NOS improves the margin regime for freight market

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The margin regime for freight derivatives is constantly being evaluated by NOS (The Norwegian Futures and Options Clearing House) and 5 April, NOS are making several new improvements to the margin regime.

The improved regime reduces the margin requirement for members with a portfolio consisting of opposite positions in correlating routes or correlating time periods within the same route. This is known as "netting."

In practice, this means that a company which holds derivatives positions which correltaes closely, margins are reduced to reflect the net risk of those positions.

NOS are therefore launching “Inter Commodity Spread Credit” (ICSC) which is netting between routes. This is now available within both Dry and Tanker routes.

The ICSC reflects the correlation between future contracts for different routes.

Members can from today take advantage of improved netting between:

- CS4TC vs PM4TC (Drybulk)
- PM4TC vs HM6TC (Drybulk)
- C4 vs C7 (Drybulk)
- TD3 vs TD5 (Tankers)

In addition to ICSC, NOS are improving its "Time Spread Netting" regime. This covers netting between different time periods within the same route.

To improve the time spread netting, NOS are reducing the threshold for when Time Spread Credit is given, so that the scope for netting time spreads, is increased.

NOS will include the netting effect in its daily Margin Report to members. For more details on how the netting effects are calculated, please contact NOS Clearing ASA.

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