The Global Price Benchmark for Crude Palm Oil

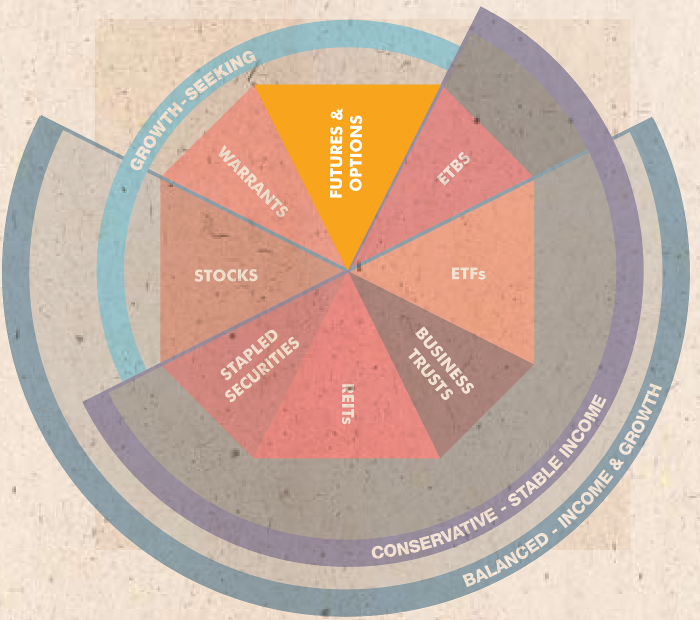
FCPO

Crude Palm Oil Futures

Traded on Bursa Malaysia

BURSA MALAYSIA

WHICH TYPE OF TRADER ARE YOU?



Every trader has different goals, and your approach to achieving them depends on your risk/return appetite.

You can find your trader type on this chart and then see what other products you might consider having in your portfolio besides the one in this brochure.

THERE'S SOMETHING FOR EVERYONE ON BURSA MALAYSIA

FCPO

MALAYSIAN CRUDE PALM OIL FUTURES IS **NOW AVAILABLE ON CME GLOBEX®**

- Global Access
- Exposure to world's largest produced and exportable edible oil and fats
- Global price benchmark for edible oils
- A Futures Commodity contract internationally recognized and tradeable
- Diversified users of contract

FCPO TICKER CODE

- CME Globex® : BMD\FCPO\relevant contract month code
  Example : BMD\FCPO\MAR14

- Bloomberg : KOA Comdty CT (Go)

- Thomson Reuters : <1FCPO> + <Month Code> + <Year Code>
  Example : <1FCPOC3> DEC3 contract

- Interactive Data : F:FCPO\Mnn, where M is month code and nn is year number
  Example : F:FCPO\F14

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WHAT IS **FCPO?**

FCPO is a Ringgit Malaysia ("MYR") denominated crude palm oil futures contract traded on Bursa Malaysia Derivatives, providing market participants with a global price benchmark for the Crude Palm Oil Market since October 1980 in the Commodity Futures Exchange space.

With an impressive track record of over 30 years, Bursa Malaysia Derivatives' FCPO price has become the reference point for market players in the edible oils and fats industry.

Contract Size: Each FCPO contract is equivalent to 25 metric tons

Settlement: This is a physically deliverable contract

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WHY TRADE **FCPO?**

1. Global Access

FCPO is traded electronically on CME GLOBEX®, a global electronic trading platform. Accessing CME Globex® is easy and allows individual and professional traders anywhere around the world to access all Bursa Malaysia Derivatives' products.

2. Manage Price Risk

Plantation companies, refineries, exporters and millers can use FCPO to manage risk and hedge against the risk of unfavorable price movement in FCPO in the physical market.

3. Speculate on Price Movement

Traders can use FCPO to gain leveraged exposure to movements in CPO prices.

4. Gain immediate exposure to the Commodity Market

Via FCPO, global fund managers, commodity trading advisers and proprietary traders are able to be part of the active commodity market.

3 PHYSICAL DELIVERY AND **TENDER PROCESS**

Tender Notification

- Participants with spot month short positions may submit Tender Notifications for the delivery of CPO during the tender period (1st – 20th of spot month).
- Tender Notifications must be submitted to the Clearing House by 12:00 noon for same day processing.

e-Negotiable Storage Receipts (e-NSRs)

- A seller who intends to have CPO appraised for delivery to the market must deliver the CPO to a Port Tank Installation approved by the Exchange.
- Upon appraisal of the CPO, the Port Tank Installation owner shall issue an e-NSR.

Tender Advice and Delivery Allocation

- The Clearing House will allocate the e-NSR to the respective Buying Clearing Participants on a proportionate basis and further allocate the e-NSR on a random basis at the client's level.

Tender Restriction Period

- Restriction on closing out of position for spot month contract takes effect one business day before the start of the Tender Period and lasts until the end of the Tender Period.

Tender Cycle and Payments

- The tender fees will be posted to seller and buyer account at the End of Day on tender day.
- The delivery cycle for FCPO tender is two business days. Buying Participant will pay the tender amount and Selling Participant will receive payment two business days after tender.
- The e-NSR will be released to Buyer upon receipt of payment

MARGINS AND **APPROVED CURRENCIES** 4

Initial Margin is to be deposited with your licensed Futures Broker prior to trading. All currency deposits for Initial Margin are subjected to hair cut rates as determined by Bursa Malaysia Derivatives Clearing from time to time.

