

SGX SICOM Rubber



1877

Rubber seedling arrive at Botanic Gardens in Singapore.

1888

Henry Ridley appointed Director of the Singapore Botanic Gardens and pioneered the rubber-tapping technique using the "herringbone" method.

1911

Singapore grew as a trading hub for rubber.

1965

Technically Specified Rubber (TSR) was introduced, changing the ways quality control of rubber production was managed.

2008

SICOM assimilated into Singapore Exchange (SGX) through a sale agreement to strengthen its clearing and trading facilities.

1887

The pneumatic tyre was invented, increasing global demand for rubber.

1896

Businessman Tan Chay Yan took up the recommendation of Henry Ridley and became the first rubber planter in Malaya. Falling coffee prices further encouraged Southeast Asian farmers to turn to planting rubber.

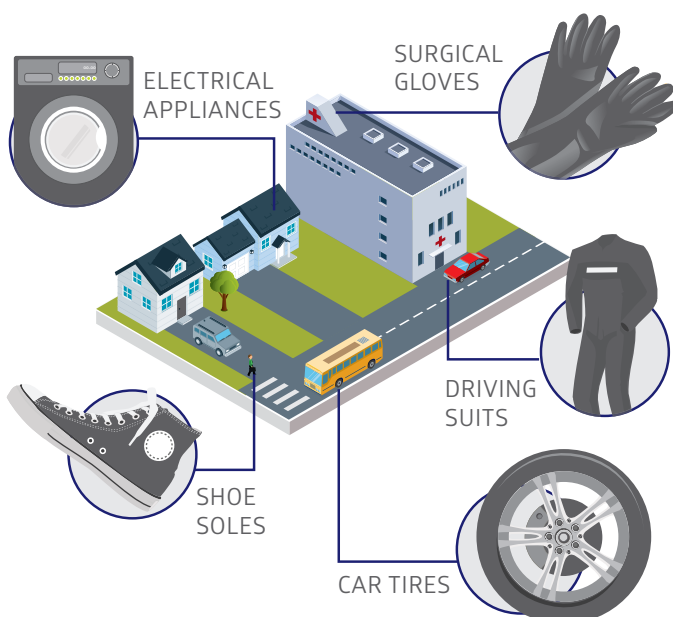
1914

Henry Ford began mass production of cars in the US, boosting further demand for rubber.

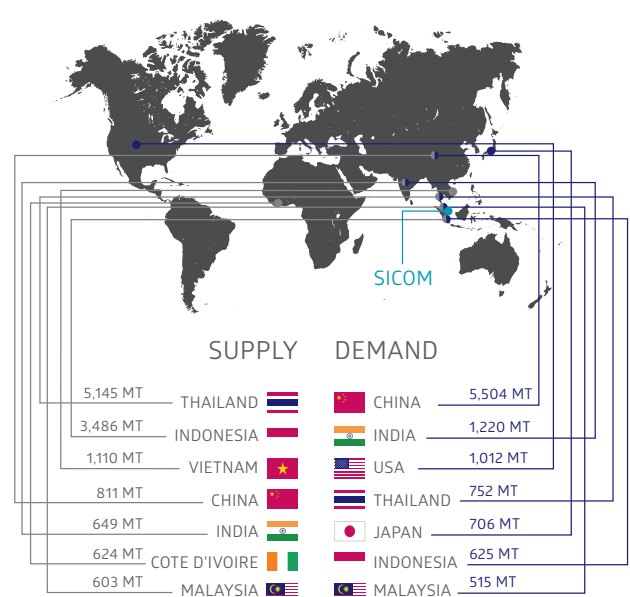
1994

Singapore Commodity Exchange (SICOM) was established, and subsequently became the global pricing centre for the rubber trade.

RUBBER IN OUR EVERYDAY LIVES



TOP RUBBER SUPPLY & DEMAND



Source : International Rubber Study Group | Note : All values are in thousands, unless otherwise stated



Introduction

Natural rubber is a processed material obtained from the latex of Hevea Brasiliensis trees and may be used to manufacture different grades of rubber. Technically Specified Rubber (TSR) is liquid latex which has been allowed to congeal naturally and reformed into blocks that can be used in tyre manufacturing. Ribbed Smoked Sheet (RSS) is liquid latex rolled into sheets and put through a smoking process.

Worldwide consumption for natural rubber has increased steadily in the recent decade and the Asian story continues to drive demand for the raw material.

