

TRADING FREIGHT AND COMMODITY DERIVATIVES IN RMB

In addition to international, dollar-denominated markets, Forward Freight Agreements (FFAs) and Iron Ore Swaps (IOS) are available to trade in China with settlement in RMB.

Like dollar-denominated swaps, RMB-settled FFA and IOS contracts are traded between two counterparties through brokers registered with the Shanghai Clearing House (SHCH). The SHCH provides the central counterparty clearing service for RMB FFA transactions.

The contracts may only be brokered by China-registered brokerage firms such as Freight Investor Services.

WHO CAN TRADE RMB SWAPS?

Chinese companies and entities which meet the requirements of registration in China are eligible to trade RMB swaps and use them as a risk management and investment tool.

These include shipping companies, commodity traders and end-users who consume seaborne traded commodities (such as steel mills, power stations, cement plants and other manufacturers) in addition to financial institutions and investment companies.

In order to trade RMB swaps, clients must complete a number of trading and clearing processes.

1. Open an account with a Chinese GCM bank and arrange margin deposits.
2. Sign a brokerage agreement with FIS.
3. Obtain market prices from FIS brokers by phone, via instant messaging
4. Counterparties negotiate the RMB FFA prices through FIS.
5. Authorise trade once agreed through FIS.
6. The trade will be cleared and settled by SHCH through the appointed GCM.

RMB FFA CONTRACT SPECIFICATION

RMB FFAs are based on the Baltic Exchange indices and the SHCH offers the three most liquid contracts: Capesize 5TCs, Panamax 4TCs and Supramax 6TCs. Together, these three FFA contracts make up 90% of the total trade volume in the FFA market.

Product	Cash settled freight forward contracts on the following Dry Timecharter Basket Routes: CTC, PTC, STC
Lot size	1 day
Contract unit	RMB/day
Contract series	<ol style="list-style-type: none"> 1. Up to 5 consecutive months starts front month 2. 4 consecutive quarters starts next quarter 3. 2 consecutive years starts next year *during the contract period, the settlement is conducted monthly
Minimum tick	0.01 RMB/day
Trading hours (China time)	Working hours: 10:30 to 18:00 (Beijing) That last trading day: 10:30 to 17:00
Last trading day	<ol style="list-style-type: none"> 1. The last trading day for monthly contract is the last working day for current month 2. The last trading day for quarterly contract is the last working day in last quarter The last trading day for yearly contract is the last working day in last year
Last settlement day	Next Chinese working day after the last trading day in every month during the contract period
Settlement Price	The monthly average of the Baltic indices x monthly average of RMB/USD median price (accuracy to 0.01)

RMB IRON ORE SWAP SPECIFICATION

With the approval of the People's Bank of China, Shanghai Clearing House (SHCH) launched RMB Iron ore Swap in August 2014. The underlying of RMB Iron Ore Swap is the imported Iron ore (62% FE) China port price, and the settlement is in RMB.

Product type	RMB Iron Ore Swap
Contract name	Iron ore (FE 62%) swap
Product ticker	CIS
Contract size	100 wet metric ton
Contract unit	Yuan/wet metric ton
Minimum price fluctuation	0.01 yuan/wet metric ton
Contract period	<ol style="list-style-type: none"> Up to 6 consecutive months starts front month 4 consecutive quarters starts next quarter 2 consecutive years starts next year *during the contract period, the settlement is conducted monthly
Trading hours	Working hours: 10:30 to 18:00 (Beijing) That last trading day: 10:30 to 15:00
Last trading days	<ol style="list-style-type: none"> The last trading day for month contract is the last working day for current month The last trading day for quarter contract is the last working day in last quarter The last trading day for year contract is the last working day in last year
Last settlement day	Next working day after the last trading day in every month of the contract period
Forward price	Based on the forward price published by Shanghai Clearing House (SHCH)
Last settlement price	arithmetic average of three iron ore price indices in the expiring month (accuracy to 0.01): <ol style="list-style-type: none"> Custeel CSI iron ore (62% FE Fines) spot price index CBMX Benchmark prices of Iron ore (62% fe) spot trading Mysteel Iron ore (62% fe Australia Fines) spot prices
Position limits	10000 month contracts

Please contact FIS for details of margin requirements for FFA and IOS contracts.

For further details about RMB Swaps or to discuss trading opportunities, call:

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