

EXCHANGE FOR RELATED POSITIONS (EFRP)
FREQUENTLY ASKED QUESTIONS (FAQ)

1. What is an EFRP?

EFR refers to an arrangement between 2 parties whereby a futures position is exchanged for related positions or vice versa. The related position can include cash or physical, swap, OTC derivative or other futures position.

The related position must involve the commodity or a financial asset underlying the futures contract, or must be a derivative, by-product or related product that has a reasonable degree of price correlation to the commodity or financial asset underlying the futures contract.

2. What are the benefits of EFRP?

EFRPs provide flexibility for trading and hedging. It provides the benefits of a regulated market which can then be easily switched to an OTC position or vice versa when the need arises. EFRPs integrate the physical and OTC markets with the exchange-traded futures market and augment these 2 markets with the futures market's provision of central counterparty clearing.

3. Who can use the facility?

A Trading Participant may use the EFRP facility to execute an EFRP on behalf their clients as long as the 2 parties to the EFRP are the same 2 parties as the underlying OTC, cash, physical or derivatives transaction.

4. Are there any account restrictions in conducting EFRP?

Only separate parties are permitted to conduct EFRP. In this context, separate parties are defined to be those who have (i) accounts which belong to different beneficial owners; or (ii) accounts which are under separate control.

The Trading Participants must undertake all reasonable steps to verify that this requirement is met and retain copies of all relevant documentary evidence relied on by the Trading Participants in its verification process.

Examples of accounts which are under separate control are:

- Treasury and Structured Products division of a bank
- Marketing and Purchasing division of a Refinery

5. Can the EFRP be conducted at any price?

No, EFRPs can only be conducted at a price similar to the underlying OTC, cash, physical or derivatives transaction.

6. Do position limits apply for EFRP?

The speculative position limits imposed on each futures contract per client or Participant as specified in Schedule 3 of the Rules of Bursa Malaysia Derivatives Berhad remain applicable and the positions arising from the EFRP is aggregated with the positions established during on-exchange trading.

7. Are all BMD derivative contracts eligible for EFRP?

All BMD derivative contracts are eligible for EFRP.

8. Are there any minimum volume thresholds for EFRP transactions?

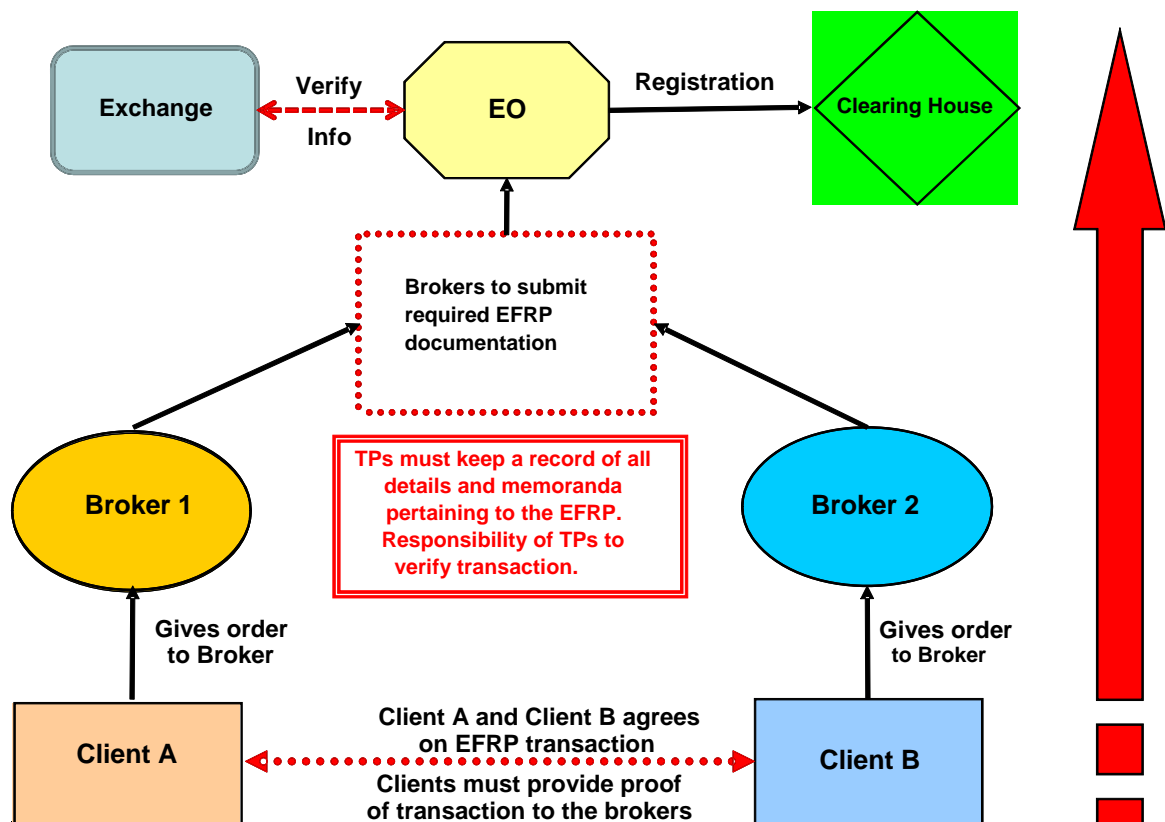
No, there are no minimum volume thresholds applicable for EFRP.

