

Freight Market Information Users Group

Function and role in the Freight Derivatives Market



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FMIUG

- About the FMIUG
- Chairs of the FMIUG
- Achievements
- Current projects
- Current structure of the Freight Derivatives Market



About the FMIUG

- Baltic Exchange Advisory Body
- Formed in early 2000
- Consists of
 - Charterers
 - Ship owners
 - Freight derivatives traders
 - Financial institutions



About the FMIUG

- Advises the FIFC (Freight Indices and Futures Committee) on freight market indices and route assessments
 - Interacts with index panellists
 - Works together with the FFABA on promoting the freight derivatives markets
 - Liaises with other stakeholders, f.e. clearing houses, GCMs, RIE
 - Holds regular telcons and meetings to promote debate about indices and markets



Chairs of the FMIUG (Dry)

- 2001-2002 Mike McClure (Navios)
- 2002-2004 Pierre Aury (Enron)
- 2004-2005 Linda Kongerslev (Oldendorff)
- 2005-2006 Guy Campbell (Koch Carbon)
- 2006-2007 Sacha Konan (Cargill)
- 2007-2008 Keith Denholm (Pacific Carriers)
- 2008-2009 Raghu Ragunath (Noble Chartering)
- 2009- ... Stefan Albertijn (Alfred C. Toepfer International)



Achievements

- 2005
 - Freight Forward Agreement Brokers Association 2005 (FFABA) standard FFA documentation
 - Supramax Index: development and trial of the supramax index together with Baltic and panellists
- 2006
 - Handysize Index: development and trial of the handysize index together with Baltic and panellists
 - Active cooperation with the FFABA to obtain more clearing possibilities for FFAs (LCH.Clearnet, SGX Asiaclear)



Achievements

- 2007
 - FFABA 2007: Update of the FFABA2005 to include the ISDA Master agreement
 - Volume reporting: Started together with FFABA and clearing houses
- 2008
 - Launching of Supramax Iron Ore route India-China



Achievements

- 2009
 - Supramax coal route Indonesia-India: Trials started
 - Redefinition of the BDI
 - Forward Volatility Curve: Started Oct 19th 2009
 - 30 minute filing restriction at LCH was dropped from 30.07.2009 onwards
 - Forward curve reporting for P2A/P3A for Current Quarter, Q1, Q2 and Q3
 - Additional Dry Forward Assessment data for the BDI is published by the Baltic exchange



Achievements

- 2010
 - Panamax standard vessel is amended extending the max vessel age from 7 to 12 years
 - Launch of Supramax Route S8



Current Projects

- Indices
 - New standard vessel for BSI/BPI: Target 2011/2012
- Volume reporting
 - Reporting per contract