While Variation Margins are in Ringgit Malaysia (MYR), Initial Margins are accepted in various currencies listed below:

- Malaysian Ringgit (MYR)
- US Dollar (USD)
- British Pound (GBP)
- Euro (EUR)
- Hong Kong Dollar (HKD)
- Japanese Yen (JPY)
- Chinese Renminbi (RMB)
- Singapore Dollar (SGD)
- Australian Dollar (AUD)

Please refer to your Futures Broker for other approved collaterals.

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TRADING **EXAMPLES**

Scenario 1 – Plantation Company Hedging

A plantation company produces 20,000 MT per month (240,000 MT per year). Due to global economic slow down, the plantation company anticipates demand for CPO will be lower. Bursa Malaysia Derivatives' FCPO contract allows the plantation company to hedge up to 2 years forward by selling futures contracts.

The plantation company decides to hedge 50% of the production up to 6 months forward onto Bursa Malaysia Derivatives' FCPO.

On 13th April 2012, the trader sells 400 contracts or 10,000 MT in each month up to Sept 2012.

Month	Selling Price (MYR/MT)	Price upon expiration for physical delivery (MYR/MT)	Net P/L (per metric tons) (MYR)	P/L for 400 contract (MYR)
Apr 12	3,568	3,510	58	580k
May 12	3,517	3,225	292	2.92mil
Jun 12	3,510	2,848	662	6.62mil
Jul 12	3,497	3,065	432	4.32mil
Aug 12	3,477	2,862	615	6.15mil
Sep 12	3,459	2,936	523	5.23mil
Net Profit / (Loss)				**25.82mil**

The plantation company gains MYR 25.82 million from selling futures 6 months forward by using Bursa Malaysia Derivatives' FCPO contract.

Scenario 2 – Refinery Hedging

A Malaysian refiner has received an order to deliver 10,000 metric tons of processed palm oil. However, he only has enough CPO to fulfill 80% of this transaction and has a shortfall of 2,000 metric tons. He turns to the physical market to cover this shortfall but is unable to find any sellers in a bullish market. As the market is anticipating higher prices, he prefers to buy at the current price to protect his profit margin.

He turns to Bursa Malaysia Derivatives and buys 80 contracts of FCPO (80 contracts x 25 metric tons per contract = 2,000 metric tons) at the prevailing price. He has now effectively locked-in his buying price and will wait for the tender process to take delivery of CPO.

Scenario 3 – Arbitraging

A trading house observers that the correlation prices of physical palm oil and FCPO market have deviated from their usual spreads, and that the FCPO is trading at a premium to the physical market. It decides to sell FCPO and buy physical CPO to arbitrage.

The position will be liquidated later once the spread of the prices between both markets returns to normal.

Scenario 4 - Benefit from Bearish Markets

Referring to the high production of palm fruit this year, Fairuz anticipates there might be a decline in the price of Crude Palm Oil.

To make a profit out of the bearish market, he can use the FCPO contract in the following manner:

Crude Palm Oil Futures (FCPO) is traded at MYR 2,360

Scenario: FCPO is expected to FALL
Step 1: Sell one FCPO contract at MYR 2,360

Assuming FCPO declines to MYR 2,340
Step 2: Buy one FCPO contract at MYR 2,340
Gross profit on FCPO: MYR 500 (MYR 20 x 25)

He can also use the same strategy (short-selling) for any other indications of a bearish market.

Scenario 5 – Benefit from Bullish Markets

Ananda observes that the increase in the price of Crude Oil has always been reflected in the rise of the Crude Palm Oil price. He foresees the Crude Oil price rising. To make profit out of the bullish market, he can use FCPO contract in the following manner:

Crude Palm Oil Futures (FCPO) is traded at MYR 2,360

Scenario: FCPO is expected to RISE
Step 1: Buy one FCPO contract at MYR 2,360

Assuming FCPO rises to MYR 2,400
Step 2: Sell one FCPO contract at MYR 2,400

Gross profit on FCPO: MYR 1,000 (MYR 40 x 25)

He can also use the same strategy for any other indications of a bullish market.

WHAT OTHER **PRODUCTS DO WE OFFER?** 6

Equity Derivatives

- FTSE Bursa Malaysia KLCI Futures (FKLI)
- Options on FTSE Bursa Malaysia KLCI Futures (OKLI)
- Single Stock Futures (SSFs)

Financial Derivatives

- 3-Month KL Interbank Offered Rate (KLIBOR) Futures (FKB3)
- 3-Year Malaysian Government Securities Futures (FMG3)
- 5-Year Malaysian Government Securities Futures (FMG5)
- 10-Year Malaysian Government Securities Futures (FMG10)

Commodity Derivatives

- Gold Futures (FGLD)
- USD Tin Futures (FTIN)
- Crude Palm Oil Futures (FCPO)
- Options on Crude Palm Oil Futures(OCPO)
- USD RBD Palm Olein Futures (FPOL)
- USD Crude Palm Oil Futures (FUPO)
- Crude Palm Kernel Oil Futures (FPKO)

List of products offered as at January 2017. Please refer to the full list of products offered at **www.bursamalaysia.com**

7 GETTING STARTED

Step 1
Open a Futures Trading Account with a licensed Futures Broker of Bursa Malaysia Derivatives.

Step 2
Deposit the Initial Margin with your Futures Broker.

Step 3
Start trading FCPO.

How do I learn more?
Please contact your preferred licensed Futures Broker who will advise and update you accordingly. You can also attend the various **educational seminars listed on Bursa Malaysia's website.**

Disclaimer

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BURSA MALAYSIA BERHAD (30632-P)

Exchange Square
Bukit Kewangan
50200 Kuala Lumpur
Malaysia

Tel : +(603) 2034 7000
Fax : +(603) 2026 3584
Email: futures@bursamalaysia.com

www.bursamalaysia.com