



Special Executive Report

DATE: December 27, 2010

SER#: 5543

SUBJECT: Tanker Freight Products 2011 Flat Rate Adjustments

Worldscale Association (London) Limited and Worldscale Association (NY) Inc have published flat rates for tanker routes for 2011. This advisory describes the impact on tanker freight contracts cleared by CME. Please note that rates normally change annually.

Tanker Forwards

With effect from 1 January 2011, forward contracts will have their contract value factor adjusted to reflect the new rate. For example, if the flat rate is changed from \$22.72 to \$27.26, the contract value factor will change from 227.20 to 272.60.

All trades in forward contracts are held at original trade price. These trade prices – representing a percentage of the Worldscale flat rate – will not be adjusted. At expiry of 2011 contract months, the new flat rate will be used to establish cash settlement amounts, ie both Floating Value and Traded Value, in accordance with the contract rules, subject to any subsequent changes to 2011 Worldscale flat rates.

Changes to contract value factors will result in a variation margin requirement, which will be collected on 4 January 2011 based on margin calculations for 3 January 2011.

Tanker forward contracts affected are: FT3, FT5, FT7, FB9, FDD, FPA, FC2, FC4, FC5 and FC6.

Tanker Futures and Average Price Options

Tanker futures and average price options are priced in US\$ per metric ton. No adjustment will be made to prices in these contracts to reflect the change in flat rate.

At expiry of 2011 contract months, the new flat rate will be used to establish cash settlement amounts, ie the Floating Price in respect of futures, and the Underlying Reference Price in respect of average price options, in accordance with the contract rules, subject to any subsequent changes to 2011 Worldscale flat rates.

Tanker futures contracts affected are: TL, TI, TK, TN, TO, TG, TM, TJ, TH and V9.

Tanker average price options contracts affected are: TDT, TCW and TCF.

Should you have any questions please contact the customer CME Group P&S marketing hotline at 212-299-2301, or Richard Stevens at +44 20 7796 7129.