8)

The premium is paid at the time of purchase as agreed by the purchaser and seller and expressed in USD/day.

3.2.5. Strike Price (Clause 2.9)

The strike price is the price agreed between the parties and will be subjected to acceptance at the discretion of the respective clearing house. New strike prices will be created upon request at the discretion of the respective clearing house.
3.2.6. Final Settlement (Clause 3.1)

The option contract will only be exercised if the option contract is in the money.

Call Option: The Final Settlement Price for the relevant underlying product shall be the final settlement price of the underlying Handysize TC Average 7 Routes Futures minus the strike price.

Put Option: The Final Settlement Price for the relevant underlying product shall be the strike price minus final settlement price of the underlying Handysize TC Average 7 Routes Futures.

This methodology is currently used on most of the other products on the exchange. The final settlement price is determined by a Third Party.

**Question:**

A) Do you agree with the proposed addition of the EEX Asia Dry Bulk Options on Futures (EEX Asia F48-H7TC_O) contract specifications listed above?

4. **Proposed Commencement of Trading**

4.1. Subject to regulatory approval, EEX Asia proposes to commence trading with immediate effect.
Appendix 1: EEX Asia Dry Bulk Handysize Timecharter Average of 7 Routes Options on Futures (F48-H7TC_O) Contract Specifications

EEX ASIA FREIGHT OPTIONS (F48-H7TC_O – Handysize TC Avg 7 Routes Options on Futures) CONTRACT SPECIFICATIONS

1. SCOPE OF CONTRACT SPECIFICATIONS AND DEFINITIONS
2. TRADING
   2.1 Trading Months, Quarters and Years
   2.2 Product Structure
   2.3 Trading Unit
   2.4 Price Quotation
   2.5 Minimum Fluctuations
   2.6 Termination of Trading
   2.7 Option Type
   2.8 Option Premium
   2.9 Strike Price
3. CLEARING AND SETTLEMENT
   3.1 Final Settlement
   3.2 Other Rules and Procedures for Clearing and Settlement
1. SCOPE OF CONTRACT SPECIFICATIONS AND DEFINITIONS

These Contract Specifications for the EEX Asia Freight Options on Futures Contracts (the "Specifications") govern the trading of the EEX Asia Freight Options on Futures (F48-H7TC_O Handysize TC Average 7 Routes Options) on the EEX Asia (the “Exchange”) Market. The rules and procedures for trading that are not specifically covered in the Specifications shall be as set forth in the Trading Rules. Capitalised terms used herein and not otherwise defined shall have the meanings ascribed to them under the Trading Rules. For the purposes of the Specifications and unless the context otherwise requires, the following capitalised terms shall have the meanings set forth below:

<table>
<thead>
<tr>
<th>Clearing Rules</th>
<th>Means the Clearing House Rules of SGX (<a href="http://www.sgx.com/">http://www.sgx.com/</a>) and ECC (<a href="http://www.ecc.de">http://www.ecc.de</a>) which are available on their respective websites.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Futures Contract</td>
<td>Means the EEX Asia Freight Options on Futures (F48-H7TC_O) Contract traded on the EEX Asia Market</td>
</tr>
<tr>
<td>Underlying Product</td>
<td>Shall mean the following Freight Futures Product: Options on Futures for BFA Handysize 38 Index (Baltic Exchange Forward Assessment for Handysize 38 Time Charter Average 7 Routes)</td>
</tr>
<tr>
<td>Index Provider</td>
<td>Shall mean The Baltic Exchange</td>
</tr>
</tbody>
</table>
| Contract Period | - For a Month Contract, Contract Period shall mean the First Index Day of the Month to last Index Day of the Month.  
- For a Quarter Contract, Contract Period shall mean the First Index Day of the Quarter to last Index Day of the Quarter, where a Quarter Contract will be split equally into 3 Month Contracts on the Trading Day and settled as Month Contracts.  
- For a Year Contract, Contract Period shall mean the First Index Day of the Year to last Index Day of the Year where a Year Contract will be split equally into 12 Month Contracts on the Trading Day and settled as Month Contracts. |
| Trading Rules | Shall mean the Trading Rulebook of the Exchange which can be obtained by contacting the membership team at membership@eexasia.com |
| USD | Shall mean the lawful currency of the United States of America. |
| Option Exercise | European Style: An option will be exercised automatically at expiry only if it is in-the-money. |
2. TRADING

2.1 Trading Months, Quarters and Years

The Contract shall be listed for such Contract Months, Quarters and Years and scheduled for trading during such hours as may be determined by the Exchange. Trading Days shall be governed by the EEX Asia Trading Calendar (http://www.eexasia.com/trading-calendar/)

2.2 Product Structure

The Contract shall have a Product Structure up to a maximum of 36 consecutive months. A new quarter (3 months) will be listed upon expiry of the nearest quarter.

2.3 Trading Unit

The trading unit shall be one (1) lot which is one (1) day.

2.4 Price Quotation

The price quotation shall be USD per day.

2.5 Minimum Fluctuations

Minimum fluctuation of the Contract traded shall be US $1.

2.6 Termination of Trading

For a Month Contract, the Last Trading Day is the last day of the Delivery Period for the month in question. If the Last Trading Day is a non-trading day, the Last Trading Day is defined as the nearest Trading Day prior to this. For a Quarter Contract, the Last Trading Day is the Last Trading Day of the first month of the quarter. For a Year Contract, the Last Trading Day is the Last Trading Day of the first month of the Year.

2.7 Option Type

Options are European style and will be automatically exercised on the expiry day if they are in-the-money. If an option is out-of-the-money it will expire automatically. It is not permitted to exercise the option on any other day or in any other circumstances. However, the final settlement of the option will be based on the arithmetic average of all the indices over the contract period.

2.8 Option Premium

The premium is paid at the time of purchase as agreed by the purchaser and seller and expressed in USD/day.
2.9 Strike Price

The strike price is the price agreed between the parties and will be subjected to acceptance at the discretion of the respective clearing house. New strike prices will be created upon request at the discretion of the respective clearing house.

3. CLEARING AND SETTLEMENT

Settlement under the Specifications shall be by cash settlement.

3.1 Final Settlement

The option contract will only be exercised if the option contract is in the money.

Call Option: The Final Settlement Price for the relevant underlying product shall be the final settlement price of the underlying Handysize TC Average 7 Routes Futures minus the strike price.

Put Option: The Final Settlement Price for the relevant underlying product shall be the strike price minus final settlement price of the underlying Handysize TC Average 7 Routes Futures.

This methodology is currently used on most of the other products on the exchange. The final settlement price is determined by a Third Party.

3.2 Other Rules and Procedures for Clearing and Settlement

The rules and procedures for clearing and settlement that are not specifically covered in the Specifications shall be governed by the Clearing Rules.