9. Will a facility fee be imposed on EFRP transactions?

No, there is no facility fee charged for EFRP.

10. What is the process for EFRP?

The diagram below shows the trading flow for using the EFRP facility.



- i) Client A and Client B agrees on size of trade and price.
- ii) Both clients will then inform their respective brokers on the agreed trade and submit details of their related cash market transaction.
- iii) Brokers will verify the cash transaction and then prepare and submit Notification of EFRP Registration form, proof of underlying transaction and a letter of intention to do EFRP to Exchange Operations (EO).
- iv) The Exchange will undertake steps to consider the EFRP submission (e.g. perform verification processes, where necessary).
- v) The EFRP submission (including the documents) will then be forwarded to Risk Management for risk evaluation.
- vi) If in order the EFRP will be send to Clearing and Settlement for registration.
- vii) EO will proceed to broadcast the EFRP transaction to the market via messaging upon successful registration of the transaction by the Clearing and Settlement.

11. How is the EFRP reported to the Exchange?

The EFRP may be executed between any 2 parties who have agreed to the transaction and are the same parties to the related position. It comprises transactions privately negotiated between the two parties.

Immediately after the agreement of the EFRP between the 2 parties, their respective brokers must prepare the following documents:

1. The letter of intention to do EFRP
2. Notification of EFRP Registration form
3. Proof of related position transaction.

The 3 documents are to be sent to Exchange Operations (EO) latest by 4.00pm (for FKLI, OKLI, FKB3, FMG3 and FMG5 products) and 5.00pm (for FCPO, FPKO and FUPO products), except on the expiration date on which it must be submitted to EO latest by 9.00am.

All EFRP applications received after the cut-off time of 4.00p.m., 5.00p.m., or 9:00a.m. as the case may be, will be deemed as the following day's submission and processed by the next business day.

EO will inform the market of the EFRP transaction via email once the EFRP transaction is successfully registered by the Clearing House.

12. Can the same Trading Participant do EFRP for 2 clients?

Yes, as long as the account requirements for the clients are met as mentioned in Q3.

13. Where can I find the EFRP registration form?

The registration form can be found on the website using the link as provided below.

http://www.bursamalaysia.com/website/bm/trading/derivatives/downloads/bmd_efrp_registration_form.pdf

14. What is the expected timeframe for EFRP registration?

During market hours, the whole process should take no more than 1 hour from the time of submission of all the relevant forms of the EFRP provided that the forms contain all the necessary information.

15. How is the EFRP settled?

If the EFRP converts into a futures position, it will be subject to the futures daily settlement price and final settlement prices applicable to the regular market. In the event the EFRP converts the futures position into cash, physical or OTC position, the corresponding futures position will be closed.

16. Will the EFRP transaction be made public?

Only the volume and time of registration of the EFRP shall be made public and will be broadcasted via email messaging.

17. Will the volume be updated on a real-time basis in the trading system?

The volume will not be updated in the trading system. It will only be reflected at the end-of-day market data reporting which is published on the following day.

18. Are there instances where the EFRP may be rejected?

The EFRP may be rejected if it does not comply with the Rules of Bursa Malaysia Derivatives Berhad and the Trading Participants' Manual. To illustrate, below are some examples of circumstances where an EFRP may be rejected:

- Price of the transaction is deemed to be not fair and reasonable.
- Financial standing of the Clearing Participant and/or end-client if transaction results in a negative monetary position.
- Requirement that only separate parties are permitted to conduct EFRP has not been met.

19. Can the EFRP be amended or cancelled once the registration form has been submitted?

Before the EFRP is registered, the transaction can be amended or cancelled provided that both the buyer and the seller mutually agree to do so. Instruction must be received from both the counterparties to the EFRP. In the event of cancellation, the Trading Participants must inform Derivatives Exchange Operations to hold on to the registration and to resubmit the original registration form with a note to cancel that is signed by the same signatories.

20. Can the EFRP be mutually cancelled once it has been registered?

The EFRP cannot be cancelled once it has been registered. The 2 parties will be required to enter into another EFRP to reverse the first transaction.

21. Can omnibus accounts participate in EFRP?

Omnibus accounts can participate in EFRP on behalf of their clients. However, the nature of EFRP requires that the 2 parties doing EFRP must be the same 2 parties to the cash, physical or OTC transaction