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**platts**

COMMENT

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Records Section

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David A. Stawick, Secretary  
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OFFICE OF THE SECRETARIAT  
C.F.T.C.

Re: Notice of Intent, Pursuant to the Authority in Section 2(h)(7) of the Commodity Exchange Act and Commission Rule 36.3(c)(3), to Undertake a Determination Whether the Fuel Oil-180 Singapore Swap Contract, Offered for Trading on the IntercontinentalExchange, Inc., Performs a Significant Price Discovery Function

Comments of Platts

Platts, the energy information division of The McGraw-Hill Companies, Inc., submits these comments for consideration by the Commodity Futures Trading Commission (the "Commission") in proceedings on whether certain contracts offered for trading on IntercontinentalExchange, Inc. ("ICE"), an exempt commercial market ("ECM"), are significant price discovery contracts within the meaning of Section 2(h)(7) of the Commodity Exchange Act because they perform a significant price discovery function. Platts has considerable experience and knowledge in assessing prices in a number of physical energy markets globally, including the market addressed in this proceeding, and is submitting these comments, along with relevant data, in an effort to assist the Commission in its review.

In an October 20, 2009 notice, the Commission sought comment on a swap contract that is cash-settled on the arithmetic average of the means between the daily high and low price assessments for "HSFO 180 CST" delivered in the specified calendar month, published under the "Singapore" heading within Platts' *Asia-Pacific/Arab Gulf Marketscan*.

Platts licenses use of its published assessments to ICE for purposes of settlement of the contract listed above, as well as others, and thus has an interest in this proceeding.

Platts publishes its daily Singapore 180 CST fuel oil assessments on a subscription basis. The assessment appears in Platts' *Asia-Pacific/Arab Gulf Marketscan*, a daily newsletter, and in a variety of other newsletters and real-time news services. In establishing its daily 180 CST fuel oil assessment, which it has published since 1980, Platts follows a public,

well-defined methodology. Platts will summarize elements below. The full methodology is available at:

<http://www.platts.com/elqNow/elqNotAuthRedir.htm?ref=/IM.Platts.Content/MethodologyReferences/MethodologySpecs/asiaoilproductspecs.pdf>

Platts' 180 CST assessment reflects transactions, bids and offers for physical cargoes of fuel oil of a minimum of 20,000 mt, maximum 40,000 mt per transaction, loading in Singapore 15-30 days from the date of publication. The assessment reflects the prevailing value for a cargo of fuel oil at precisely 16:30:00:99 in Singapore.

This assessment is arrived at through a Market on Close assessment process, by which Platts publishes bids, offers and trades from market participants in real-time, thereby promoting market transparency. Market participants are expected to specify loading for a five-day date range, a specific price, and any additional terms and conditions at the time of providing a bid or offer for publication by Platts. All this information is published by Platts in its assessment process in the interest of transparency.

Under the rules governing Platts' MOC process, all bids and offers are firm from the moment of submission and must be open to any reputable and creditworthy counterparty. Bids and offers are to be submitted by 16:00:00:99 Singapore time and are not accepted thereafter. Platts recognizes only the time of receiving a message of intent to buy/sell, not the time it was sent by the trading party. The volume, quality or loading timing cannot be changed from 16:00:00:99. However, an onscreen seller or buyer has the right to change the price of the offer or bid up to 16:25:00:99. No changes in price can be made thereafter. Bids and offers for all products expire at 16:30:00:99 Singapore time. Buyers or sellers can withdraw bids/offers at any time provided no prior interest to transact has been expressed by any potential counterparty.

The spot market trades actively on an outright price basis, and as a differential to Platts' published assessments. When a cargo is bought or sold on a floating price basis, in relation to Platts' published assessments, the premium or discount agreed is typically applied to an average of Platts' assessments published during the loading period itself.

Premiums will usually rise in those times when the market is backwardated (when the price for nearby delivery is higher than for further forward months) and the steeper the curve, the greater the premium. In a contango situation (when prices are higher for forward delivery dates than for nearer delivery dates), premiums will have a tendency to turn into discounts. Platts publishes trading activity on a differential and an outright price basis.

Swaps are a significant determinant in the physical price of fuel oil in Singapore, and are routinely considered in Platts' assessment systems. Swaps trade freely in an over-the-counter market, and can trade at any time. Paper markets are very reactive, and provide market participants with instant feedback on market conditions. Swaps react to arbitrage conditions or movements in overseas market, as well as local conditions.

These three factors – outright prices, floating prices and swaps – come together in the final determination of Platts’ published assessment for the value of physical fuel oil cargoes loading in Singapore.

Platts is committed to providing the public with maximum transparency with respect to the data that is used in determining Platts’ daily price assessments. All bids, offers and trades are published throughout the day, and they also appear in transparent daily trade summaries published in a variety of Platts publications, including Platts’ *Asia-Pacific/Arab Gulf Marketscan*.

For further information, Platts provides here a summary of the total volume of physical 180 CST fuel oil trades concluded during its assessment process in recent months, and the number of trades done in each month.

Singapore Physical 180 CST Cargo Trades During Platts MOC							
	Apr-09	May-09	Jun-09	Jul-09	Aug-09	Sep-09	Oct-09
Volume (mt)	60,000	220,000	255,500	67,000	107,000	27,000	54,000
Number of trades	2	11	12	3	5	1	2

Platts believes that the settlement mechanisms in the contract using physical oil price assessments by Platts are appropriate measures of price values at those locations.

Platts takes no position at this time on whether the ICE contract should be designated as a significant price discovery contract under Section 2(h)(7) of the Commodity Exchange Act, but we are continuing to review the issues. We believe it is important for the Commission, in making its determination, to take note that many of the participants in this market conduct no trading activities in the U.S. and the physical fuel oil considered in the assessment process is sourced or supplied solely from Singapore.

Platts would be pleased to answer any additional questions the Commission may have as it considers these issues.

Respectfully submitted,  
 By \_\_\_\_\_/s/\_\_\_\_\_  
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