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## Circular

4 November 2020

Circular No. DC/AM – 83 of 2020

## Final Liquidity Switch from SGX MSCI Indonesia Index Futures to SGX FTSE Indonesia Index Futures

### A. Final Liquidity Switch to be completed by 7 December 2020

Following consultations with market participants, Singapore Exchange (“SGX”) would like to announce that a **Final Liquidity Switch** from the SGX MSCI Indonesia Index Futures contracts (“MSCI ID”) to the SGX FTSE Indonesia Index Futures contracts (“FTSE FID”) will be **completed by clearing date 7 December 2020 (Monday)**.

In executing the Final Liquidity Switch, **SGX will automatically migrate all open positions** in MSCI ID after the end of the T session, and which are not netted off in post-trade, **on 4 December 2020 (Friday)** to FTSE FID. This automatic migration of open positions by SGX will be conducted on positions in the front December 2020 contract month and contract months beyond that. To participate in this Final Liquidity Switch, positions in the November 2020 contract month of MSCI ID must be rolled over to the December 2020 contract.

With the migration of all open positions in MSCI ID, there will be no open interest remaining in MSCI ID. The MSCI ID will be suspended from trading after the end of the T session on 4 December 2020, and will be made dormant thereafter.

### B. Background Information on Liquidity Switch

Since the launch of the SGX FTSE Indonesia Index Futures on 14 September 2020, the FTSE FID has traded more than 13,000 contracts (US\$175M). In view of client demand and member support, SGX will offer a Final Liquidity Switch from the MSCI ID to FTSE FID. Product information on FTSE FID is enclosed in Appendix 1.



## C. Calculation and Use of Theoretical Futures Prices on 4 December 2020

On 4 December 2020 (Friday), SGX will calculate the theoretical Fair Value ("FV") for each contract month of the MSCI ID and the FTSE FID. SGX will publish the FVs by 7.30 pm on 4 December 2020, together with the Conversion Ratio and Conversion Prices.

## D. Conversion Ratio for Final Liquidity Switch

The MSCI ID positions will be converted to FTSE FID positions via a Conversion Ratio. Each contract month shall have its own Conversion Ratio calculated from its corresponding FVs.

**The Conversion Ratio** will be equivalent to:

*(MSCI ID FV multiplied by MSCI ID Contract Multiplier) divided by (FTSE FID FV multiplied by FTSE FID Contract Multiplier).*

The Conversion Ratio will be rounded to five (5) decimal places.

**Each new FTSE FID position** will be equivalent to:

*Original MSCI ID position multiplied by Conversion Ratio.*

Each new FTSE FID position will be rounded to the nearest whole number of contracts.

### Delta differences between MSCI ID and FTSE ID before and after the Final Liquidity Switch

Note that delta differences between the MSCI ID and FTSE FID positions will be minimised through the use of five (5) decimal place precision for the Conversion Ratio, but they cannot be eliminated entirely. Delta differences apply in all forms of trade execution when switching between MSCI ID and FTSE FID, including if the switch was done through screen execution, block (NLT) trades, or through the Final Liquidity Switch service. **The delta difference is not equivalent to a profit, nor a loss; it is merely the difference in notional exposure before and after the switch.**

## E. Conversion Prices for Final Liquidity Switch

All open positions in MSCI ID after the close of the T session on 4 December 2020 (Friday), and which are not netted off in post-trade, will be closed out at the MSCI ID FVs. Each contract month shall be closed out at its corresponding FV.

The trades injected to effect the new FTSE FID positions will be at the FTSE FID FVs. Each contract month shall be injected at its corresponding FV.



## **F. Daily Settlement Prices (“DSPs”) on 4 December 2020**

The DSP of MSCI ID on 4 December 2020 shall be equivalent to the FV for the MSCI ID on 4 December 2020 for the respective series.

## **G. Waiver of all Exchange Fees for Final Liquidity Switch**

SGX will waive all relevant clearing, licensing, and position transfer fees for the MSCI ID and FTSE FID in this Final Liquidity Switch.

## **H. Mechanism for closing out MSCI ID positions**

SGX will transfer all outstanding MSCI ID positions in Clearing Members' position accounts to SGX Position Account (i.e. SG S992) at the respective series' 4 December 2020 DSP after SGX Owl Cycle. The transfer will be effective on clearing date 7 December 2020 (Monday), and there will be no fee or mark-to-market settlement associated with these position transfers.

## **I. Mechanism for opening of corresponding FTSE FID positions**

SGX will inject trades to open the corresponding FTSE FID positions before 5.15 am Singapore time on 5 December 2020 (Saturday). The injected trades will have the clearing date of 7 December 2020 (Monday).

Upon SGX-DC issuing to the Clearing Member a trade confirmation message (known as a BD6 message issued through Titan DT/DC), the trades injected for the FTSE FID position shall each be deemed a Contract as defined under and subject to the SGX-DC Clearing Rules and Futures Trading Rules and shall be final and binding. For each Contract, the Clearing Member with a long or short position will assume the role of buyer or seller, with SGX-DC assuming the role of seller or buyer, respectively.

## **J. Value-added service for migration of MSCI ID positions by sub-accounts**

Clearing Members will have the option to provide SGX with sub-account breakdowns of MSCI ID positions in their position accounts. SGX will convert the MSCI ID positions by individual sub-account line items for injection of new FTSE FID positions into the Clearing Members' position accounts. This will remove the need for Clearing Members to decide on the allocation of odd contracts to sub-accounts due to rounding of converted FTSE FID positions to the nearest whole number of contracts.



Clearing Members that wish to make use of this value-added service by SGX are required to sign and submit a form, containing the relevant sub-account breakdowns by 11.59 pm on 4 December 2020. The prescribed form will be furnished separately by SGX.

Clearing Members are to note that only submissions containing valid and active position accounts will be processed by SGX.

#### **K. Trading sessions and post-trade activities on 4 December 2020**

There shall be no further trading sessions in the MSCI ID after the close of the T session on 4 December 2020. The contract will be suspended from trading after the end of the T session on 4 December 2020.

All post-trade activities for MSCI ID (including Give-In and Give-Up) must be completed by Clearing Members by 9.30 pm Singapore time on 4 December 2020.

For avoidance of doubt, the trading sessions, timings for NLT, and post-trade activities for FTSE FID **will be business as usual.**

#### **L. SGX FTSE FID Final Liquidity Switch Operational Note**

SGX will provide further details (e.g. the standard futures valuation formula and inputs to be used by SGX to calculate FVs, and relevant operational timings) to Clearing Members in a separate SGX FTSE FID Final Liquidity Switch Operational Note, which will be a binding extension to this Circular.

#### **M. Opting out of Final Liquidity Switch**

Clearing Members and clients who do not wish to have their MSCI ID positions migrated to FTSE FID by SGX should close out any open positions in MSCI ID, or perform the switch themselves via open market trading, before the end of the T session on 4 December 2020 in an orderly manner.

Please contact your respective SGX Business Managers if you have any queries.

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