



NZX & SGX Global Dairy Derivatives Partnership

FAQs

24 November 2021

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Introduction

On 8 April, NZX and SGX sealed a [strategic partnership agreement](#) to unlock and accelerate the distribution and growth potential of NZX's dairy derivatives market.

As part of the new partnership, NZX's current suite of dairy derivatives contracts will shift to be solely traded on SGX with NZX continuing to support the marketing and development of those products. Market participants can expect augmented access via new and existing trading and clearing channels.

NZX confirms the implementation of the partnership will take effect in November, with the migration of dairy derivatives contracts scheduled for 27 November 2021, as all necessary regulatory milestones have now been met.

The Financial Market Authority (FMA) and Reserve Bank of New Zealand (RBNZ) have not disallowed amendments to the Clearing and Settlement Rules and Procedures in relation to the migration of the open interests in the dairy derivatives contracts. The Rules amendments will become effective on 22 November 2021, which will allow NZX to proceed with the implementation of partnership through mandatory position migration.

For more information on the partnership please visit nzx.com [here](#).

Partnership Overview

Q: Why did NZX form a strategic dairy derivatives partnership with SGX?

A: NZX created its dairy derivatives market in October 2010. The contract suite now consists of eight separate contracts, with four NZX member firms connected to the market and two Independent Software Providers (ISVs). Over the last ten years the contract suite has grown to trade over 350,000 lots across the eight contracts in 2020.

However, as a part of NZX's strategy refresh in 2017, it was identified that increased distribution (and thereby easier access for end users) was required in order to develop these global derivative contracts to maturity. The partnership with SGX presents opportunity to achieve this, through access to more than 70 SGX Trading and Clearing member firms, as well as more than 25 independent software vendor (ISV) that can provide an order management solution to connect to SGX.

NZX and SGX also have a longstanding inter-exchange relationship including a signed Memorandum of Understanding (MOU) in 2018. The exchanges have worked closely together on the partnership structure to ensure a framework where both exchanges will work together for the mutual end goal of deeper liquidity in the global dairy contract suite.

Q: Who is SGX and what services do they provide?

A: Singapore Exchange is Asia's leading and trusted market infrastructure, operating equity, fixed income and derivatives markets to the highest regulatory standards. It also operates Asia's only multi-partner, multi-asset exchange-led sustainability platform (sgx.com/first).

As Asia's most international, multi-asset exchange, SGX provides listing, trading, clearing, settlement, depository and data services, with about 40% of listed companies and over 80% of listed bonds originating outside of Singapore. SGX is the world's most liquid international market for the benchmark equity indices of China, India, Japan and ASEAN and offers

commodities and currency derivatives products. Headquartered in AAA-rated Singapore, SGX is globally recognised for its risk management and clearing capabilities. For more information, please visit www.sgx.com

As the largest exchange in ferrous raw materials and dry-bulk freight globally, SGX offers more than 30 futures and options contracts across the iron ore, steel, dry bulk freight, rubber, electricity and petrochemicals.

Q: What will NZX's role be within the NZX-SGX partnership?

A: NZX will continue to provide dairy product development expertise, market research and product support for new developments and enhancements. NZX will also continue to lead engagements with the dairy industry.

Q: What will SGX's role be within the NZX-SGX partnership?

A: SGX offers global market connectivity, a strong Asian presence and international distribution to more than 70 Trading and Clearing member firms. Under the partnership functions SGX will operate include trading, clearing, regulation, operations, risk management and distribution of real-time and historical trade data.

Position Transfer Process

Q: What does the partnership mean for my existing positions?

A: NZX and NZX Clearing will mandatorily migrate open interests in the current NZX dairy derivatives contract suite and open positions in the SGX-DT contracts that replicate the terms of those existing positions to the maximum extent that is reasonably practicable. The migration date is confirmed for 27 November 2021.

In order to give effect to the migration of the open interests, the Clearing and Settlement Rules will be amended. These changes have not been disallowed by the Financial Markets Authority and Reserve Bank of New Zealand under the Reserve Bank of New Zealand Act 1989. These amendments will take effect from Monday 22 November 2021.

As a result of the delisting of the NZX dairy derivatives contract suite, consequential amendments are also required to the NZX Derivatives Market Procedures and Clearing and Settlement Procedures. These amendments will take effect on Tuesday 30 November 2021, subject to the completion of the migration of the open interests, described above. A marked-up copy of the amendments to the Rules and Procedures described above is available on the [Upcoming Rule Changes](#) page on nzx.com.

