



Iron Ore

**FREQUENTLY-ASKED
QUESTIONS**



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1. WHAT IS ICE LAUNCHING?

ICE now offers a cleared Platts OTC swap based on a 62% FE content for Iron Ore CFR China. This is the core grade around which a market is building liquidity for swaps.

2. WHAT ARE THE ADVANTAGES OF A PLATTS CLEARED SWAP?

Many physical iron ore transactions on a term, monthly average basis are concluded against a Platts Index and therefore a cleared swap against the same index is a complementary product. By aligning the swap with the physical market, potential basis risk between the physical and the derivatives on which the physical is based is removed.

Platts has years of experience handling very high profile markets in oil where it is a well established benchmark provider and therefore this experience should put them in a dominant position in the iron ore market as it grows in importance.

Importantly, Platts was the first price reporting agency to report activity in the Iron Ore market on a daily basis and was also the first to quote a 62% CFR China assessment, the major basis on which the market is trading today. Additionally, the methodology which Platts applies to the iron ore market is well tested, with prices based on both physical deals and bids and offers.

For further information about the Platts Iron Ore spot Index methodology, please refer to the following link:
<http://www.platts.com/IM.Platts.Content/MethodologyReferences/MethodologySpecs/ironore.pdf>

3. WHAT IS THE ADDED VALUE OF THE ICE PROPOSITION?

ICE is able to bring scalability to the market via its global presence. ICE technology is optimised for straight-through-processing and deal confirmation is known within hours.

4. WHY IS ICE ENTERING INTO THE IRON ORE MARKET?

To bring a global clearing solution into the market whilst continuing to recognise that the vast majority of the liquidity is focused on the Asian markets.

ICE aims to bring a wider community of traders into the iron ore market who otherwise would not be able to trade with each other, due to credit conditions which predicate the need for ISDA agreements to conduct business. ICE believes that the introduction of a cleared facility into this market will increase the volume of swaps traded between buyers and sellers. ICE is a well respected and established clearing house contributing to a boost in liquidity.

5. HOW WILL THE CONTRACT BE SETTLED AND CUSTOMERS MARGINED ON DAILY BASIS?

The physical market for iron ore is assessed by Platts on a daily basis as at 18:30 local Singapore time, although ICE will allow the submission of cleared trades for same day clearing anytime up 18:00 EST (06:00 local Singapore time on the following day of trade).

Any customer with an open overnight position with the clearing house will be margined on a daily basis against an average of customer submitted forward price valuations. All prices for the forward curve are gathered by ICE from the most active participants in the market to ensure accuracy in the settlement process.

6. WHAT ARE THE CLEARING FEES PAYABLE?

The Exchange will charge \$20 per 1,000 dry metric tonnes for clearing. Margins will be advised periodically via exchange circular. The levels of initial margin will be monitored on a monthly basis to ensure that the clearing house holds sufficient capital to operate effectively in this market.

The latest margin levels can be found at:

https://www.theice.com/publicdocs/futures_us_reports/all/ICE%20CLEAR_US_Margin_Requirements.pdf

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