

The SGX logo is partially visible at the top left of the page, showing the letters "SGX" in blue and a portion of the flag icon.

Circular

3rd May 2017

Circular No. DC/AM – 27 of 2017

Changes to SGX TSI Iron Ore CFR China (62% FE Fines) Contracts

On 18 January 2017, SGX issued circular DC/AM – 6 of 2017 to notify participants of TSI's changes to the index methodology for its TSI Iron Ore 62% Fe Benchmark index. In the circular, SGX also outlined proposed changes to the SGX TSI Iron Ore CFR China (62% FE Fines) Contracts.

SGX has since undergone the due regulatory process and will be effecting the following changes on **2 January 2018**:

- Amend the Futures Trading Rules and SGX-DC Clearing Rules so that SGX's contracts reference the revised TSI index. Please see Appendix A for amendments. The amendments will affect the following contracts with contract months expiring in 2018 and beyond:
 - SGX TSI Iron Ore CFR China (62% FE Fines) Index Futures
 - SGX TSI Iron Ore CFR China (62% FE Fines) Swaps
 - SGX Options on TSI Iron Ore CFR China (62% FE Fines) Index Futures
 - SGX Options on TSI Iron Ore CFR China (62% FE Fines) Swaps
- Apply a one-time monetary adjustment through members' margin accounts to account for the price differential arising from the revised TSI index:
 - Each lot of futures/swaps open position as of close of business **29 December 2017**, will be subject to an adjustment of US\$0.27 per metric ton. Please see Appendix B for example.
 - Each lot of option-on-futures/option-on-swaps open position as of close of business **29 December 2017**, will be subject to an adjustment of US\$0.27 per metric ton multiplied by the option delta. Please see Appendix C for example.

SGX will carry out the adjustment on an aggregated basis for each clearing member. After the adjustment, SGX will provide each clearing member with a report that breaks down the adjustment at the position account level.

Participants who do not wish for their positions to be subjected to the amended contract specifications and/or monetary adjustment are advised to close their open positions before 8pm on 29 December 2017.

Singapore Exchange Derivatives Clearing Limited

Company Reg No. 200005878M
(a wholly-owned subsidiary of Singapore Exchange Limited)

2 Shenton Way, #02-02 SGX Centre 1, Singapore 068804
Main: (65) 6236 8888 Fax: (65) 6536 6495

www.sgx.com



For any clarification, please contact your Business Manager or any of the following:

- Janice Yap at janice.yap@sgx.com or tel.: (65) 6236 8925
- Brenna Koh at brenna.koh@sgx.com or tel.: (65) 6236 8827
- Demi Sun at yinying.sun@sgx.com or tel.: (65) 6236 5376
- Kenny Groth at kenny.groth@sgx.com or tel.: (44) (0) 207 965 4469
- Tan Say Liang at sayliang.tan@sgx.com or tel.: (65) 6236 5130

Alison King
Senior Vice President
Derivatives

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Appendix A1

SGX TSI IRON ORE CFR CHINA (62% FE FINES) INDEX FUTURES CONTRACT SPECIFICATIONS

- 1. SCOPE OF CONTRACT SPECIFICATIONS AND DEFINITION**
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1. SCOPE OF CONTRACT SPECIFICATIONS AND DEFINITIONS

In conjunction with the Futures Trading Rules (the “**Trading Rules**”) and the Singapore Exchange Derivatives Clearing Rules (the “**Clearing Rules**”, and together with the Trading Rules, the “**Rules**”) ¹, as amended from time to time, these contract specifications for the SGX The Steel Index (“**TSI**”) Iron Ore CFR China (62% FE Fines) Index futures (these “**Specifications**”) set out the terms and procedures for the trading, clearing and settlement in the SGX TSI Iron Ore CFR China (62% FE Fines) Index Futures Contract traded on the Exchange.

These Specifications shall be read together with the Rules, and in the event of a conflict or inconsistency between the Rules and these Specifications, the Rules shall prevail.