The volatility of rubber prices has remained high in recent years due to imbalances in supply and demand caused by rubber's unique planting and harvesting cycle, changing weather patterns and a constantly evolving consumption trend. Prudent risk management has become an important notion in businesses today. With over 100 years of trading heritage, the Singapore market is recognised as the world's price discovery centre for natural rubber and SICOM today is synonymous with providing the pricing standard for the rubber industry globally.

SGX SICOM Rubber Futures Contract

SGX offers two SICOM Rubber Futures contracts – RSS 3 and TSR 20 to provide market participants with a reliable pricing basis as a point of reference for their physical cargo and to manage price risks. SGX remains committed to serve as a pricing benchmark for regional and global producers, traders and consumers.

Key Features

- **Active TSR Contracts**
 - SICOM provides the only active Technical Specified Rubber grade contract traded in the world
- **Useful Financial Tool**
 - Additional tool to support trading, hedging and arbitraging strategies
- **Withdrawal of profits**
 - Market participants can withdraw their profits for outstanding positions
- **Daily revaluation of positions**
 - Positions are revalued daily to reflect the market value of the outstanding positions
- **Listed Packers**
 - Delivered with quality assurance by a list of approved rubber factories

SICOM Approved Factory

The lists of approved TSR 20 factories and approved Thai Packers for RSS 3 for SICOM Rubber Futures are widely recognised and highly-sought after as a mark of quality assurance. This quality assurance has actuated rubber producers around the world to be listed as part of the international league of rubber producers, providing an excellent platform for qualified factories to promote their quality rubber to customers worldwide.

Spread Trading

Spread trading is the simultaneous Buy and Sell of Futures contracts of differing months or of different commodities trading on their price relationship. Currently, intra-market (calendar) spread is available on screen.

Spread Trading Contract Specifications

	TSR 20 Spreads	RSS 3 Spreads
Contract Size	1 lot = 10 metric tonnes (Each leg 5 metric tonnes)	
Price Quotation	US cents per kilogramme	
Minimum Price Fluctuation	0.1 US cents per kilogramme (US\$5.00)	
Contract Months	12 months as per Futures contract. Market participant can choose the months for both buy and sell legs on their own configuration	
Trading Day	Any trading day that is not a Singapore Holiday, or eve of New Year's Day or eve of Chinese New Year.	
Trading Hours (Singapore Time)	Electronic Trading: 7.55am – 6.00pm	
Last Trading Day	Last day of trading of the month preceding the delivery month	
ISV	Kindly contact your ISV for more information on setup	
Bloomberg	OR(Letter indicating nearest month) 1 Comdty <GO>, CT <GO>, Choose spreads instead of futures e.g. ORN1ORQ1	RG(Letter indicating nearest month) 1 Comdty <GO>, CT <GO>, Choose spreads instead of futures e.g. RGN1RGQ1

Contract Specifications - Futures

Product Name	SGX SICOM Technically Specified Rubber 20 (TSR 20) Futures	SGX SICOM Ribbed Smoked Sheet 3 (RSS 3) Futures
Ticker Symbol	TF	RT
Contract Size	1 lot = 5 metric tonnes	
Price Quotation	US cents per kilogramme	
Minimum Price Fluctuation	0.1 US cents per kilogramme (US\$5.00)	
Contract Months	12 consecutive months	
Trading Day	Any trading day that is not a Singapore holiday, or eve of New Year's Day or eve of Chinese New Year	
Trading Hours (Singapore Time)	Electronic Trading: 7.55am – 6.00pm	
Daily Price Limit	<p>If the price of any contract month moves 10% above or below the previous day's settlement price, it will trigger a 15 minutes Cooling Off Period during which trading may only take place at or between the Upper Limit and Lower Limit.</p> <p>After the termination of the Cooling Off Period, there shall be no price limits for the remainder of the trading hours for the day.</p>	
Last Trading Day	Last business day of the month preceding the delivery month	
Position Limits	<p>Applies to aggregate positions in SICOM OTC TSR 20 Rubber Contract, SICOM TSR 20 Rubber Futures and SICOM TSR 20 Rubber Options</p> <ol style="list-style-type: none"> 10,000 futures – equivalent lots net long or net short in respect of any or all contract months combined 2,000 futures – equivalent lots net long or net short in first contract month <p>SGX may approve a higher position limit upon application.</p>	
Negotiated Large Trade (NLT)	Minimum 60 lots	
Delivery Method	Delivery will be made, at the buyer's option, either on warehouse delivery or FOB terms at port of loading.	
Delivery Unit	20.16 metric tonnes	20 metric tonnes
Quality Specifications	Meets the prevailing technical specifications for Technically Specified Rubber 20 (TSR 20) of the relevant country in which SICOM approved factories are located and shall be packed in accordance with SICOM prevailing shrinkwrap packaging specifications.	In concurrence with the International Rubber Quality and Packing Conference's "Green Book".
Delivery Period	At any time of the delivery month but not earlier than the 10th business day of the delivery month. Specifics depend on the method of delivery and when delivery instructions are issued.	
Ports of Loading*	<p>Singapore: Singapore</p> <p>Malaysia: Klang, Penang</p> <p>Indonesia: Palembang, Surabaya and Belawan</p> <p>Thailand: Bangkok and Laem Chabang</p>	<p>Singapore: Singapore</p> <p>Malaysia: Penang</p> <p>Thailand: Bangkok and Laem Chabang</p>
Price Information (Vendor: Ticker)	Vendor	RSS 3
	TSR 20	
	Thomson Reuters	SRU: + <F3>
	Bloomberg	RGA <CMDTY>
	SIX Telekurs	RTmyy,835
	TFmyy,835	

