# Iron Ore China Portside futures

## FREQUENTLY ASKED QUESTIONS

**1) What is the Iron Ore China Portside Fines CNH, fot Qingdao (Argus) futures contract?**

The Iron Ore China Portside Fines CNH, fot Qingdao (Argus) futures (product code PAC) contract is a new futures product offered by COMEX. This financially settled contract is based on the Argus PCX Index and is quoted in Chinese Renminbi (CNH) per wet metric ton.

**2) What is the Iron Ore China Portside Fines USD Seaborne Equivalent (Argus) futures contract?**

The Iron Ore China Portside Fines USD Seaborne Equivalent (Argus) futures (product code PAU) contract is a new futures product offered by COMEX. This financially settled contract is based on the Argus PCX Seaborne Equivalent Index and is quoted in USD per dry metric ton.

**3) What are the reference prices? What are the differences between the two contracts?**

The PAC futures will settle to the Iron Ore Portside fines 62% Fe (PCX) fot Qingdao Index (PA code: PA0021931).

The PAU futures will settle to the Iron Ore Portside fines 62% Fe (PCX) Seaborne Equivalent Index (PA code: PA0021932).

The PCX Seaborne Equivalent Index is simply the PCX fot Qingdao Index converted into USD and adjusted for moisture content, port fees, and taxes.

**4) Why is COMEX listing Portside Iron Ore futures for trading and clearing? How do these contracts differ from COMEX's existing Iron Ore futures offering (product code TIO)? What are the new opportunities offered by these contracts?**

Currently there is no internationally traded derivative that is directly linked to the price of iron ore at China's ports; therefore, COMEX will be the first international exchange to list these differentiated iron ore products.

The difference between PAC/PAU and COMEX's existing TIO Iron Ore benchmark lies in the relatively similar yet fundamentally different market ecosystems which the contracts represent. The PAC and PAU futures contracts will offer market participants a vehicle to manage exposure to the price of ***landed*** **mainstream medium-grade iron ore fines, in Qingdao Port**. While TIO represents the price of seaborne iron ore (i.e. cargoes still in transit at sea en route to Northern China).

PAC and PAU will reflect on-shore China portside price trends for mainstream ore. Therefore, market participants can use the contracts to lock in sales prices for landed cargoes and trade the spread between seaborne and portside prices, amongst other hedging and investment use cases.

**5) Why is COMEX launching two new separate contracts?**

Portside iron ore prices are typically quoted and transacted on a renminbi per wet metric ton basis, therefore, the PAC contract can offer a more precise hedge for portside transactions.

However, listing a seaborne equivalent PAU contract enables market participants to gain exposure to portside iron ore prices in USD terms, with specifications and pricing conventions that more closely match the existing Iron Ore 62% Fe, CFR China (TSI) futures (product code TIO). Therefore, trading seaborne vs. portside spreads may be more easily implemented by trading TIO vs PAU.

**6) What can you tell us about the PRA of choice, Argus?**

Argus is a leading energy and commodity price reporting agency (PRA) headquartered in London, UK. It has been reporting on markets for more than 50 years and is one of the founding members of the IOSCO principles for financial benchmarks. Its seaborne iron ore prices are used in long-term contracts by the world's largest miners and steelmakers. Argus has covered iron ore prices at Chinese ports since 2014.

**7) Where does Argus get its data from to calculate the PCX Index levels which PAC and PAU will settle to?**

Argus has a deep network of market contacts who report their trades, bids, and offers to experienced market reporters based in Argus' Singapore and China offices.

**8) What is the specification of the Argus PCX Index?**

Argus PCX represents a medium grade 62% Fe fines iron ore product with standard levels of impurities found in mainstream Australian grades (3.75% SiO2, 2.25% AlO2, 0.1% P).

**9) When does Argus report and publish the PCX Index?**

The price is published at the end of the Asia trading day. The cut-off for data submissions is at 6 p.m. Beijing/Singapore time, and the index is published as soon as possible thereafter.

**10) Where are these futures contracts traded and cleared?**

The contracts can be bilaterally agreed as a block trade and submitted for clearing via CME ClearPort.

The contracts are also listed for trading on CME Globex, a global electronic trading platform.

**11) What are the specifications of the contracts?**

| | IRON ORE CHINA PORTSIDE FINES CNH, FOT QINGDAO (ARGUS) FUTURES | IRON ORE CHINA PORTSIDE FINES USD SEABORNE EQUIVALENT (ARGUS) FUTURES |
|---|---|---|
| PRODUCT CODE | PAC | PAU |
| CONTRACT SIZE | 100 MT (minimum block size five lots = 500 MT) | 100 MT (minimum block size five lots = 500 MT) |
| LISTING SCHEDULE | Monthly contracts listed for the next 12 months | Monthly contracts listed for the next 12 months |
| SETTLEMENT TYPE | Financial | Financial |
| PRICE QUOTATION | CNH per wet metric ton | USD per dry metric ton |
| MINIMUM PRICE FLUCTUATION | ¥0.1 per wet metric ton | $0.01 per dry metric ton |
| VALUE PER TICK | ¥10 | $1 |
| LAST TRADING DAY | The contract shall terminate at the close of trading on the last Singapore business day of the contract month. If such day is not an Exchange business day, the contract will terminate on the Exchange business day immediately prior. | The contract shall terminate at the close of trading on the last Singapore business day of the contract month. If such day is not an Exchange business day, the contract will terminate on the Exchange business day immediately prior. |
| FLOATING PRICE | The Floating Price for each contract month is equal to the average price calculated for all available price assessments published for "Iron ore portside fines 62% Fe (PCX) fot Qingdao" by ARGUS for that calendar month. | The Floating Price for each contract month is equal to the average price calculated for all available price assessments published for "Iron ore portside fines 62% Fe (PCX) seaborne equivalent" by ARGUS for that calendar month. |
| BLOCK TRADE MINIMUM | Five contracts – subject to a minimum 15-minute reporting window | Five contracts – subject to a minimum 15-minute reporting window |
| COMEX RULEBOOK CHAPTER | 917 | 918 |

**12) What currency accounts are needed to access these products?**

The PAC contract is denominated in offshore Chinese renminbi ("CNH"). Prices for this contract will be quoted in CNH per wet metric ton. Variation margin payments will be made in CNH, and participants wishing to use this contract ought to have access to a CNH-denominated account with their COMEX clearing member

The PAU contract is denominated in US dollars. Prices for this contract will be quoted in US dollars per troy ounce. Variation margin payments will be made in US dollars, and participants wishing to use this contract will need to have access to a US dollar-denominated account with their COMEX clearing member.

**13) What is the regulatory status of these products?**

These products are listed on COMEX which is regulated by the Commodity Futures Trading Commission (CFTC).

cmegroup.com



Mailing Address: 20 South Wacker Drive, Chicago, Illinois 60606

ED21_011A/1221