A mandatory approach was chosen to ensure the transition is efficient and equitable for end users.

If end-users do not wish to have their existing open interest positions transferred to SGX, they have the opportunity to trade out of their NZX positions before 26 November 2021.

SGX will launch comparable contracts to the existing NZX dairy derivatives on 22 November (subject to due regulatory process) and allow trading of these contracts from 22 November.

NZX will cease trading of the NZX dairy derivatives by placing the market into halt at COB Thursday 25 November. There will be no trading of dairy contracts on either NZX or SGX on 26 November.



The key steps in the transition process are expected to involve the following steps (note the exact times and operational steps are still to be finalised):

18 October	Notification to Participants of the Clearing and Settlement Rule amendments which have not been disallowed by the FMA and RBNZ.
22 Nov	SGX will launch comparable contracts and allow trading of these contracts.
22 Nov - 25 Nov	Parallel trading window - during this time, the SGX DSP will be derived from NZX.
COB Thursday 25 Nov	NZX ceases trading of the NZX dairy derivatives by placing the market into halt.
Friday 26 Nov 10am	No trading of dairy contracts on both NZX & SGX-DT 10am - Last NZX mark-to-market settlement by NZX Clearing.
Saturday 27 Nov	NZX will close out all open positions and SGX will create the equivalent positions, with both exchanges utilising DSP from 25 November. SGX Clearing Members will need to review and confirm open positions to SGX. Once the positions are accepted for clearing by SGX's derivatives clearing house – SGX-DC, SGX-DC will be the central counterparty for those positions, and any default will be managed in accordance with SGX-DC's rules and procedures.
Monday 29 Nov	Launch of SGX-NZX Dairy Derivatives exclusively trading on SGX's platforms. NZX collateral and default funds will be released. SGX will have their first margin call at 12 noon SGT.

Q: What price will positions be moved on?

A: Price of the positions that will be moved will be based on;

- NZX DSP on Thursday, 25th Nov 2021 for Futures;
- Zero premium for Options.

Q: When will NZX release collateral and default fund contributions

A: NZX Clearing will release collateral, including initial margin requirement and Default Fund contributions on Monday 29 November.

Settlement cash will also be paid out by NZX Clearing on Monday 29 November.



Q: Will any fees be charged for the position transfer?

A: No additional fees will be charged by NZX or SGX for the position transfer.

Market Settings

Market features & procedures

Q: Will the name of the contracts change?

A: Under SGX the contracts will be renamed as below:

- SGX-NZX Global Whole Milk Powder (WMP) Futures
- SGX-NZX Global Whole Milk Powder (WMP) Options
- SGX-NZX Global Skim Milk Powder (SMP) Futures
- SGX-NZX Global Skim Milk Powder (SMP) Options
- SGX-NZX Global Anhydrous Milk Fat (AMF) Futures
- SGX-NZX Global Butter (BTR) Futures
- SGX-NZX NZ Milk Price (MKP) Futures
- SGX-NZX NZ Milk Price (MKP) Options

Q: Will margin requirements change?

A: As part of the partnership all clearing activities will be managed by SGX's derivatives clearing house – SGX-DC. Due to operational differences between the operations of the two Clearing houses some differences may emerge relating to margin requirements.

The margin rates from SGX-DC have been published ahead of the position transfer in a Circular to the market participants and are available to view on SGX.com [here](#).

Q: Are there any rule differences between each exchange and clearing house?

A: Yes there are some differences. SGX's Rulebooks can be found at: <http://rulebook.sgx.com/>

Q: What will the trading hours be?

A: The market's trading hours will take place between 7.25am – 6.00pm SGT, effectively closing before midnight during New Zealand Standard (NZST) and Daylight Savings (NZDT) time.

A breakdown of SGX's trading session types, times and equivalent New Zealand times can be found [here](#).



Q: What will the market holidays be?

A: All of the dairy derivatives contracts will continue to follow the New Zealand national holidays to align with the physical market and Global Dairy Trade auctions.

