Charltons - Hong Kong Law Newsletter - 23 April 2014

[online version](http://www.charltonslaw.com/hkex-to-launch-its-first-asia-commodities-contracts/)

# HKEx to Launch its First Asia Commodities Contracts

Hong Kong Exchanges and Clearing Limited (**HKEx**) announced yesterday, 22 April 2014, that it plans to launch its commodities business with four futures contracts that will be traded in its derivatives market. The four futures contracts are:

* London Aluminium Mini Futures;
* London Zinc Mini Futures;
* London Copper Mini Futures; and
* API 8 Thermal Coal Futures

HKEx aims to introduce the contracts later this year, pending regulatory approval and market readiness.

HKEx stated that the rationale behind the new business is to meet the needs of the industry in Asia and to provide currency convenience through contracts in RMB.

The new business is a further step to expand HKEx’s commodities business following its acquisition of the London Metal Exchange (**LME**) in 2012.

## Basic market information

The following table contains the basic market information provided by HKEx in relation to the commodities covered by the proposed futures contracts:

**Aluminium**

**Copper**

**Zinc**

**Thermal Coal**

**Major Users**

Construction

Packaging

Transportation

Automotive

Construction

Electronics

Automotive

Construction

Automotive

Batteries

Electricity

**Consumption in China as a Percentage of World consumption**

45%

44%

44%

45%

**Year-on-year Growth in 2013**

8%

11%

11%

5%

## Key contract specifications

All four contracts will be traded on the Hong Kong Futures Exchange Limited (**HKFE**) and cleared through HKFE Clearing Corporation Limited. They will all be monthly cash-settled futures contracts. The key contract specifications which are subject to regulatory approval are summarised in the table below.

**London Aluminium Mini Futures**

**London Zinc Mini Futures**

**London Copper Mini Futures**

**API 8 Thermal Coal Futures**

**Underlying Commodity**

High Grade Primary Aluminium as defined in the LME Rules

Special High Grade Zinc as defined in the LME Rules

Copper – Grade A as defined in the LME Rules

API 8 Thermal Coal Index

**Contract Size**

5 tonnes

200 tonnes

**Trading and Settlement Currency**

RMB

US dollar

**Contract Months**

Spot Month and the next eleven calendar months (monthly contracts)

Spot Month and the next twenty-three calendar months (monthly contracts)

**Trading Hours**

9:00 am to 4:15 pm (day trading session) and 5:00 pm to 1:00 am (after-hours trading session)

8:00 am to 4:15 pm (day trading session) and 5:00 pm to 1:00 am (after-hours trading session)

**Trading Platform**

Hong Kong Futures Automated Trading System (HKATS)

**Tick Size**

RMB 5 / tonne

RMB 10 / tonne

USD 0.01 / tonne

**Last Trading Day**

Two business days before the 3rd Wednesday of the spot month

The last Friday of the Contract Month

**Final Settlement Price**

Official Settlement Price determined and published by the LME on the Last Trading Day

The monthly average API 8 Index published in the Argus/McCloskey's Coal Price Index Report on the last Friday of the expiring Contract Month

**Settlement Method**

Cash-settled

**Holiday Schedule**

Follow HKEx holiday schedule

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