



## **Notice: NGX Announces Major Enhancement to Crude Clearing: Full Crude Delivery Netting**

4 February 2011

This is a notice to all NGX crude trading customers regarding a major enhancement to the efficiency of the NGX crude clearing system, which will result in significant cost savings for customers.

Starting March 1, following extensive market consultation and development work, NGX will begin **netting across all crude grades in determining collateral requirements** in the month of delivery.

Specifically:

- Qualifying customers will receive **“sales credits” of up to 100% of the value of product they are delivering** in a given month. These will be applied to **reduce margin required for all delivered, current and forward positions**.
- These will be **applied on the first day of the delivery month** and remain in place until approximately the 20<sup>th</sup> day of the *settlement* month (five days prior to settlement).
- This model will **replace the existing “staggered” model** whereby NGX has provided a 25% sales credit on the 20<sup>th</sup> day of each delivery month.

**“Full Crude Delivery Netting”** will have several benefits for the market:

- Based on historical positions, the credits themselves are expected to **reduce the market’s crude oil collateral requirements by 35% or more**. The impact on individual customers will vary according to trading patterns.
- The simplified nature of the model will enable participants to *further* reduce requirements by **making collateral management easier**.
- Since all grades can be now netted against each other, more should be able to **‘go flat’ with NGX and reduce NGX collateral costs** to minimum levels.
- Lowering the costs of clearing is expected to **attract greater participation in the cleared market**, in turn offering increased opportunities to make offsetting transactions and further lower costs.

NGX clearing personnel will shortly be contacting credit and risk personnel at all crude oil contracting parties to provide further details.

Questions or comments may be directed to your NGX representative, [clearing@ngx.com](mailto:clearing@ngx.com), or [crudemarketing@ngx.com](mailto:crudemarketing@ngx.com). Thank you.