2021-2022 date	Description	Status
25 December or first business day (27 December)	Christmas Day	Closed
26 December or first business day (28 December)	Boxing Day	Closed
1 January or first business day of the year (3 January)	New Year's Day	Closed
2 January or first business day of the year (4 January)	Day after New Year's Day	Closed
6 February or following Monday (7 February)	Waitangi Day	Closed
15 April*	Good Friday	Closed
18 April*	Easter Monday	Closed
25 April or following Monday	Anzac Day	Closed
6 June or following Monday	Queen's Birthday	Closed
24 June*	Matariki	Closed
The fourth Monday in October (24 October)	Labour Day	Closed

**Dates determined each year*

Q: What trade types are available at SGX?

A: SGX trading rules allow for three types of trades:

- On-Screen
- Negotiated Large Trade (NLT) trades registration
- Exchange for Physical and Exchange for Swap (EFP / EFS)



Under SGX Rules, pre-negotiated trades are conducted via NLT. Therefore, NZX's current option to pre-negotiate and 'cross' orders on screen within the minimum time period of 15 seconds will be required to be entered as an 'off screen' NLT.

Q: What will the NLT (Block) Minimum thresholds be?

A: Minimum thresholds for NLT trades can be found below. Note fees for NLT will be waived for the first six months, till the end of May 2022.

Contract	NLT Minimum Threshold
Whole Milk Powder (WMP), Skim Milk Powder (SMP) Futures	100 lots
Whole Milk Powder (WMP), Skim Milk Powder (SMP) Options	10 lots
Anhydrous Milk Fat (AMF), Butter (BTR) Futures	50 lots
NZ Milk Price (MKP) Futures	15 lots
NZ Milk Price MKP Options	5 lots

Q: What will the Exchange for Physical (EFP) and Exchange for Swap (EFS) minimum thresholds be?

A: There will be no minimum volume thresholds for EFP and EFS transactions as per NZX's current setting.

Q: What calendar spread combinations will be available at SGX?

A: Under the SGX partnership the following calendar spread combinations will be available at implementation:

1-2, 1-3, 1-4, 1-5, 1-6, 1-7

2-3, 2-4, 2-5, 2-6, 2-7

3-4, 3-5, 3-6, 3-7

4-5, 4-6, 4-7

5-6, 5-7

6-7

Starting from the beginning of the calendar year e.g. 1 = January, 2 = February

Q: What option strikes will be listed?

A:

Dairy ingredients



- +/-8 strikes on either side of yesterday's DSP at USD\$25, rounded to intervals of USD\$25 will be available – effectively covering USD\$200 on both sides

NZ Milk Price

- +/-8 strikes on either side of yesterday's DSP at NZD\$0.05, rounded to intervals of NZD\$0.05 will be available – effectively covering NZD\$0.40 on both sides

Strikes that are listed automatically will stay listed (accumulate over time) and the system will update daily as the underlying daily settlement prices (DSP) for futures changes. Requests to create a new strike price for an options product, will generally be completed within the current trading session if the request is submitted at least one hour before the close of the trading session.

Q: Will the exchange codes for the dairy derivatives contracts change?

A: Please refer to the table below for the new exchange codes following the transfer.

	NZX	SGX
Global Whole Milk Powder Futures	WMPF	WMP
Global Whole Milk Powder Options	WMP	CWMP/ PWMP
Global Skim Milk Powder Futures	SMPF	SMP
Global Skim Milk Powder Options	SMP	CSMP/ PSMP
Global Butter Futures	BTRF	BTR
Global Anhydrous Milk Fat Futures	AMFF	AMF
NZ Milk Price Futures	MKPF	MKP
NZ Milk Price Options	MKP	CMKP/ PMKP

Q: Will the data vendor codes for the dairy derivatives contracts change?

A: From 29 November, historical data on the dairy derivatives suite will be redirected to the new vendor codes under SGX. During parallel trading, please refer to NZX's existing data vendor codes.

The new data vendor codes under SGX will be released as they become available. Please refer to the market settings document [here](#) for Bloomberg, ICE, Refinitiv, IRESS and CQG codes.



Q: What Market Identifier Code (MIC) and Operating MIC will the dairy derivatives contract sit under?

A: With the migration to SGX, the dairy derivatives contracts will shift to sit under SGX's MIC code: XSCE (Singapore Exchange Commodities) and Operating MIC: XSES from NZX's MIC code: XNZE (New Zealand Exchange Ltd) and Operating MIC: XNZE

Q: Will the reports I receive from NZX change?

