

**Notice:** 06/2009

**Issued:** 16<sup>th</sup> October 2009

**Effective date:** 16<sup>th</sup> October 2009

**Affected products:**

1. UK Gas
2. BDI
3. Seafood Options
4. Freight Options

**Amendments effected:**

- Appendix 1 – Markets
- Appendix 3A – Collateral and Settlement Account Terms
- Appendix 5 – Product Specifications
- Appendix 6 – Clearing Calendar
- Appendix 7 – Clearing Cycle

**1. The following additions have been made to provide for the UK Gas contracts:**

**Appendix 1 – Markets:**

Approved Brokers:

Name of Organisation	Spectron Energy Services Ltd, GFI Brokers Ltd, Tullett Prebon (Europe)
Trading Rules	Rules of the individual Approved Broker
Clearing	All Trades are subject to approval by NOS
Clearing Hours	As set out in the Clearing Cycle

Approved Brokers (Electronic Transactions):

Name of Organisation	GFI Brokers Ltd
Trading Rules	GFI's trading rules
Electronic Transactions for trading in Listed Products	GFI's Trayport trading system
Clearing	All Trades are subject to approval by NOS
Clearing Hours	As set out in the Clearing Cycle

**Appendix 3A – Collateral and Settlement Account Terms:**

Interest rate: The interest rate on the collateral and settlement account is listed in the below table:

Currency	Interest on cash deposits	Overdraft Interest
NOK	NIBOR - 0,7 pp	NIBOR + 3 pp
GBP	LIBOR - 0,7 pp	LIBOR + 3 pp
EUR	LIBOR - 0,7 pp	LIBOR + 3 pp
SEK	STIBOR - 0,7 pp	STIBOR + 3 pp

Please bear in mind that overdraft will occur if the balance of the account is not sufficient to cover mark to market settlement taking place after trading hours each trading day. To avoid penalty interest on overdraft, it is recommended to keep the balance on the account at a level assuring that settlement due to one day of price fluctuations can be met.

Costs: NOK / SEK / GBP / EUR: A yearly service fee of NOK 1,000 is debited the Collateral and Settlement account at year end.

The service fee includes all mark-to-market transactions. In addition there will be the incurred transaction costs to and from the Collateral and Settlement account with external banks.

Payment instructions:

DnB NOR Bank ASA
Stranden 21, 0021 Oslo, Norway
BIC (SWIFT) code: DNBANOKK
Beneficiary: NOS Clearing ASA
DnB NOR Customer account Title:
DnB NOR Customer account Number:

**Appendix 5 – Product Specification:**

Future and options contracts have been added as previously announced in Notice 2009-01 and 2009-02. For full contract specifications, please see attached Appendix 5 – Annex 5L and 5M

**Appendix 6 – Clearing Calendar:**

Clearing hours: as set out in Appendix 7  
 Clearing days: All week days except:

Freight, bunkers and gas products:

<b>2009</b>	Thursday 1 January	New Year's Day
	Friday 10 April	Good Friday
	Monday 13 April	Easter Monday
	Monday 4 May	May Bank Holiday UK
	Monday 25 May	Spring Bank Holiday UK
	Monday 31 August	Summer Bank Holiday UK
	Friday 25 December	Christmas Day
	Monday 28 December	Bank Holiday

**Appendix 7 – Clearing Cycle:**

Settlement Bank: DnBNOR Bank ASA, Oslo Norway  
 Currency: GBP  
 Clearing Calendar: Calendar as specified in Appendix 6

08:45 T Start of Clearing Hours  
 17:30 T End of Clearing Hours

21:00 T A net settlement amount arising from the Mark-to-Market Settlement, Delivery Period Settlement, Premium Settlement, Option Exercise Settlement and Fee Settlement is calculated

# NOS Clearing\*

21:00 T	End of day Margin Requirement and minimum Cash requirement to be posted on T+1 are calculated (Margin deficit or Cash deficit are referred to as Margin Call and Cash Call respectively.)
07:00 T+1	NOS instruct the Settlement Bank to credit or debit the Collateral and Settlement Account for the net settlement amount calculated the previous Trading Day (T)
07:00 T+1	Clearing Reports are made available to the Clearing Members and the Settlement Banks on the NOS Web Office.
14:00 T+1	Final time for posting of Collateral to cover the end of day Margin Requirement and Cash requirement
17:30 T+1	Final time for making written complaints to NOS regarding Cleared Contracts
Option Expiry Day	
12:00	On Option Expiry Day. Final time for the member to notify NOS by fax if they want to exercise the option

## **2. BDI – Change in Closing Price Provider:**

Appendix 5, Annex 5B: NOS is changing Closing Price Provider for the listed Dry Index future – BDI from Imarex to Baltic Exchange

## **3. Seafood Options:**

Appendix 5, Annex 5O: Non-listed seafood options have been added as a new product for clearing. For full contract specification, please see attached Appendix 5, Annex 5O

