Recent Developments

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Introduction

• Exchange volumes (NYSE Liffe and ICE) of business over recent years
  – Futures
  – Options
  – Futures and Options – volume compared to crop
• Evolution of recent Open Interest in Futures and Options
• Evolution of reported stock levels
• Recent changes to the contract terms
• The future of Futures and Options...
Cocoa Futures Volumes 2003 to 2013

Cocoa Options Volumes 2003 to 2013

Source: NYSE Liffe & ICE
Cocoa Futures and Options Volumes 2003 to 2013

Source: NYSE Liffe & ICE

Comparison of World Crop and Futures & Options Activity

Source: ICCO, NYSE Liffe & ICE
Open Interest

- The total number of options and/or futures contracts that are not closed or delivered on a particular day
- May be used as a measure of market strength or weakness
- May be seen as a degree of confidence in the market

NYSE Liffe Cocoa Open Interest

Source: NYSE Liffe
ICE Cocoa Open Interest

Source: ICE

NYSE Liffe and ICE Cocoa Open Interest, Futures and Options

Source: NYSE Liffe & ICE
Evolution of NYSE Liffe reported Cocoa Stocks

Source: NYSE Liffe

Evolution of ICE and NYSE Liffe reported Cocoa Stocks

Source: NYSE Liffe & ICE
Recent Events

Take-over!

• Intercontinental Exchange (ICE) buys NYSE Euronext (includes NYSE Liffe) for $8.2 billion
  – Gives ICE control of London-based Liffe, which means both cocoa futures markets are operated by the same company

NYSE Liffe – Recent Changes

• Position Management
  – Introduced September 2012
• Commitments of Traders Report
  – Introduced October 2011
• Warrant Management System
  – Introduced April 2010
NYSE Liffe
Position and Delivery Limits

- From December 2012 position and subsequent delivery months
  - Limit on number of contracts on:
    - Spot month - 7,500
    - Deferred Delivery Month - 15,000
    - Delivery limit - 7,500
    - Maximum Delivery Limit Exemption Level 15,000

Recent Developments

NYSE Liffe
Commitments of Traders Report

- Shows breakdown of Open Interest across pre-defined categories of position
- Similar format to the U.S. Commodity Futures Trading Commission Report, published weekly
  - Producer/Merchant/Processor/User
    - E.g. Traders, exporters, cocoa processors etc.
  - Swap Dealer/Index Trader
    - E.g. Those using the market to hedge swap deals or other Over The Counter (OTC) deals and index traders
  - Money Manager
    - E.g. Those conducting futures trading on behalf of financial clients and investment firms
  - Other Reportables
    - E.g. Proprietary traders, algorithmic traders and local traders
- Note that this report is produced by the Exchange and is not issued by the Regulator, as is the case with ICE
NYSE Liffe
NYSE Liffe Guardian

- Warrant management and grading administration system
  - Constructed to electronically manage warrants issued under any legal jurisdiction by using the Sale of Goods Act according to the Law of England
    - Some legal jurisdictions are unclear on allowing the transfer of ownership of goods represented by dematerialised warrants
    - Requires physical warrants to be immobilised by being lodged in a licenced depository in England
  - Administers the sampling and grading of cocoa (and Robusta Coffee)

ICE – Recent Changes

- Contract change made in February 2010, effective for March 2012 delivery onwards
  - Waste to be assessed in the grading procedure
    - Flat beans,
    - Pieces of shell,
    - Dust,
    - Dried cocoa pulp
    - Dried cocoa placenta
    - All non-cocoa material

<table>
<thead>
<tr>
<th>Waste</th>
<th>Allowance</th>
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<tbody>
<tr>
<td>% Waste</td>
<td>Allowance</td>
</tr>
<tr>
<td>0.00% to 1.00%</td>
<td>0</td>
</tr>
<tr>
<td>1.01% to 2.50%</td>
<td>% waste - 1.0</td>
</tr>
<tr>
<td>2.51% to 5.00%</td>
<td>1.5+1.5*([% waste - 2.5])</td>
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</tbody>
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Future of Soft Commodities? Chicago Mercantile Exchange (CME)

- Annual volumes of softs and agricultural products traded on NYSE Liffe approximates to 3 weeks volumes on CME agricultural products
- CME in London (CME Europe) is assessing market interest in their launching soft commodity futures and options, including Cocoa
- Assessment will be complete during 2014
- Philosophy of CME contract design involves:
  - Futures (and options) must follow the physical market
  - Close attention is paid to the views of physical market users

Thank You!

Overview of Cocoa Supply Chain and associated Risks