SMX Circular

Subject	Introduction of SMCOPPERCH Spread Contracts
Circular Number	SMX/032/2012
Date	February 1, 2012

To
All Members

Members may please note that Exchange shall be introducing Spread Contracts in SMCOPPERCH, for trading from February 13, 2012 onwards.

Details of the SMCOPPERCH Spread Contracts are as below:

Contract	Description	Symbol	Contract Start Date	Contract Expiry
SMCOPPERCH	Near Month March 2012 Far Month May 2012	SMCOPPERHK	13-Feb-2012	29-Feb-2012
	Near Month May 2012 Far Month July 2012	SMCOPPERKN	13-Feb-2012	30-Apr-2012
	Near Month March 2012 Far Month July 2012	SMCOPPERHN	13-Feb-2012	29-Feb-2012

Members may please note:

1. At all times a minimum of three Spread Contracts of SMCOPPERCH will be available for trading - First Month (Near Month) and Second Month; Second Month (Near Month) and Third Month; and First Month (Near Month) and Third Month.
2. The above Spread Contracts shall expire along with the expiry of the Near Month Contract of the underlying contract.
3. On the expiry of a Spread Contract, the subsequent Spread Contracts will be made available for trading from the subsequent Business Day to maintain three Spread Contracts as mentioned above.
4. The above schedule is in addition to the schedule of the contracts contained in the Exchange Circular SMX/017/2011. The schedule for the subsequent Spread Contracts shall be updated in the Trading Calendar available at SMX website www.smx.com.sg.
5. An explanation on Spread Contracts and the details on the Trading Parameters are enclosed as Annexure.

ANNEXURE

SPREAD CONTRACTS:

Spread Contract would allow a member to execute two trades simultaneously in two different maturity contracts of the same commodity, by entering a single order. In other words, by trading in the Spread Contracts, a member would take two separate positions by entering one order, one in the near month contract and the other in the far month contract.

The Salient Features of the Spread Contracts are as follows:

(i) Spread Contract would allow a member to:

1. Shift their position from one maturity month to another:
   For example, SMCOPPERCH Mar-May 2012 Spread Contract would allow a member to shift his position from Mar 2012 futures contract to May 2012 futures contract.

2. Hedge their position across maturities

(ii) Buying a Spread Contract would imply selling far month futures contract and buying near month futures contract. Similarly, Selling a Spread Contract would mean buying far month futures contract and selling near month futures contract.

Contracts	**Buy / Sell**	**Near Month**	**Far Month**
Spread Contract	Buying	Buy	Sell
	Selling	Sell	Buy

(iii) The price of the Spread Contract would be derived by the price at which the holder of long and short positions are willing to carry over or spread their positions from near month to far month. The spread price can be positive, negative or zero. In other words, in the above example the spread between Mar 2012 and May 2012 SMCOPPERCH contract can be positive, negative or zero.

(iv) A spread contract, once executed would result in trades in two corresponding futures contracts. In the near month, the trade would be generated at the Last traded price (LTP) (or previous closing price (PCP) in absence of LTP), while in the far month, it would be generated at spread price + near month's LTP (or PCP in absence of LTP). Since trades from Spread Contract would go into near month and far month contract(s) on its execution, there will not be any open position, margining or daily net obligation in the Spread Contract.

TRADING PARAMETERS OF SPREAD CONTRACTS:

1) The instrument type of Spread Contract will be ‘Futures’.

2) The base price of Spread Contract will be zero. The Daily Price Range (DPR) will be defined as flat value as a spread price. For example, if the flat DPR is set as USD 50/-, then the DPR would be –50/- to +50/-.

3) Validity of the Spread contract’s orders will be DAY, EOS (End of Session), IOC (Immediate or Cancel) and FOK (Fill or Kill) orders.

4) DAY order and IOC (immediate or cancel).

5) Valuation of the trades will be done as under:
   Near Month = Quantity x (LTP (or PCP in absence of LTP) of Near Month Contract) x Lot Size
   Far Month = Quantity x (LTP (or PCP in absence of LTP) of Near Month Contract + Spread Price) x Lot Size

6) Trades done on account of Spread Contract will form part of the volume, value, open interest and no. of trades of the Near Month and Far Month Contracts. It will not form part of Near Month and Far Month Contract Average Trade Price (ATP) computation.

7) The Spread Contract will have its own Open price, High price, Low price, Last Traded Price (LTP), Last Traded Quantity (LTQ), Volume, Value, Last Updated Time (LUT), Last Traded Time (LTT), % Change and Average Traded Price (ATP).

8) Open interest will neither be computed in case of Spread Contract nor be displayed in the market watch.

9) Life time high and Life time low for Spread Contract will also not be computed.