*Port of Loading will be solely based on the Selling Member's preference.



SGX SICOM OTC TSR20 Rubber Contract

SGX offers post-trade clearing services for physical transactions which take place over-the-counter (OTC) for Technically Specified Rubber 20 (TSR 20) to complement the physical rubber market.

Trades matched outside of the Exchange can now be registered in SGX for clearing and settlement. With the clearing house acting as the central counterparty to both buyers and sellers prior to delivery, market participants dealing in the physical trade can effectively mitigate their exposure to counterparty credit risk.

The OTC clearing service allows users to trade and clear transactions with a larger pool of counterparties without the need to have a direct relationship with each other. This service is conveniently accessible via an electronic trade registration system and secured within the Exchange's trusted regulatory framework.

The SGX SICOM OTC TSR 20 Rubber Contract allows for three origins of rubber to be cleared on SGX separately. The three origins are Standard Indonesian Rubber (SIR20), Standard Malaysian Rubber (SMR20) and Standard Thai Rubber (STR20). Each of these rubber contracts is marked-to-market daily using SICOM's existing rubber futures prices (with the relevant premiums/discounts for each origin) and settled upon expiry via warehouse receipts issued by selected warehouses in Qingdao and endorsed by the Accepted Warehouse Liaison Party, Zhejiang Petrochemical Trading Center ("ZPTC").

Key Features

- **Mitigation of counterparty credit risks**

Trades are registered and cleared through a central counterparty, providing market participants a credit risk-mitigating tool.

- **Access to more counterparties with a single clearing account**

One clearing agreement with an SGX Clearing Member allows market participants to trade with all available counterparties with similar clearing arrangements.

- **Savings in management and credit administration**

Participants need not make individual credit assessment, sign agreement with each counterparty or monitor the credit risk exposure of each trade.

- **Better pricing and trading opportunities**

Access to a wider pool of counterparties and the use of Inter-Dealer Brokers (IDBs) create more opportunities for better pricing and trade matches.

- **Automatic multilateral netting of positions**

Offsetting positions with multiple counterparties and cleared under the same account with an SGX Clearing Member will be automatically netted, enhancing the capital efficiency in managing trade positions.

For matters relating to warehouse delivery for the contract, please contact the below representatives of ZPTC:

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Contract Specifications - OTC

