



SGX to clear new OTC container swaps from 2 August 2010

22 July 2010 – Singapore Exchange (SGX) will be clearing four new over-the-counter (OTC) Container Swap contracts starting from Monday, 2 August 2010.

Container trade has been one of the fastest-growing segments of the global freight industry, reaching a value of US\$137 billion in 2008. Asian container traffic is projected to account for 68% of the world container exports and 56% of world container imports by 2015, according to a study by the United Nations Economic and Social Commission for Asia and the Pacific (UNESCAP) and the Korea Maritime Institute (KMI).

The launch of these contracts will support the nascent container freight derivatives market by managing counterparty credit risk. Participants are able to gain access to SGX AsiaClear's large pool of counterparties without the need to set up credit agreement with individual counterparty.

The clearing services for the four Container Swap contracts will cover the following four major container freight routes from the Shanghai port: Shanghai-Europe, Shanghai-Mediterranean, Shanghai-US West Coast and Shanghai-US East Coast. The contracts are based on the Shanghai Containerized Freight Index (SCFI) published by the Shanghai Shipping Exchange.

Freight derivatives allow a buyer to take a position on where freight rates will stand at a point in the future, thus container swap contracts offer the same hedging principle as those traded for dry bulk and tanker markets. The SGX AsiaClear Container Swap contracts are based on the freight rate for shipping containers between two ports.

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