THERE'S SOMETHING FOR EVERYONE ON BURSA MALAYSIA

THE

STRAIGHTFORWARD GUIDE TO INVESTING AND TRADING

Structured Warrants

LARGE CAP INVESTMENT EXPOSURE AT A FRACTION OF THE PRICE

Listed on Bursa Malaysia

WHAT ARE STRUCTURED **WARRANTS?**

Structured warrants are proprietary instruments issued by a third-party issuer, namely an eligible broker or financial institution, that give holders the right, but not the obligation, to buy or sell the underlying instrument in the future for a fixed price.

Structured warrants offer investors an alternative avenue to participate in the price performance of an underlying asset at a fraction of its price, in both bullish and bearish markets.

WHAT ARE THE TYPES OF STRUCTURED **WARRANTS?**

- **Call Warrants**
  Call warrant is a listed security which gives the warrant holder the right but not the obligation to buy the underlying asset at a pre-determined exercise price within a pre-determined time period. Call warrant holders benefit from upside price movements in the underlying asset.

- **Put Warrants**
  Put warrant is a listed security which gives the warrant holder the right but not the obligation to sell the underlying asset at a pre-determined exercise price within a pre-determined time period. Put warrant holders benefit from downward price movements in the underlying asset.

WHY INVEST IN STRUCTURED **WARRANTS?**

Leverage

Structured warrants allow investors to gain exposure to an underlying asset e.g. share or index at a fraction of the price of underlying instrument and provides cheaper entry to invest. For the same investment outlay, a structured warrant increases the exposure to the underlying asset, thus magnifying the possible returns.

Benefit from underlying upside/downside

- Call warrants - investors can benefit from increase price of underlying assets
- Put warrants - investors can benefit from falling price of underlying assets and also to hedge long positions on the underlying assets

Cash extraction

Investors can free up capital by buying the call warrants instead of the underlying assets, yet maintaining an equivalent level of exposure to the underlying assets.

Liquidity

All structured warrants listed on Bursa Malaysia have market makers to provide continuous bid/ask prices. Investors can buy and sell structured warrants anytime during the trading hours.

Access to diverse market

Structured warrants provide alternative avenues for investors to participate in local & foreign-listed equities, basket of shares e.g. ETFs and local & foreign market indices.

Limited downside losses

The feature of a structured warrant gives investors profit opportunity with loss limited to the amount paid for investing in the structured warrants. Potential gains however, can be unlimited for call warrants.

Lower cost

The transaction cost and commission is relatively lower as compared to share investment because of smaller capital outlay.

Company Warrant vs Structured Warrant

	Company Warrant	Structured Warrant
Issued by	Listed company	Eligible financial institution
Underlying asset	Shares of the company	Shares, Exchange Traded Funds, Indices
On exercise	Company will issue additional shares to meet obligations. This results in share dilution.	Does not result in dilution of the underlying shares
Maturity period	Up to 10 years	6 months to 5 years
Market Makers Presence	No	Yes
Settlement	The terms and conditions of warrants are defined by the issuers	
Stock Code	Quoted as xxx-Wx	Call Warrant: Quoted as xxx-Cx Put Warrant: Quoted as xxx-Hx

WHAT ARE THE FACTORS INFLUENCING THE PRICE OF STRUCTURED WARRANTS?

No.	Influencing Factors	Impact on Call Warrant Price	Impact on Put Warrant Price	Explanation
1	Underlying Asset Price ↑	↑	↓	Call Warrant: When the underlying price moves higher, the greater the profit. The warrant becomes more valuable and hence, warrant price tends to rise. Put Warrant: The lower the underlying price, the greater the profit opportunity. As the underlying price goes lower, the profit potential increases and hence, the warrant price tends to rise.
2	Time to Maturity (remaining life of a warrant) ↑	↑	↑	Greater flexibility and longer time opportunity accorded by a longer duration to maturity increases the value of the warrant and hence, its price.
3	Implied Volatility ↑	↑	↑	Indicates market expectations for the volatility of the underlying within a future period of time. The higher the implied volatility, the higher the expected volatility of the underlying price. Similarly, a lower implied volatility corresponds to a lower warrant price.