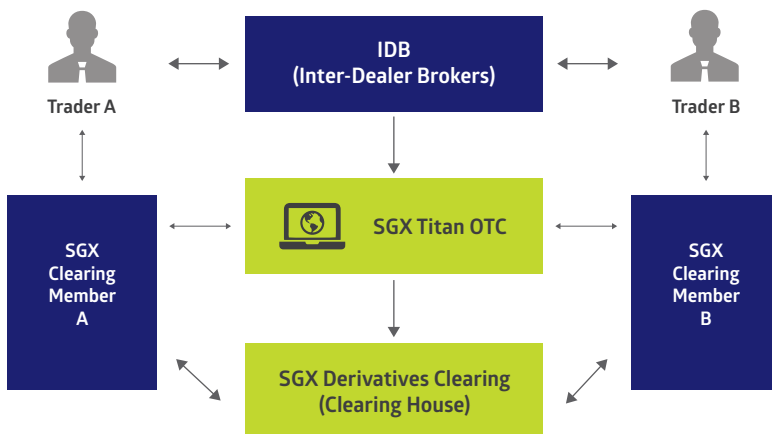
Product Name	SGX SICOM OTC TSR20 Rubber Contract				
Ticker Symbol	IR - Standard Indonesia Rubber 20 MR - Standard Malaysia Rubber 20 TR - Standard Thailand Rubber 20				
Contract Size	1 lot = 20 metric tonnes				
Price Quotation	US cents per kilogramme				
Minimum Price Fluctuation	0.1 US cents per kilogramme (US\$20.00)				
Contract Months	6 consecutive months				
Trading Day	Any weekday that is not a Singapore holiday, or eve of New Year's Day or eve of Chinese New Year				
Trading Hours (Singapore Time)	Trade Registration: T session: 8.00am - 6.00pm T+1 session: 6.00:01pm - 5.15am				
Daily Price Limit	Not applicable				
Last Trading Day	Last business day of the month preceding the delivery month				
Position Limits	Applies to aggregate positions in both SICOM OTC TSR20 Rubber Contract, SICOM TSR20 Rubber Futures and SICOM TSR 20 Rubber Options (1) 10,000 futures – equivalent lots net long or net short in respect of any of all contract months combined (2) 2,000 futures – equivalent lots net long or net short in first contract month SGX may approve a higher position limit upon application.				
Daily Settlement Price (DSP)	At a premium/discount over the DSP of SGX SICOM TSR20 Rubber Futures on the same day				
Negotiated Large Trade (NLT)	Not applicable				
Delivery Method	Warehouse delivery in Qingdao, PRC, by way of warehouse receipts				
Delivery Unit	20.16 metric tonnes				
Delivery Period	4th business day after last trading day				
Quality Specifications	TSR 20 rubber produced by an SGX Approved TSR Factory and it must meet the prevailing technical specifications of the relevant country where the factory is located. It shall be packed in accordance with SICOM's prevailing Shrinkwrap Packaging Specifications.				
Market	Three different markets for OTC clearing: (1) Standard Indonesia Rubber (SIR20) (2) Standard Malaysia Rubber (SMR20) (3) Standard Thailand Rubber (STR20)				
Margins	Please check with your brokers on Initial, Maintenance and Delivery Month Margins				
Performance Deposit	Not required				
Price Information (Vendor: Ticker)	Vendor	SIR20	SMR20	STR20	Additional Information
	Thomson Reuters	SIR: + <F3>	SMR: + <F3>	STR20: + <F3>	Nil
	Bloomberg	SIRA <CMDTY>	SMRA <CMDTY>	STRA <CMDTY>	Nil
	SIX Telekurs	IR-mth-yy, 835	MR-mth-yy, 835	TR-mth-yy, 835	mth = JAN, FEB, MAR; yy = year (E.g. IR-NOV-10 = Nov 10 contract)

Getting Started



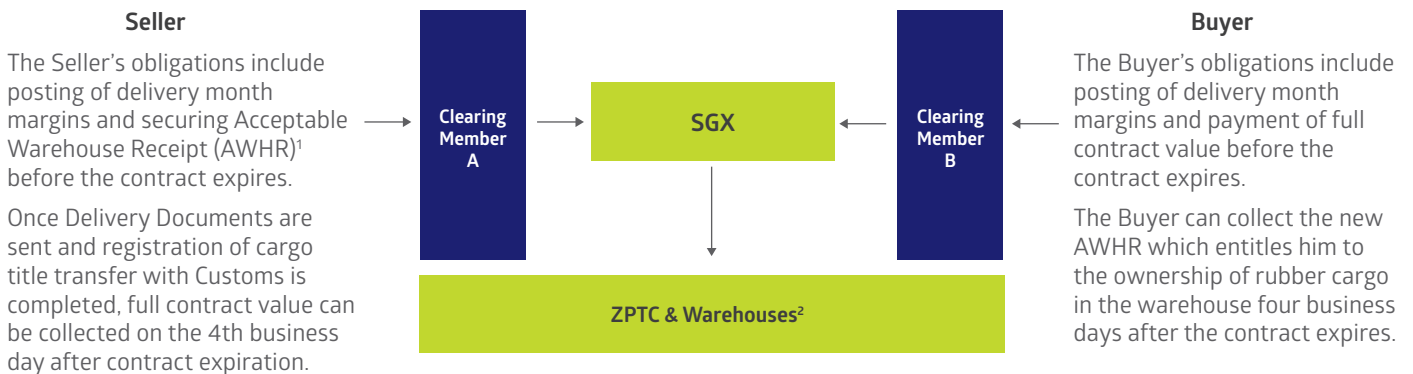
* For OTC clearing, market participants have to inform Clearing Member of selected OTC IDBs. For more information on Clearing Member(s), please visit sgx.com/commodities

