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secretary

From: Kok-Yang.Foo@shell.com
Sent: Wednesday, November 04, 2009 9:43 AM
To: secretary
Subject: Determination of whether Fuel Oil-180 Singapore Swap (SZS) Contract on ICE serves as a SPDC

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Mr. David Stawick 4th Nov 2009

COMMENT

Secretary

Commodity Futures Trading Commission

1155 21st Street, NW

Washington, DC 20581

RE: Determination of whether Fuel Oil-180 Singapore Swap (SZS) Contract on ICE serves as a SPDC

Dear Mr. Stawick,

SIETCO is a participant in the SZS market and the following comments reflect SIETCO's interpretation of the development concerning the Singapore market.

ICE has since given their comments to you, dated 26th Oct 2009, sharing their concerns on the interpretation by CFTC on ;

(1) material liquidity and,

(2) material price reference for SPDCs.

These concerns are similarly applicable for the SZS that the Commission is seeking to view as a significant price discovery contract (SPDC).

We encourage the Commission to clarify directly with ICE the trade volumes for SZS as we understand that the volumes being used by the Commission for this SPDC assessment includes volumes that have been traded over the counter and given to ICE solely for clearing purposes. The resulting effect is that the true liquidity of SZS traded volume is much lower than initially assessed.

The SZS settles on the price determined by Platt's assessment of the underlying market, as such technically even if there are no trades for SZS on a particular day, Platt's can still publish an assessment for the grade. The ICE price simply reflects the cash market, and does not by itself determine the pricing used by the general industry. Commercial contracts regularly use Platt's assessment for their contractual pricing as that is a published quote. We are therefore of the view that SZS do not perform a significant price discovery function for Fuel Oil consumed in the U.S. market, or at all.

You will also recognize that the specification for SZS is largely meant for the regional markets around Singapore as the sulphur content in the SZS specification is much higher than the sulphur content for Fuel Oil consumed in the U.S. market (e.g. bunkers or Utilities). Following which it is unlikely for the U.S. public to use this SZS marker for domestic U.S. market pricing.

Finally, by deeming the SZS as a SPDC, one risk damaging the perception of U.S. public policy. The SZS is largely traded by Asian based traders. Should CFTC insists on regulating SZS, this may potentially have a negative effect on SZS trading, as Asian traders will be pondering on the merits of trading in a market that is regulated by Regulators based in a different jurisdiction. The likely end result may be that of the SZS market participants moving back to bilateral trades, without going through any clearing house or exchange.

Based on the above, we believe that SZS does not fall into the category of a SPDC.

Thank you for the opportunity to comment.

Regards
Foo Kok Yang
Sietco Compliance Officer

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