In these Specifications, unless the context otherwise requires, the following capitalised expressions shall have the meanings hereafter assigned to them:

Contract	Refers to the SGX TSI Iron Ore CFR China (62% FE Fines) Index Futures Contract traded on the Exchange
Option Contract	Refers to the Option on the Swap Contract accepted by the Clearing House for clearing
Swap Contract	Refers to the SGX TSI Iron Ore CFR China (62% FE Fines) Index Swap Contract accepted by the Clearing House for clearing
TSI Iron Ore Index	Refers to the TSI Iron Ore Fines 62% FE —CFR Tianjin Port (China)— <u>CFR China</u> reference prices published by TSI

Capitalised terms employed herein and not otherwise defined shall have the meanings ascribed to them under the Rules.

2. TRADING

2.1 Trading Months and Hours

The Contract shall be listed for such Contract Months and made available for trading during those hours determined by the Exchange in its sole discretion.

¹ These Rules may be found on the Exchange’s website at <http://www.sgx.com>

2.2 Contract Value and Trading Unit

Each Contract shall be valued at one hundred (100) metric tonnes multiplied by the Contract price.

The trading unit shall be one hundred (100) metric tonnes multiplied by the Contract price.

2.3 Minimum Fluctuations

Bids and offers shall be quoted in United States Dollars per metric tonne. The minimum fluctuation of the Contract shall be 0.01 United States Dollars, equivalent to one (1) United States Dollar per Contract.

2.4 Position Limits

Unless otherwise approved by the Exchange and subject to Rule 4.1.18 of the Trading Rules, a Person must not own or control any combination of Futures Contracts, Swap Contracts and Option Contracts that exceeds an equivalent of three thousand (3,000) Swap Contracts on the same side of the Market in all Contract Months combined.

2.5 Computation of Positions

For the purpose of computing positions for compliance with Clause 2.4:

- (a) the Contract shall be deemed to be equal to one-fifth (1/5) of a Swap Contract;
- (b) the swap-equivalent of an Option Contract is the relevant option delta computed by Clearing House for the option series; and
- (c) a long call Option Contract, a short put Option Contract, a long Swap Contract and a long Futures Contract are on the same side of the Market. Conversely, a short call Option Contract, a long put Option Contract, a short Swap Contract and a short Futures Contract are on the same side of the Market.

2.6 Price Limits and Cooling Off Period

There shall be no price limits or cooling off period imposed for trading in the Contract.

2.7 Termination of Trading

The Last Trading Day shall be the last publication day of the TSI Iron Ore Index in the Contract Month.

3. CLEARING AND SETTLEMENT

3.1 Cash Settlement

Settlement under these Specifications shall be in cash.

3.2 Final Settlement Price

Subject to Clause 3.3, the Final Settlement Price shall be the arithmetic average of all TSI Iron Ore Indexes in the expiring Contract Month, rounded to two (2) decimal places.

3.3 Alternative Resolution of Final Settlement Price

Where the Final Settlement Price prescribed is otherwise not available pursuant to Clause 3.2, the Exchange and the Clearing House may decide that the Final Settlement Price shall be determined by an alternative means in accordance with Rule 4.1.20 of the Trading Rules. The decision of the Exchange and the Clearing House with respect to the determination of the Final Settlement Price by this alternate means shall be binding on all parties holding an open position in the Contract at termination of trading.

3.4 Final Settlement

Members holding open positions in the Contract at termination of trading must 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.

3.5 Other Rules and Procedures for Clearing and Settlement

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

4. REQUIREMENTS FOR TRADING

4.1 The Exchange has entered into a licensing agreement with TSI to use the TSI Iron Ore Index. TSI owns rights in TSI Iron Ore Index and the proprietary data contained therein.