Trade Registration Process



1. Customers must first have clearing accounts with SGX Clearing Members. The Clearing Member must then assign permissions on the account (for products and brokers), and set position and credit thresholds in Titan OTC.
2. Inter-Dealer Brokers (IDBs) can then broker transactions between customers.
3. When a transaction is successfully negotiated, the trade can then be registered in Titan OTC.
4. Trades that pass all the necessary validation and risk checks will be accepted and cleared by SGX.
5. Positions are then marked-to-market.

OTC Settlement Process



Note:

¹ A warehouse receipt will be recognised as an AWHR after ZPTC has endorsed it. The application form for AWHR can be downloaded from ZPTC's website www.zheyouzhongxin.com/glff/index.htm or through our website (www.sgx.com). Each delivery lot of 20.16 metric tonnes of OTC TSR 20 Rubber requires one AWHR but duplicate copies of the delivery documents can be used upon endorsement by ZPTC.

² Buyers and Sellers can engage the warehouse keepers to assist in notifying the relevant Customs on the transfer of cargo title.

SGX SICOM TSR 20 Rubber Options Contract

SGX offers options on the global pricing benchmark, SGX SICOM TSR 20 Rubber Futures contract. The rubber options offer market participants with an additional risk management tool that allows customisation of hedging strategies and exposures at different levels of protection.

Key Features

- **Useful Risk Management Instrument**
 - Additional tool to support trading, hedging and arbitraging strategies
 - Effective hedge against physical cargo or futures prices
- **Price Protection**
 - Buyers of options have limited downside risk capped at the options premium, while enjoying upside potential
- **Earn income**
 - Via writing options against the underlying futures contracts
- **Enhanced Leverage**
 - Profit from a movement in the underlying futures for a fraction of the cost
- **Active underlying TSR 20 futures contract**
 - Facilitates delta hedging

Contract Specifications - TSR 20 Options

Product Name	SGX SICOM TSR 20 Rubber Options
Ticker Symbol	CTF / PTF
Contract Size	5 metric tonnes
Price Quotation	US cents per kilogramme
Minimum Price Fluctuation	0.1 US cent per kilogramme
Contract Months	11 consecutive months
Trading Day	Any trading day that is not a Singapore holiday, or eve of New Year's Day or eve of Chinese New Year.
Trading Hours (Singapore Time)	T session: 7.55am – 6.00pm
Strike Intervals	2 US cents per kilogramme
Options Exercise	European Style: An option may be exercised by the buyer only at expiry. Exercise for a call buyer or a put seller results in a long SGX SICOM TSR 20 (FOB) Rubber Futures position which corresponds with the option's contract month at a value equal to the strike price, while the exercise for a put buyer or a call seller results in a short SGX SICOM TSR 20 (FOB) Rubber Futures position at a value equal to the strike price. An option that is in-the-money and has not been liquidated prior to the termination of trading shall be exercised automatically.
Last Trading Day	The last Business Day of the month preceding the Last Trading Day of the underlying SGX SICOM TSR 20 (FOB) Rubber Futures contract.
Position Limit	A Person shall not own or control any combination of the SGX SICOM TSR 20 (FOB) Rubber Futures, SGX SICOM TSR 20 Rubber Options, and the SGX SICOM OTC TSR 20 Rubber Forward Contracts that exceeds an equivalent of 10,000 SGX SICOM TSR 20 (FOB) Rubber Futures Contracts on the same side of the Market in respect of any or all Contract Months combined.
Negotiated Large Trade (NLT)	20 lots
Price Information (Vendor: Ticker)	Thomson Reuters: 0#STF+ Bloomberg: ORA <Comdty> OMON



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Knowledge Centre

Commodities monthly reports and chart books, thematic pieces and sentiment polls are available at sgx.com/commodities/knowledge, or email us at commodities@sgx.com to join our mailing list.

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