

New cleared iron ore swap could fragment politically sensitive market - IOSDA

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London, 20 November 2009 - The introduction of another cleared iron ore swap contract could fragment a market that is still in early stages of development, John Banaszkiwicz, chairman of the Iron Ore and Steel Derivatives Association (IOSDA), said on Friday.

"IOSDA has expressed its concern at the possible fragmentation of this new market for what is a very politically sensitive commodity," Banaszkiwicz said.

"Participants would like to see a single unified contract traded through a central liquid venue, and not three different clearing solutions for the same product. This seems a little lacking in new thinking," he said.

Intercontinental Exchange (ICE) will introduce clearing for an iron ore swap on ICE Clear US, it said this week, settled against the Platts index from December 2. Iron ore swaps are also cleared in London by LCH.Clearnet and in Singapore by SGX AsiaClear.

"As the market for iron ore derivatives grows, it is important that users can make choices to suit their needs," Banaszkiwicz said. "With clearing now offered in London, Singapore and the US, the iron ore swap is a robust, global and highly tradable tool."

FIS was the first brokerage to match a cleared swap at the London clearing house and has made substantial commitments to continue to work with all parties to help this market grow and develop, Banaszkiwicz said.

"Much of the work of guiding the future path of this market will come through IOSDA, which is developing services that will assist clearers and traders alike," he said. "SGX and LCH.Clearnet are already IOSDA members and we look forward to welcoming ICE into the organisation in due course."