## **4. The following amendments have been made to the non-listed freight options:**

Appendix 5, Annex 5F: Forced Termination Premium for non-listed tanker options has been changed:

Old:	<p>Premium Settlement following Forced Termination calculated as follows:</p> $\#Lots \times Lot\ size \times Worldscale\ Flatrate \times (Contract\ Price/100)$ <p>The Contract Price will be set by NOS using the Black 76 formula adjusted with reference to the Turnbull and Wakeman Approximation.</p> <p>The basis for the calculation will be:</p> <ul style="list-style-type: none"><li>• Market prices of Future Contracts for the underlying Delivery Period as set by IMAREX at the time of the Forced Termination, adjusted up or down by 50% of the NOS risk interval to the disadvantage of the Defaulting Member.</li><li>• Implied volatility as used in calculation of Closing Price for the Option Contract the preceding Trading Day, adjusted up or down by 50% to the disadvantage of the Defaulting Member</li><li>• The calculated Premium are adjusted up or down by 10% (to take account of spread costs) to the disadvantage of the Defaulting Member.</li></ul>
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	<p>The NOS risk interval is the price change interval used by NOS in calculation of margin requirements from time to time.</p>
New:	<p>Premium Settlement following Forced Termination calculated as follows:</p> $\#Lots \times Lot\ size \times Worldscale\ Flatrate \times (Contract\ Price/100)$ <p>Contract Prices will be set by NOS using the Black 76 adjusted with reference to the Turnbull and Wakeman Approximation.</p> <p>The basis for the calculation will be:</p> <ul style="list-style-type: none"> <li>• Market prices of Futures Contracts for the underlying Delivery Period as set by NOS at the time of the Forced Termination, adjusted up or down by 50% of the NOS risk interval to the disadvantage of the Defaulting Member. In the event that the market price of multiple Futures Contracts with the same underlying and the same delivery period is subject to adjustment, the market price of all such adjusted Futures Contracts shall be adjusted in the same direction, i.e. either up or down.</li> <li>• Implied volatility as used in calculation of Closing Price for the Option Contract the preceding Trading Day, adjusted up or down by 30% to the disadvantage of the Defaulting Member. In the event that the implied volatility of multiple Option Contracts with the same underlying and the same delivery period is subject to adjustment, the implied volatility of all such adjusted Option Contracts shall be adjusted in the same direction, i.e. either up or down.</li> </ul> <p>The NOS risk interval is the price change interval used by NOS in calculation of margin requirements from time to time.</p>

Appendix 5, Annex 5G, H: Forced Termination Premium for non-listed dry freight options and non-listed dry freight index options:

Old:	<p>Premium Settlement following Forced Termination calculated as follows:</p> $\#Lots \times Lot\ size \times Price$ <p>The Price will be set by NOS using the Black 76 formula adjusted with reference to the Turnbull and Wakeman Approximation.</p> <p>The basis for the calculation will be:</p> <ul style="list-style-type: none"> <li>• Market prices of Future Contracts for the underlying Delivery Period as set by IMAREX at the time of the Forced Termination, adjusted up or down by 50% of the NOS risk interval to the disadvantage of the Defaulting Member.</li> <li>• Implied volatility as used in calculation of Closing Price for the Option Contract the preceding Trading Day, adjusted up or down by 50% to the disadvantage of the Defaulting Member</li> <li>• The calculated Premium are adjusted up or down by 10% (to take account of spread costs) to the disadvantage of the Defaulting Member.</li> </ul> <p>The NOS risk interval is the price change interval used by NOS in calculation of margin requirements from time to time.</p>
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New:	<p>Premium Settlement following Forced Termination calculated as follows: <math>\#Lots \times Lot\ size \times Price</math></p> <p>The Price will be set by NOS using the Black 76 formula adjusted with reference to the Turnbull and Wakeman Approximation.</p> <p>The basis for the calculation will be:</p> <ul style="list-style-type: none"><li>• Market prices of Futures Contracts for the underlying Delivery Period as set by NOS at the time of the Forced Termination, adjusted up or down by 50% of the NOS risk interval to the disadvantage of the Defaulting Member. In the event that the market price of multiple Futures Contracts with the same underlying and the same delivery period is subject to adjustment, the market price of all such adjusted Futures Contracts shall be adjusted in the same direction, i.e. either up or down.</li><li>• Implied volatility as used in calculation of Closing Price for the Option Contract the preceding Trading Day, adjusted up or down by 30% to the disadvantage of the Defaulting Member. In the event that the implied volatility of multiple Option Contracts with the same underlying and the same delivery period is subject to adjustment, the implied volatility of all such adjusted Option Contracts shall be adjusted in the same direction, i.e. either up or down.</li></ul> <p>The NOS risk interval is the price change interval used by NOS in calculation of margin requirements from time to time.</p>
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