



SGX – Derivatives Circular For All Members

6 November 2006

Circular No. DT/AM – 154 of 2006

1. **LAUNCH OF CRUDE PALM OIL FUTURES CONTRACT**
2. **PUBLIC CONSULTATION ON AMENDMENTS TO THE FUTURES TRADING RULES AND SGX-DC CLEARING RULES**

The Exchange is pleased to inform Members and market participants that it will be launching a Crude Palm Oil Futures Contract ("**CPO Contract**") upon receipt of regulatory clearance. The proposed Contract Specifications of the CPO Contract are attached as **Appendix 1**. The Exchange and the Clearing House propose to make consequential and other amendments to the Futures Trading Rules and the SGX-DC Clearing Rules (collective, "**the Rules**") as set forth in **Appendix 2** attached hereto.

The Exchange and the Clearing House would like to take this opportunity to consult on the Contract Specifications and the amendments to the Rules, as more fully set out in **Annex A**.

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**CONSULTATION ON CRUDE PALM OIL FUTURES CONTRACT AND
AMENDMENTS TO FUTURES TRADING RULES AND
SGX-DC CLEARING RULES**

A. Public Consultation on CPO Futures Contract Specifications

Pursuant to section 23(2) of the Securities and Futures Act and Regulation 19 (2) of the Securities and Futures (Markets) Regulations 2005, the Exchange hereby consults on the introduction of the enclosed Crude Palm Oil (“**CPO**”) Futures Contract Specifications (“**Specs**”) at **Appendix 1**. In particular, the Exchange seeks comments on the following clauses in the Specs which are considered rules under the Futures Trading Rules.¹ (Unless otherwise defined in the Specs, the capitalized terms used below shall have the meaning given to them under the Futures Trading Rules.)

1. Delivery Obligations

We hereby consult interested parties on the following delivery terms in the Specs which are considered as material delivery obligations (*please refer to the Specs for the full provisions*):

- (a) Clause 2.1 - Technical Specifications
- (b) Clause 2.4 - Designated Ports for Loading
- (c) Clause 2.7 - Delivery Obligations Post Maturity
- (d) Clause 3.1 - Delivery of CPO
- (e) Clause 3.2 - Notices to be sent to Clearing House
- (f) Clause 3.3 - Matching and Notification by Clearing House
- (g) Clause 3.4 - Option of Alternative Delivery Procedure
- (h) Clause 3.5 - Posting and Release of Performance Deposit with Clearing House
- (i) Clause 3.6 - Cash Settlement
- (j) Clause 4 - Physical Delivery
- (k) Clause 4.1 - Vessel Nomination
- (l) Clause 4.2 - Substitution of Nominated Vessel
- (m) Clause 4.3 - Delay of Vessel
- (n) Clause 4.4 - Shipping Instructions
- (o) Clause 4.5 - Notices of Readiness
- (p) Clause 4.6 - Quantity
- (q) Clause 4.7 - Weighing, Sampling and Analysis
- (r) Clause 4.8 - Loading, Laytime and Demurrage
- (s) Clause 4.9 - Export, Import Clearances and Insurance
- (t) Clause 4.12 - Extension Period
- (u) Clause 4.13 - Shipment Tender
- (v) Clause 5.1 - Bills of Lading
- (w) Clause 5.2 - Delivery of Final Documents and Payment via Clearing House

2. Price Limits

Price Limits applicable to the CPO Contract are set out in Clause 2.5 of the Specs.

¹ See Rule 5.1.4 re: material delivery terms that are deemed part of the Rules and Rule 4.1.15 for Price Limits and Rule 4.1.17 for position limits.

3. **Position limits**

Position Limits applicable to the CPO Contract are set out in Clause 2.6 of the Specs.

B. Public Consultation on Amendments to the Trading Rules and Clearing Rules

Pursuant to section 23(2) of the Securities and Futures Act and Regulation 19 (2) of the Securities and Futures (Markets) Regulations 2005, and pursuant to Section 71(2) of the Securities and Futures Act and Regulation 22 of the Securities and Futures (Clearing Facilities) Regulations 2005, the Exchange and the Clearing House hereby consults on various amendments proposed to be made to the Futures Trading Rules (the "**Trading Rules**") and the SGX-DC Clearing Rules (the "**Clearing Rules**") as set forth in **Appendix 2** attached hereto. In particular, the Exchange and Clearing House wish to highlight the following proposed amendments:

1. Revision to the timing of re-novation – *See Clearing Rule 6.02A.7*
2. New rule on cash settlement – *See new Clearing Rule 6.02A.7A*
3. New rules to minimize fragmentation of opposite positions for delivery and prevent accumulation of offsetting positions not intended for delivery – *See new Clearing Rules 6.05.1 and 6.05.2*
4. Revision to definition of Daily Settlement Price to confer flexibility with respect to time of computation – *See Trading Rule definition of "Daily Settlement Price"*
5. Contract-specific Force Majeure events to prevail – *See Trading Rule definition of "Force Majeure"*

Save for the above amendments, the other amendments set forth in Appendix 2 are either consequential changes that have been made to address matters specific to JADE contracts or are of limited impact.

C. Procedure and Deadline to Submit Written Comments

Written comments, if any, on the Specs and amendments to the Futures Trading Rules and the Clearing Rules are to be submitted to Miss Jo-Ann Marie Chan at rules@sgx.com by **27 November 2006**. All submissions should be clearly and concisely written, and should provide a reasoned explanation for any proposed revision to the proposed Specs or Rule amendments. Where feasible, participants should identify the specific Clause or Rule on which they are commenting. In any case in which participants choose to suggest revisions to the text of the Specs, the Trading Rules or the Clearing Rules, participants should state clearly the specific changes to the text that they are proposing. The Exchange and the Clearing House reserve the right to make public all or parts of any written submission and to disclose the identity of the source. Participants may request confidential treatment for any part of the submission that they believe to be proprietary, confidential or commercially sensitive.