



Requirements of a successful Commodity Futures Exchange

A one day Workshop example

Course Outline

Futures Exchanges play a vital role in the commodity industry. While no market meets the ideal, futures markets come closer to it than most others. Worldwide commodity trading is growing very fast. Today several countries want to become the commodity-trading hub in their region. You could do that by either strengthening an already existing exchange or by establishing a complete new one. An additional service that you could offer would be OTC Clearing.

It is therefore very important to choose for a best practice structure of the exchange and clearinghouse from the beginning, as you will not get a second chance to get it right. In this training **Kasper Walet** an exchange veteran with over 20 years of experience will guide you through the factors that will determine the successful implementation or extension of your exchange and (OTC) clearing activities.



About Kasper Walet



Kasper Walet has more than 20 years of experience and extensive knowledge on a theoretical and practical level about all the aspects related to trading, derivatives and risk management in the (energy) commodity industry.

Kasper received a Masters degree in Law from the University of Utrecht in 1987. He started his career at the NLKKAS, the Clearing House of the Commodity Futures Exchange in Amsterdam. After working for the NLKKAS for five years, Kasper was appointed as Member of the Management Board of the Agricultural Futures Exchange (ATA) in Amsterdam at the age of 31. While working for the Clearing House and exchange, Kasper became an expert in all the aspects of trading and risk management of commodities.

In 1997 he founded his own specialist-consulting firm that provides strategic advice about (energy) commodity trading and risk management.

Kasper has advised government agencies such as the European Commission, investment banks, major utilities and commodity trading companies and various exchanges in Europe, CEE countries, North America and Asia. Some of the issues he has advised on are the development and implementation of a Risk Management Framework, investment strategies, trading and hedging strategies, initiation of Power Exchanges (APX) and other trading platforms, the set-up of (OTC) Clearing facilities, and feasibility and market studies like for the LNG Market.

Kasper shared his expertise with the following exchanges:

- Agricultural Commodity Exchange (1987-1997)
- Rotterdam Oil Futures Exchange (Roefex) (1989)
- Amsterdam Power Exchange (1998- 2000)
- TradeSpark (USA) (2000)
- Eplantrade (Italy) (2001)
- Borzen, Slovenia (2001-2007)
- OPCOM Romania (2003 – 2007)
- Prague Energy Exchange (2007)
- MCX and NCDEX (India) and the India Forward Markets Commission (FMC) (2007)
- Endex (2008)
- Northeast Asian Oil Hub (South Korea) (2008)



The Program

I Structure Futures Exchange

Factors of success

- Critical mass and liquidity
- Standardisation
- Reliable price index
- Fair and orderly market
- Price signals / time to react
- Clearing and settlement
- Potential timing of launch
- International focus

Opportunities and obstacles

Organisation of a Futures Exchange

- Ownership
- Organisational structure

The Clearing House

- Business models
- Guarantee Funding
- Clearing and Settlement processes
- Flexibility on accounting structures
- Margining
- OTC Clearing

Market integrity

- Market Surveillance
- Customer Compliance

Trading Technology

Contract Design

- Instruments
- Cash vs. Physical settlement
- Auctioning vs. continuous trading
- Standardization and customisation
- Load Shape
- Delivery period
- Cascading of products



Regulatory environment

- Supervisory body and permits
- National Regulation
- EU Rules

II Exchange and Clearing Procedures

Set up Rules and Regulations Futures Exchanges

Admission and Termination Procedures

Trading/Market procedures

- Daily Trading Procedures
- Trading Safeguards
- Market surveillance procedures
- Position Limits

Clearing procedures

- Daily Procedures
- Compliance procedures

Risk Management Procedures (Valuation and margining)

- Re-valuation of positions
- Rules Posting Collaterals
- Risk-based initial margin requirements
- Initial margin cover
- Intra-day margining
- Money settlement and custodial arrangements
- Clearing Member Capital-Based Position Limits

Settlement procedures

- Daily settlement
- Delivery margin
- Delivery Settlement

Emergency/Contingency procedures

Trading

- Possible market emergency procedures

Clearing

- Non-fulfilment collaterals
- Bankruptcy



Other procedures Similar for Trading and Clearing

- Instruments introduction and de-listing
- Fees creation and updating
- Amendments/changes to rules and regulations
- Mismatch resolution
- Dispute resolution
- Communication
 - Authorities
 - Participants
 - Trading Operations

Tailor made Training

This is just an example of a possible training. However, it will be my pleasure to discuss with you your requirements. This will allow us to make a tailor made training course that will exactly meet your demand.

Contact

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Your Commodity Markets and Risk Management Partner