

12 August 2016

Chris Kirkpatrick
Secretary
Commodity Futures Trading Commission
Three Lafayette Center
1155 21st St., N.W.
Washington, DC 20581
United States of America

Dear Chris,

Self-certification of Amendments to SGX-DC Clearing Rules

1 Introduction

- 1.1 Singapore Exchange Derivatives Clearing Limited ("**SGX-DC**"), a derivatives clearing organisation ("**DCO**") registered with the Commodity Futures Trading Commission (the "**Commission**"), hereby submits a self-certification for amendments to its Clearing Rules (the "**Amendments**") pursuant to Commission regulation 40.6(a).

2 Intended Implementation Date

- 2.1 The Amendments are proposed to be implemented on 31 October 2016, but will not be implemented prior to the Commission's 10 business day review period.

3 Explanation and Analysis

- 3.1 The Amendments are to remove the following freight forward contracts listed in Appendix 1 "Final Settlement Price" of SGX-DC's Clearing Rules, as SGX-DC intends to stop clearing such contracts:-
- (i) Half-Day Capesize Time Charter Basket (4 routes)
 - (ii) Half-Day Panamax Time Charter Basket
 - (iii) Half-Day Supramax Time Charter Basket
 - (iv) Half-Day Handysize Time Charter Basket
- (collectively, the "**Contracts**")

- 3.2 The Contracts were launched in November 2007 to cater to market demand, at a time when freight prices were near an all-time high. Due to market practices in trading monthly/quarterly/calendar trades, a half-day contract would provide finer hedging opportunities in hedging rounded positions in such monthly/quarterly/calendar trades, especially because a half-day contract was half the price of a full-day contract.
- 3.3 However, due to the collapse in freight prices, there have been no trades and no open interest ("OI") in the FFAs since 2008, as there was little need for such products. In addition, the FFA community was not supportive of the products and did not trade such products sufficiently.
- 3.4 There has been no OI in the product for at least the last six years. As freight rates remain low due to supply side imbalances, and any recovery is unlikely to see the record prices reached previously, SGX intends to stop accepting the FFAs for trade registration and effect the corresponding rule changes to remove references thereto from the SGX-DC Clearing Rules.

4 Description of Amendments

- 4.1 SGX-DC Clearing Rules' Appendix 1 "Final Settlement Price" would be changed to remove references to the Contracts.
- 4.2 The text of the Amendments with the changes indicated is attached as Appendix A.

5 Certification of Compliance with Core Principles

- 5.1 The Amendments have been promulgated in respect of SGX-DC's compliance with Core Principle L on public information and seek to provide clarity on which non-relevant market contracts may be accepted by SGX-DC for clearing.
- 5.2 SGX-DC hereby certifies to the Commission that the Amendments comply with the Commodity Exchange Act, as amended, and the regulations promulgated thereunder.

6 Public Notice of Pending Certification

- 6.1 SGX-DC has made publicly available a notice of the Amendments' pending certification with the Commission, together with a copy of this submission on its website at the following address:
http://www.sgx.com/wps/portal/sgxweb/home/regulation/consult_pub/dco_submissions.

7 Opposing Views

- 7.1 There were no opposing views expressed to SGX-DC by its board or committee members, SGX-DC Clearing Members or market participants that were not incorporated into the Amendments. If any opposing views are received by SGX-DC during the

Commission's review period, such views will be communicated to the Commission accordingly.

8 Contact Details

- 8.1 Please do not hesitate to contact the undersigned at jean.li@sgx.com or +65 6236 8150 should you require any clarification.

Yours sincerely,



Jean Li
Assistant Vice President
Regulatory Development & Policy (Regulation)

Appendix A

PROPOSED AMENDMENTS TO CLEARING RULES

Note: Changes are made in ~~red-strikethrough~~.

Appendix 1 – Final Settlement Price Freight Forward Contracts: Dry Timecharter Basket Routes

Products	4CTC	Half-Day 4CTC	5CTC	PTC	Half-Day PTC	STC	Half-Day STC	HTC	Half-Day HTC
Contract	Capesize Time Charter Basket (4 routes)	Half-Day Capesize Time Charter Basket (4 routes)	Capesize Time Charter Basket (5 routes)	Panamax Time Charter Basket	Half-Day Panamax Time Charter Basket	Supramax Time Charter Basket	Half-Day Supramax Time Charter Basket	Handysize Time Charter Basket Average 6 Routes	Half-day Handysize Time Charter Basket
Final Settlement Price	Arithmetic average of all Baltic's daily spot assessments in the Contract Month for the relevant underlying product, rounded to 1 decimal place								