A: As part of the transfer, SGX will operate all trading, clearing and risk management functions of the dairy derivatives suite. As a result, daily settlement prices, final settlement prices and margin schedule will be available via sgx.com. Access to these reports and data files will continue to be found on nzx.com through redirect links.

NZX will continue to produce its:

- Monthly derivatives report available at: www.nzx.com/markets/nzx-dairy-derivatives/market-data
- Weekly dairy derivatives report sent to the DairyGroup email distribution list
- Global Dairy Trade (GDT) Results Analysis Report sent to the DairyGroup email distribution list. All existing GDT pre event and post event data will also remain available on nzx.com
- Daily Milk Price alerts sent to Milk Price Alerts email distribution list
- Daily Dairy Ingredients Price alerts sent to Dairy Ingredients Price Alerts email distribution list

Memo notifications of options strikes, final settlement prices, EFS, EFP and NLT trades will be discontinued following the transfer.

Q: Will NZX's Data & Insights reports change?

A: No, NZX's Data & Insights subscription dairy reports and intelligence will continue to be produced in its current manner and sent by NZX. If you have any queries on your subscription status please contact us at: data@nzx.com

Q. Where will I be able to access Final Settlement Price data?

A: Visit SGX.com [here](#).

Q: Where will I be able to access Daily Settlement Price data?

A: Visit SGX.com [here](#).

Q: Where will I be able to access SPAN files?

A: Visit SGX.com [here](#).

Q: Where will I be able to access the contract's expiry calendar, market holidays and trading hours?

A: Visit SGX.com [here](#).



Q: Where will I be able to access existing Global Dairy Trade (GDT) data available through NZX?

A: All existing Global Dairy Trade data on NZX.com will continue to be published by NZX on NZX.com at: www.nzx.com/markets/nzx-dairy-derivatives/global-dairy-trade. The pre-event auction data will be published after SGX-NZX dairy derivatives market close at 6.00pm SGT.

Following the migration, pre-event auction data comprising of the Cream Group Forecast, and the Forecast Volume Announcement and post event auction data comprising of the GDT Price Reports will also be accessible on SGX.com.

Q. Where will I be able to access historical open interest and volume data?

A: Historical data including Open, High, Low, Close, Settlement, Volume & Open Interest data fields for the past 60 days can be accessed by visiting SGX.com [here](#).

Q: Will NZX continue to publish market quotes and charts available on nzx.com?

A: Yes, all functionality available on NZX's Quote pages will remain available following the transfer.

Contract specifications

Overall, the contracts will be transferred on a like for like basis, to the maximum extent reasonably practicable. While the drafting language of the contract specifications may change, key features of the contracts, such as the final settlement price, contract size and minimum tick size, are expected to be the same. The SGX contract specifications are to be read together with the SGX rulebooks.

A summary of the proposed contract specifications that will operate on SGX are available [here](#). Detailed contract specifications will be made available on SGX's website.

A summary of key changes to the contract specifications can be found below.

Q: What options exercise style will the contracts follow?

A: Ingredients Options (Whole Milk Powder (WMP) and Skim Milk Powder (SMP)) will remain American exercise style.

In response to market feedback, NZ Milk Price (MKP) Options contracts will shift from American to European exercise style as of the first day of the partnership on 29 November 2021. Existing open interest will transfer to the new exercise style, following consultation with market participants and end users.

Q: What will the exercise price intervals be for Whole Milk Powder & Skim Milk Powder Options?

A: Exercise price intervals will shift from a minimum of US\$50 intervals to a minimum of US\$25 intervals for all contract months.

Intervals for NZ Milk Price options remain the same at a minimum NZ\$0.05 intervals.



Fees

Q: Will the exchange fees I pay change?

A: Under the SGX partnership, fees will follow a like for like basis with NZX's current trading and clearing fee schedules.

Billing for SGX-NZX NZ Milk Price contracts however are required to be denominated in US dollars under SGX's fee schedule, which are currently charged in New Zealand dollars. These have been converted to US dollars from their current rates. Trading and Clearing fees have also been merged into one single fee to align with SGX's fee schedule.

A fee waiver on Negotiated Large Trades (NLTs) will be implemented for the first six months of the partnership until May 2022.

To view the fee schedule including a comparison to NZX's current fees please click [here](#).



Contact:

If you have any questions that were not covered in this FAQ, please contact us at: derivatives@nzx.com

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