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The Norwegian Futures and Options Clearinghouse (NOS) are reducing daily margins for Panamax and Handymax freight index derivatives PM4TC and HM6TC, with immediate effect.

Rising liquidity in cleared dry bulk futures means that margins are now falling, making the burden of clearing lighter, thereby lowering the barriers to entry for ship owners into the freight derivatives market.

"Since last summer the futures market has been characterised by a more mature market and more stable futures prices in the Handymax and Panamax markets", says Hanne Johansson, Vice President of Commodities at NOS.

The HM6TC margins have on average been reduced by 6 percent while the PM4TC margins have been reduced 7 percent.

"This is consistent with the strategies of NOS and Imarex, which have both invested substantial resources in building broad trading base for shipping companies in a liquid and secure market environment for dry bulk," she adds.

Dry bulk derivatives are mostly traded in the Over-The-Counter market where there are no margin payments, but the risk of default remains unsecured.

When trading in the OTC market, dry bulk participants are exposed not just to the counterpart's credit risk, but the credit risk of all other parties the counterpart is exposed to. If one participant defaults, a domino effect of defaults can race through the market.

When trading in cleared contracts, freight principals trade with complete confidence as NOS assumes all credit risk in every transaction.

Lowering the barriers to entry by lowering margins for dry bulk participants and promoting trading in smaller lot sizes, means that more participants can afford to trade in cleared contracts, and therefore add to the now rapidly growing liquidity of that market.

“We at NOS now handle 99% of all cleared trades in shipping despite new competition from other clearing houses. We also hold 99% of the open interest for the cleared freight market and feel perfectly placed to remain the preferred clearing house for the freight industry,” concludes Ms Johansson.

For more information on changes to margins and clearing, please call:

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