

NOS lowers dry bulk margin requirements

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NOS (the Norwegian Futures and Options Clearing-house) is reducing daily margin requirements for 5 of the 7 Dry Bulk derivatives contracts which are available for clearing at NOS. The new margin requirements will be in effect from Monday 7th August 2006.

Since the summer of 2004, the dry bulk freight futures market has matured substantially. Increased transparency, better trading opportunities and increased number of market players has given more stable pricing with lower volatility overall.

NOS has taken this development into its risk model and will as a result lower its initial margin requirements for 5 of the 7 Dry Bulk contracts available for clearing at NOS.

The greatest reduction in margin requirements will be seen in the front end of the forward curve for all dry bulk contracts by between 12% and 17%, except for the Panamax basket index, PM4TC - where almost the entire margin curve will shift downwards by an average of 25%. (For more information on margin calculation, see appendix 2).

The following dry bulk derivatives are affected by the margin reductions:

Route Average	% changes
CS4TC	-12,1 %
PM4TC	-25,0 %
SM5TC	-17,9 %
C4	-10,8 %
C7	-5,6 %

The reduction also applies to freight options on the PM4TC index, as these option contracts follow the margin curve of the PM4TC futures.

The changes in the margin curves are shown in Appendix 1 to this newsletter. If you want a closer

study of the background of margin calculation and the margining setting by NOS, you can read about it in the Appendix 2 to this newsletter.

The changes will come into effect from end of business Monday August 7th 2006 for margins to be posted by 15.00 CET Tuesday August 8th.

Please see the attached news release for further details:

- [NOS News No.12 2006](#)

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