- 4.2 Neither TSI nor its licensors in any way sponsor, endorse or are otherwise involved in the issuance and offering of the Contract. The Exchange, TSI and its licensors disclaim any liability to any party for any inaccuracy in the data on which the TSI Iron Ore Index is based, for any mistakes, errors or omissions in the calculation and/or dissemination of the TSI Iron Ore Index or for the manner in which it is applied in connection with the issuance and offering of derivatives instruments derived from the TSI Iron Ore Index or the trading of the Contract.
- 4.3 The Exchange makes no warranty, express or implied, as to the accuracy or completeness of, or the results to be obtained by any person or any entity from the use of, the TSI Iron Ore Index, any intra-day proxy related thereto or any data included therein in connection with the trading of any contracts, or for any other use. The Exchange makes no express or implied warranties of merchantability or fitness for a particular purpose with respect to the TSI Iron Ore Index or any intra-day proxy related thereto or any data included therein.
- 4.4 A Member shall hold the Exchange and its directors, officers, employees and agents (collectively the "**Beneficiaries**" and each a "**Beneficiary**") harmless from and against any loss, liability, judgment, claim, damage, cost or expense (including legal costs on an indemnity basis, failing which on a solicitor and client basis) arising from or in connection with any action, proceeding or, claim made or brought by any Customer of a Member where such Member had failed to secure the Customer's acknowledgement of the disclaimer document as required above. Members shall also recognise that notwithstanding the preceding indemnity and in recognition that any response to such claim, action or proceeding may have been knock-on consequences for the Exchange or the exchange it maintains, the Beneficiaries (or any Beneficiary) shall have full control over the defence and/or settlement any such claim, action or proceeding without the need for prior clearance with the indemnifying Member.

Appendix A2

Proposed Amendments to the SGX-DC Clearing Rules

Proposed amendments are marked in *blue*.

Appendix 1 – Final Settlement Price

Iron Ore Swap Contracts

Products	Iron Ore Swap			
Contract	SGX TSI Iron Ore CFR China (62% Fe Fines) Swap	SGX MB Iron Ore CFR China (58% FE Fines) Swap	SGX TSI Iron Ore CFR China (58% FE Fines) Swap	SGX Platts Iron Ore CFR China (Lump Premium) Swap
Final Settlement Price	Cash settlement using the arithmetic average of all The Steel Index (TSI) Iron Ore Fines 62% FE —CFR Tianjin Port <u>CFR China</u> reference prices in the expiring month, rounded to 2 decimal places.	Cash settlement using the arithmetic average of all the aggregate daily values of MBIOW — 58% FE Fines, CFR Qingdao Index and MBIOW — 58% Premium FE Fines, CFR Qingdao Index reference prices, as published by Metal Bulletin, in the expiring contract month, rounded to 2 decimal places.	Cash settlement using the arithmetic average of all The Steel Index Iron Ore Fines 58% Fe (Low Alumina) — CFR Qingdao Port Index reference prices in the expiring contract month, rounded to 2 decimal places.	Cash settlement using the arithmetic average of all Platts IO Spot Lump Premium 62.5% CFR China Index reference prices in the expiring contract month, rounded to 4 decimal places

Appendix A3

SGX OPTIONS ON TSI IRON ORE CFR CHINA (62% FE FINES) INDEX FUTURES CONTRACT SPECIFICATIONS

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 - 3.3 Other Rules and Procedures for Clearing and Settlement**
- 4. REQUIREMENTS FOR TRADING**

1. SCOPE OF CONTRACT SPECIFICATIONS AND DEFINITIONS

- 1.1 In conjunction with the Futures Trading Rules (the “**Trading Rules**”) and the Singapore Exchange Derivatives Clearing Limited Clearing Rules (the “**Clearing Rules**”, and together with the Trading Rules, the “**Rules**”)¹, as amended from time to time, these contract specifications for SGX Options on TSI Iron Ore CFR China (62% FE Fines) Index Futures Contract (these “**Specifications**”) set out the terms and procedures for the trading, clearing and settlement of the put and call options based on the SGX TSI Iron Ore CFR China (62% FE Fines) Index Futures Contract traded on the SGX-DT Market.
- 1.2 These Specifications shall be read together with the Rules, and in the event of a conflict or inconsistency between the Rules and these Specifications, the Rules shall prevail.
- 1.3 Capitalised terms employed herein and not otherwise defined shall have the meanings ascribed to them under the Rules.
- 1.4 In these Specifications, unless the context otherwise requires, the following capitalised expressions shall have the meanings hereafter assigned to them:

ATM Strike	means the exercise price nearest to the previous day’s Daily Settlement Price of the underlying Futures Contract which is deliverable upon the exercise of an Option Contract;
Futures Contract	means the SGX TSI Iron Ore CFR China (62% FE Fines) Index Futures Contract traded on the SGX-DT Market which is deliverable upon the exercise of an Option Contract. Unless otherwise determined and announced by the Exchange, Option Contracts for a Contract Month shall be deliverable by a corresponding Futures Contract’s Contract Month;
Option Contract	means this option on Futures Contract traded on the SGX-DT Market;
Option-on-Swap Contract	means the option on the Swap Contract accepted by the Clearing House for clearing;
Relevant Contract	means a contract traded on the SGX-DT Market and/or accepted by the Clearing House for clearing with an identical Underlying as the Swap Contract;
Swap Contract	means the Iron Ore CFR China (62% FE Fines) Swap Contract accepted by the Clearing House for clearing;
Tonne	means a metric tonne of one thousand (1,000) kilogrammes;
TSI	means The Steel Index; and
TSI Iron Ore Index	means the TSI Iron Ore Fines 62% FE —CFR Tianjin Port

¹ These Rules may be found on the Exchange’s website at <http://www.sgx.com>.

	(China) CFR China reference prices published by TSI.
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2. TRADING

2.1 Trading Months and Hours

The Option Contract shall be listed for such Contract Months and made available for trading during those hours determined by the Exchange.

2.2 Trading Unit

The trading unit shall be an Option Contract to buy, in the case of a call option, or to sell, in the case of a put option, one (1) lot of the Futures Contract, which is equivalent to one hundred (100) Tonnes of iron ore.

2.3 Minimum Fluctuations

The price of an Option Contract shall be quoted in one-hundredth of a U.S. Dollar (0.01 U.S. Dollar) per lot of the Option Contract.

2.4 Exercise Prices

2.4.1 Exercise prices shall be stated as a price that is a multiple of one-hundredth of a U.S. Dollar (0.01 U.S. Dollar) per Tonne.

2.4.2 At the commencement of trading of an Option Contract of a specific Contract Month, the Exchange shall list an exercise price of the Option Contract that is equivalent to the ATM Strike rounded off to the nearest U.S. Dollar.

2.4.3 Thereafter, on each subsequent trading day of an Option Contract of a specific Contract Month, the Exchange may, in its sole discretion, list additional exercise prices for the Option Contract (i) as determined by the Exchange or (ii) upon the request of Members.

2.4.4 Additional exercise prices shall not be listed for an Option Contract that has less than one (1) Trading Day (on which the Option Contract is available for trading on the SGX-DT Market) remaining to the Expiration Day of the Option Contract.

2.4.5 The Exchange may modify the provisions governing the establishment of exercise prices as it deems fit.

2.5 Position Limits

Unless otherwise approved by the Exchange and subject to Rule 4.1.18 of the Trading Rules, a Person shall not own or control any combination of the Option Contracts, the Futures Contracts, the Swap Contracts, the Option-on-Swap Contracts and the Relevant Contracts that exceeds an equivalent of three thousand (3,000) contracts net in the Swap Contracts on the same side of the Market, and in all Contract Months combined.

2.6 Computation of Positions

For the purpose of computing positions for compliance with clause 2.5:

- (a) one (1) Futures Contract shall be deemed to be equal to one-fifth (1/5) of a Swap Contract;
- (b) the swap-equivalent of an Option Contract shall be deemed to be equal to one-fifth (1/5) of the relevant option delta computed by the Clearing House for the option series;
- (c) the swap-equivalent of an Option-on-Swap Contract is the relevant option delta computed by the Clearing House for the option series; and
- (d) a long call Option Contract, a short put Option Contract, a long Swap Contract, a long Futures Contract, a long call Option-on-Swap Contract, a short put Option-on-Swap Contract and a long Relevant Contract are on the same side of the Market. Conversely, a short call Option Contract, a long put Option Contract, a short Swap Contract, a short Futures Contract, a short call Option-on-Swap Contract, a long put Option-on-Swap Contract and a short Relevant Contract are on the same side of the Market.

2.7 Termination of Trading

Trading in each Option Contract shall terminate on the same date and time as the underlying Futures Contract.

3. EXERCISE OF OPTION

3.1 Exercise of Option by Buyer

This Option Contract is a European Style Option Contract that may be exercised by the Buyer only at expiry.

3.2 Exercise of Option Upon Termination of Trading

Where instructions to the contrary have not been delivered to the Clearing House by 21:30 on Expiration Day, an in-the-money Option Contract shall be exercised automatically. The instructions must be provided by the Clearing Member who represents the Buyer of the Option Contract.

An Option Contract is in-the-money if the Final Settlement Price lies above the exercise price in the case of a call Option Contract, or below the exercise price in the case of a put Option Contract.