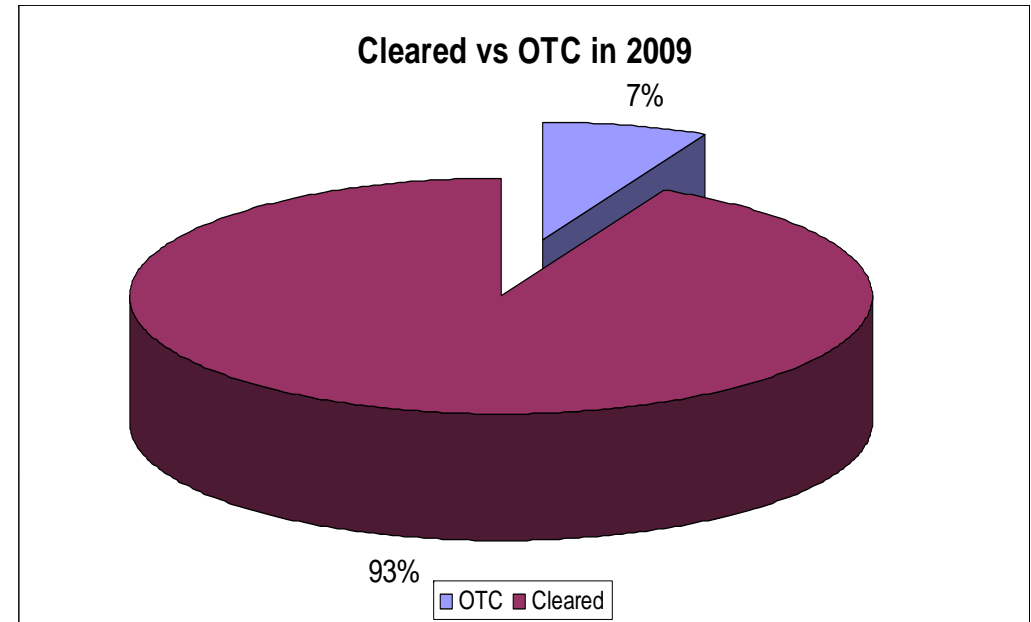
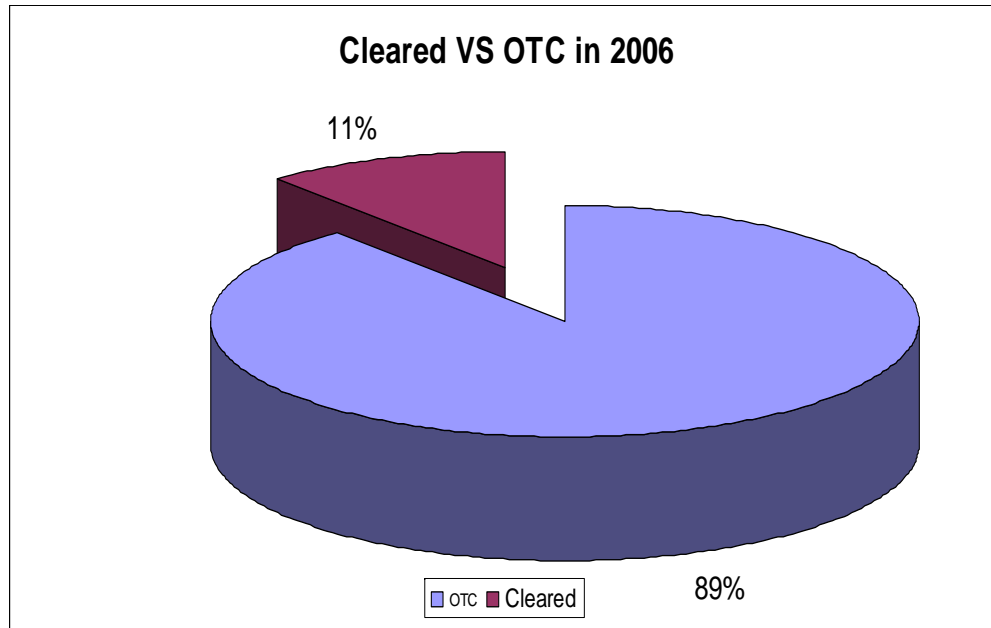


Current Projects

- Screen trading
 - Harmonization of Screen rules
 - API overlay across screens?
 - Evaluate screen trading projects by Regulated Investment Exchanges (RIE)
- Trade filing at clearing houses
 - Straight Through Processing (STP) between screens and clearing houses



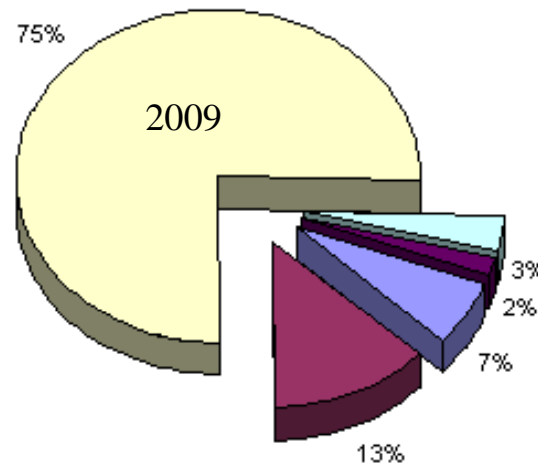
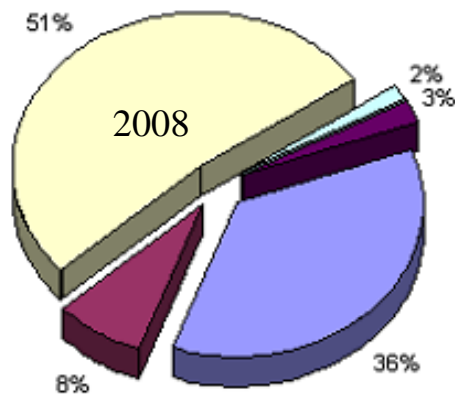
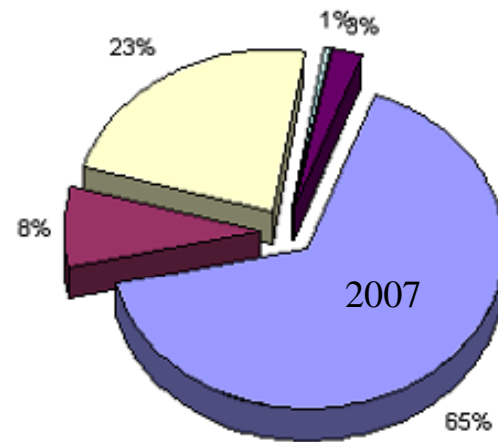
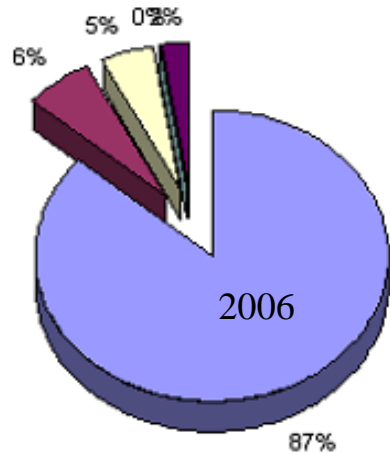
Current structure of Freight Derivatives Markets – FFA trading OTC / Cleared



