EEX Asia

Consultation Paper

Proposed Launch of EEX Asia Handysize TC Avg 7 Routes 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:

Electronic mail: info@eexasia.com
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’s 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 Route Futures (F47-H7TC) Contract Specifications .................................................................................................................. 7
Introduction

1. **Scope of Public Consultation**

EEX Asia Private Limited (“EEX Asia”) seeks public comment on its proposal to introduce F47-H7TC – Handysize TC Avg 7 Routes Futures contracts for trading on the EEX Asia trading platform.

2. **Background**

2.1. The F47-H7TC 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 F47-H7TC Handysize TC Avg 7 Routes Futures contracts for trading. The proposed contracts are standard, cash-settled futures contracts listed as contract months, quarters and calendar years. The contracts shall be listed up to a maximum of 84 consecutive months.
Details of the Proposal

3. Contract Specification

3.1. The contract specifications of the proposed F47-H7TC Futures 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. Position Limits (Clause 2.6)

The proposed position limits for F47-H7TC Futures will be:

Unless otherwise approved by the Exchange, a Member shall not own or control any combination of:

1) Options (Futures) Contracts
2) Futures Contracts
3) Swap Contracts
4) Option (Swap) Contracts
5) and other Relevant Contracts

traded on the EEX Asia Exchange with an identical underlying, and/or accepted by the Clearing House for clearing that exceeds an equivalent of 2,500 lots net on the same side of the Market, in the Spot Month or in all other Contract Months combine.

3.2.3. Price Limits (Clause 2.7)

The Price Limit for the contract will be established based on a 99% confidence interval. When it is breached, EEX Asia Market Operations will ascertain if the trade that led to the price limit breach is an error. If it is determined to be so, the price limits will not be considered to have been breached and the team will commence with error trade procedures.

The 3-month annualized volatility for the Baltic Handysize 38 Average 7 routes is approximately 23%.
3.2.4. Termination of Trading (Clause 2.8)

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.

3.2.5. Daily and Final Settlement Price (Clause 3.1)

In respect of daily settlement, the floating price will be the end of day price as supplied by the Baltic Exchange. In respect of final settlement, the floating price will be the arithmetic average of the daily Baltic Exchange spot price assessments for every trading day in the expiry month.

The Final Settlement Price for the Futures Contract, as expressed in USD per day, shall be the arithmetic average of Baltic Exchange daily spot assessments in the Contract Month for the relevant Underlying Product.

3.2.6. Final Settlement (Clause 3.2)

Clearing Members holding Open Positions in the Contract at the time of termination of trading in the Contract shall make payment to or receive payment from the Clearing House in accordance with normal variation margin procedures, based on a settlement price equal to the Final Settlement Price.

**Question:**

A) Do you agree with the proposed addition of the EEX Asia Dry Bulk Futures (F47-H7TC) 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 Route Futures (F47-H7TC) Contract Specifications

EEX Asia Freight Futures (F47-H7TC – Handysize TC Avg 7 Routes) 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 Position Limits
   2.7 Price Limit and Cooling Off Period
   2.8 Termination of Trading
3. CLEARING AND SETTLEMENT
   3.1 Daily and Final Settlement Price
   3.2 Final Settlement
   3.3 Other Rules and Procedures for Clearing and Settlement
1. SCOPE OF CONTRACT SPECIFICATIONS AND DEFINITIONS

These Contract Specifications for the EEX Asia Freight Futures Contracts (the “Specifications”) govern the trading of the EEX Asia Freight Futures Contracts (F47-H7TC Handysize TC Average 7 Routes) 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 Futures (F47-H7TC) Contract traded on the EEX Asia Market</td>
</tr>
<tr>
<td>Underlying Product</td>
<td>Shall mean the following Index: Handysize 38 (Baltic Exchange 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. |
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 84 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 to account for final settlement

2.6 Position Limits

The Position Limits shall be determined by the respective Clearing House Rules.

2.7 Price Limit and Cooling Off Period

Price Limit will be set at: \[ \text{Limit} = \text{Reference Price} \times (1 \pm (2.575 \times \text{Volatility})) \]

The upper and lower limit is established based on a 99% confidence interval.

When the price limit is breached, EEX Asia Market Operations will first ascertain if the trade that led to the price limit breach is an error or not. If it is, then the price limits would not have been assumed to be breached and the team will commence with error trade procedures.

The 3-month annualized volatility for Baltic Handysize 38 Average 7 Routes is approximately 23%.
2.8 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.

3. CLEARING AND SETTLEMENT

Settlement under the Specifications shall be by cash settlement.

3.1 Daily Settlement Price and Final Settlement Price

Fixed price will be the traded price or the previous day’s settlement price as supplied end of day by the Baltic Exchange.

In respect of daily settlement, the floating price will be the end of day price as supplied by the Baltic Exchange. In respect of final settlement, the floating price will be the arithmetic average of the daily Baltic Exchange spot price assessments for every trading day in the expiry month.

The Final Settlement Price for the Futures Contract, as expressed in USD per day, shall be the arithmetic average of Baltic Exchange daily spot assessments in the Contract Month for the relevant Underlying Product, rounded to 4 decimal places.

3.2 Final Settlement

Clearing Members holding Open Positions in the Contract at the time of termination of trading in the Contract shall make payment to or receive payment from the Clearing House in accordance with normal variation margin procedures, based on a settlement price equal to the Final Settlement Price.

3.3 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.