Option Contracts that are exercised shall be assigned by the Clearing House on an arbitrary basis to Clearing Members holding short open positions in the same series. A Clearing Member to whom an exercised Option Contract is assigned shall be notified as soon as practicable after such option is assigned by the Clearing House. Upon exercise of an Option Contract of a specified Contract Month, the deliverable contract is the Futures Contract of the same Contract Month.

The Clearing Member who represents the Seller of the Option Contract will be assigned a short Futures Contract position if a call Option Contract is exercised or a long Futures Contract position if a put Option Contract is exercised. The Clearing Member who represents the Buyer of the Option Contract will be assigned a long position in the

underlying Futures Contract if a call Option Contract is exercised and a short position in the underlying Futures Contract if a put Option Contract is exercised.

All Futures Contract positions shall be assigned at a price equal to the exercise price of the Option Contract.

3.3 Other Rules and Procedures for Clearing and Settlement

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

4. REQUIREMENTS FOR TRADING

- 4.1 The Exchange has entered into a licensing agreement with TSI to use the TSI Iron Ore Index. TSI owns rights in TSI Iron Ore Index and the proprietary data contained therein.
- 4.2 Neither TSI nor its licensors in any way sponsor, endorse or are otherwise involved in the issuance and offering of the Option Contract. The Exchange, TSI and its licensors disclaim any liability to any party for any inaccuracy in the data on which the TSI Iron Ore Index is based, for any mistakes, errors or omissions in the calculation and/or dissemination of the TSI Iron Ore Index or for the manner in which it is applied in connection with the issuance and offering of derivatives instruments derived from the TSI Iron Ore Index or the trading of the Option Contract.
- 4.3 The Exchange makes no warranty, express or implied, as to the accuracy or completeness of, or the results to be obtained by any person or any entity from the use of, the TSI Iron Ore Index, any intra-day proxy related thereto or any data included therein in connection with the trading of any contracts, or for any other use. The Exchange makes no express or implied warranties of merchantability or fitness for a particular purpose with respect to the TSI Iron Ore Index or any intra-day proxy related thereto or any data included therein.
- 4.4 A Member shall hold the Exchange and its directors, officers, employees and agents (collectively the "**Beneficiaries**" and each a "**Beneficiary**") harmless from and against any loss, liability, judgment, claim, damage, cost or expense (including legal costs on an indemnity basis, failing which on a solicitor and client basis) arising from or in connection with any action, proceeding or, claim made or brought by any Customer of a Member. Members shall also recognise that notwithstanding the preceding indemnity and in recognition that any response to such claim, action or proceeding may have been knock- on consequences for the Exchange or the exchange it maintains, the Beneficiaries (or any Beneficiary) shall have full control over the defence and/or settlement any such claim, action or proceeding without the need for prior clearance with the indemnifying Member.

Appendix B: Adjustment Example for Futures/Swaps

	Long	Short
Open Position	5 lots of futures	5 lots of futures
Contract Size	100 MT	100 MT
TSI Differential	US\$0.27	US\$0.27
Adjustment Amount	5 lots x 100 MT x -US\$0.27 =-US\$135	5 lots x 100 MT x +US\$0.27 =+US\$135

The same will apply for swaps, except that contract size is 500 MT.

Appendix C: Adjustment Example for Options-on-Futures/Options-on-Swaps

	Long Call	Short Call
Open Position	5 lots of options-on-futures	5 lots of options-on-futures
Contract Size	100 MT	100 MT
Delta	50%	50%
TSI Differential	US\$0.27	US\$0.27
Adjustment Amount	5 lots x 100 MT x 50% x -US\$0.27 =-US\$67.50	5 lots x 100 MT x 50% x +US\$0.27 =+US\$67.50

	Long Put	Short Put
Open Position	5 lots of options-on-futures	5 lots of options-on-futures
Contract Size	100 MT	100 MT
Delta	-50%	-50%
TSI Differential	US\$0.27	US\$0.27
Adjustment Amount	5 lots x 100 MT x -50% x -US\$0.27 =+US\$67.50	5 lots x 100 MT x -50% x +US\$0.27 =-US\$67.50

The same will apply for options-on-swaps, except that contract size is 500 MT.