- Since 2006 cleared FFA trading – before mostly OTC
- Due to risk issues cleared trading gains importance
- In 2009 FFAs are predominantly cleared



Current structure of Freight Derivatives Markets – Total FFA volume traded in lots

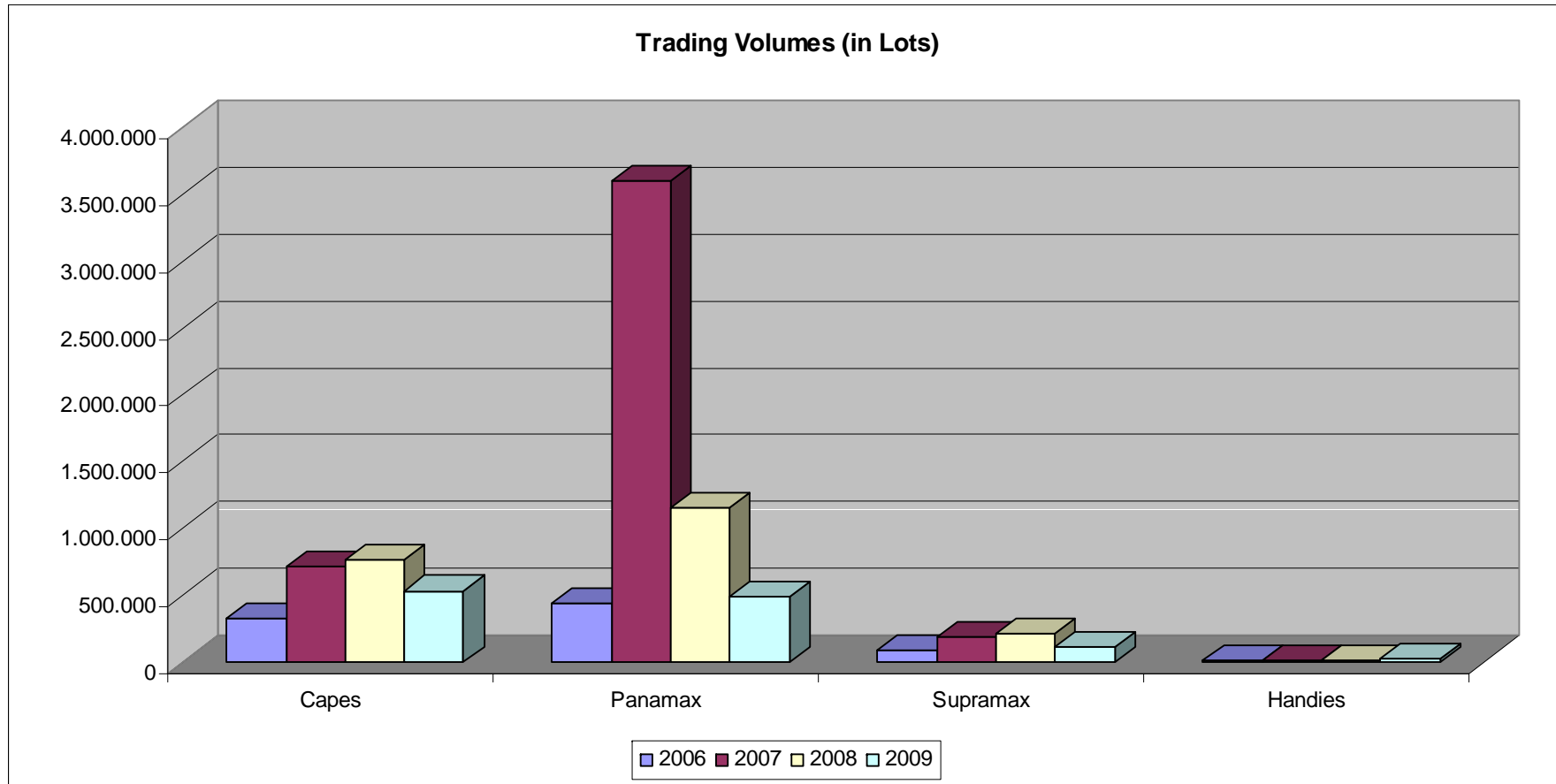


- LCH.Clearnet Ltd is today the most frequently used clearing house
- Overall trading volume (lots)
 - 2006: 848.942
 - 2007: 4.505.192
 - 2008: 2.136.003
 - 2009: 1.165.720

