

3 August 2015

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

Dear Mr. Kirkpatrick,

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 in or after September 2015, but will not be implemented prior to the Commission's 10 business day review period.

3 Explanation and Analysis

- 3.1 The Amendments are in respect of introduction of the Capesize Time Charter Basket (5 routes) and Capesize Option (5 routes) (together the "**Freight Swap**").
- 3.2 The Freight Swaps require additions to be made to the Clearing Rules on the calculation of the Final Settlement Price ("**FSP**"). The FSP for OTC contracts cleared by SGX-DC is set out in Appendix 1 to the Clearing Rules.

3.3 SGX-DC is registered as an approved clearing house under the Securities and Futures Act of Singapore and regulated by the Monetary Authority of Singapore (“MAS”). The Amendments are subject to the MAS’ regulatory concurrence.

4 **Description of Amendments**

4.1 Appendix 1 to the SGX-DC Clearing Rules would be amended as a result of the Amendments.

4.2 The text of the Amendments with the changes indicated is attached as Appendix 1.

5 **Certification of Compliance with Core Principles**

5.1 The Amendments have been promulgated in respect of SGX-DC’s compliance with Core Principle E on settlement procedures and seek to provide clarity on the final settlement prices for the Contracts.

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 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 ludovico.cardone@sgx.com or +65 6713 7765 should you require any clarification.

Yours sincerely,



Ludovico Cardone
Assistant Vice President
Legal (Regulation)

Appendix 1

Text of the Proposed Amendments to Appendix 1 to the SGX-DC Clearing Rules

Note: Changes are made in blue.

Appendix 1 – Final Settlement Price

Freight Forward Contracts: Dry Timecharter Basket Routes

Products	<u>4CTC</u>	Half-Day <u>4CTC</u>	<u>5CTC</u>	PTC	Half-Day PTC	STC	Half-Day STC	HTC	Half-Day HTC
Contract	Capesize Time Charter Basket (<u>4 routes</u>)	Half-Day Capesize Time Charter Basket (<u>4 routes</u>)	<u>Capesize Time Charter Basket (5 routes)</u>	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								

Products	<u>Capesize Option (4 routes)</u>	<u>Capesize Option (5 routes)</u>	<u>Panamax Option</u>	<u>Supramax Option</u>	Handysize Option
Contract	Capesize Time Charter Basket (<u>4 routes</u>)	<u>Capesize Time Charter Basket (5 routes)</u>	Panamax Time Charter Basket	Supramax Time Charter Basket	Handysize Time Charter Basket Average 6 Routes
Option Exercise and Settlement	<p><u>European Style</u>: An option will be exercised automatically at expiry only if it is in-the-money.</p> <p><u>Cash Settled</u>: Upon exercise, a call option will have a value equal to final settlement price of the underlying FFA minus the strike price, multiplied by the contract size.</p> <p>Upon exercise, a put option will have a value equal to the strike price minus the final settlement price of the underlying FFA, multiplied by the contract size.</p>				