



Circular Derivatives

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News Release: SGX proposes changes to strengthen global benchmark SICOM rubber derivatives

Singapore Exchange (SGX) is inviting public comment on proposed changes to its SICOM rubber derivatives to further strengthen the global benchmark for physical rubber.

SICOM rubber contracts are important trading and risk-management tools, used extensively by tyre makers to price their purchases of raw material from South-East Asia to West Africa. SGX's recommendations, which follow informal feedback from market participants, seek to clarify operational aspects of the physical-delivery process. These include improving free-on-board delivery terms and providing the exchange with the flexibility to prescribe additional loading ports.

The public consultation closes on 26 June. Subject to regulatory approval, the specifications of the following contracts may be amended in the third quarter of 2017:

1. SGX SICOM Technically Specified Rubber 20 (TSR 20) Futures;
2. SGX SICOM Ribbed Smoked Sheet 3 (RSS 3) Futures; and
3. SGX SICOM Over-The-Counter (OTC) TSR 20 Rubber Forwards.

Michael Syn, Head of Derivatives at SGX, said, "Rubber has been a part of Singapore's economic DNA for over a century. Today, SICOM derivatives are integral to the proper functioning of the physical marketplace, allowing participants to benchmark prices and manage volatility. This consultation is an opportunity for all stakeholders to work with us to support the long-term growth of the industry."

Singapore, which emerged as the world's main export centre for rubber in the 1900s, is the global price-discovery hub for the commodity. SGX continuously engages with consumers, producers and traders as the market evolves. World Rubber Week, one of the industry's most important annual gatherings, was held at the exchange in March this year.

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