■ FFABA OTC lots
 ■ NOS Lots
 ■ LCH Lots
 ■ SGX Lots
 ■ OTC Bank Lots



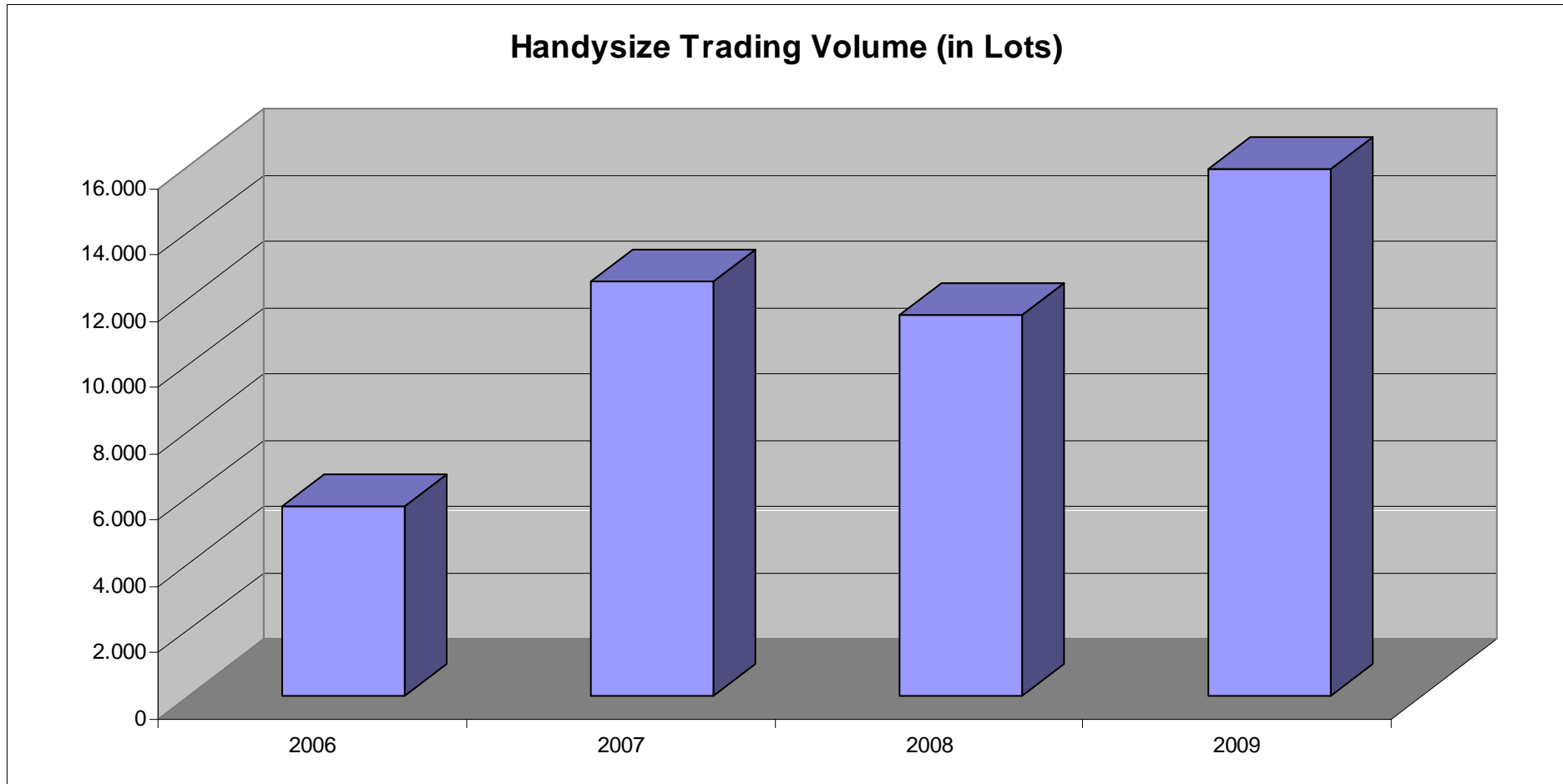
Current structure of Freight Derivatives Markets



- High trading volume in 2007 – especially in PMX segment
- Low monetary FFA trading volume in 2009



Current structure of Freight Derivatives Markets



- growth in the Handysize segment because of hedging?
- growth in the Handysize segment as the reduction in lots per trade bypasses it?



Many Thanks for your Attention

Any Questions?



All data used are taken from the records of the Baltic Exchange Ltd

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Our word **our bond**