No.	Influencing Factors	Impact on Call Warrant Price	Impact on Put Warrant Price	Explanation
4	Interest Rate ↑	↑	↓	Movements of interest rate represent the funding cost involved in investing in warrants compared to the underlying instruments. When the interest rate increases, a call warrant implies funding cost savings compared to buying the underlying directly and hence, the call warrant becomes more valuable and thus, its price tends to rise. Conversely, a higher interest rate implies a lower price for a put warrant.
5	Dividend ↑	↓	↑	Issuer normally takes into account the expected dividend from the underlying in determining the issue price of a warrant. If the dividend payout is in line with investor's expectation, warrant price will be unaffected. However, if the dividend payout is more than expected, the underlying price will decline more than expected on ex-dividend date, and warrant price may immediately follow suit to decline (for call warrant) or rise (for put warrant).

FEATURES OF STRUCTURED **WARRANTS**

Underlying instrument - behind every warrant, there is an underlying instrument. On Bursa Malaysia, the underlying can be a share, basket of shares (e.g. ETF) or index.

Expiry / maturity date - the last date on which the warrant may be exercised. This runs from the date of issuance of the warrant until its expiry/maturity date which can range from 6 months to 5 years. A warrant is worthless if an investor holds it beyond the maturity date.

Exercise price - the agreed price to be paid, calculated based on the conversion ratio to exercise the warrant.

Exercise styles - typically, American or European styles. The American ones allow for the exercise flexibility anytime during the tenure of the structured warrants whilst the European style allows for exercise of the warrant only at the expiry/maturity date. Issuers prefer to list European style warrants in Malaysia.

Conversion ratio - number of warrants required to be at hand in exchange for each unit of the underlying instrument if the warrant is exercised.

Settlement methods - A warrant may be delivered in the form of the underlying or is cash settled. They are settled by transferring the underlying instrument to the investor's account whereas cash settled warrants are settled by a cash payment by the warrant issuer to the holder. Cash settlement is common in Malaysia.

WHAT ARE THE RISKS IN INVESTING IN STRUCTURED WARRANTS?

The underlying asset may fail to perform as you have expected and therefore, affecting the market value of the warrant.

When investing in trading warrants, the maximum amount at risk is your full investment (plus transaction costs) in the warrant.

The market value of a warrant is susceptible to other prevailing market forces including the demand and supply of the warrants.

Warrants have a fixed life span and they become worthless upon expiration.

Time decay i.e. time value diminishes as time goes by for a warrant. The rate of decay increases as the date of expiration gets closer.

GETTING READY TO TRADE STRUCTURED WARRANTS

How to prepare or improve your investment skills as a warrant investor

Remember that warrants are leveraged instruments.

Know both the Warrant and the Underlying Instrument.

Improve knowledge on warrants.

Have a view on market direction.

Determine your investment and risk horizon.

GETTING **STARTED**

How and where to start investing in structured warrants?

Structured warrants trade just like stocks, subject to the same trading, payment and settlement rules (T+3).

You need to open a CDS account and a trading account with a Participating Organisation i.e. a stockbroking firm registered in Malaysia, if you do not have one.

For more information, visit www.bursamalaysia.com and the respective Structured Warrants Issuers' websites.

ETFs

Exchange Traded Funds

Listed on Bursa Malaysia

THE SIMPLIFIED WAY TO CREATE A STOCK PORTFOLIO

WHAT ARE EXCHANGE TRADED FUNDS (ETFs)?

ETFs invest in a basket of stocks or bonds or other instruments which track the performance of an index. ETFs are listed and traded on a stock exchange.

WHY INVEST IN ETFs?

DIVERSIFICATION
Gain exposure to a basket of securities in a single transaction. Also, an efficient way to gain regional and international diversification.

LOW COST
ETF does not impose sales charge and has lower management fees (<1% compared to managed funds).

TRADE LIKE STOCKS
Just like stocks, you can buy and sell anytime throughout the trading day.

FULLY TRANSPARENT
Prices are available real-time throughout the trading day. What's more – the investment portfolio is fully transparent as it tracks an index.

ALL ABOUT INVESTING IN ETFs

1. **What do I have to pay when buying and selling ETFs?**
   Similar to buying and selling stocks, investors need to pay brokerage commission, stamp duty and clearing fees.

2. **What determines the price of an ETF?**
   The market price of an ETF is usually very close to the Net Asset Value (NAV) of the fund i.e. market value of the underlying stocks and any net income not distributed. However, the price of an ETF can be affected by demand and supply in the market.

3. **What are the expected returns?**
   Investment returns generally correspond to the price and yield performance of their underlying indices.

4. **What is the minimum investment units?**
   ETFs are traded in minimum traded lots (board lots) of 100 units.

5. Do ETFs pay dividends?

Most ETFs pay dividends to their holders either half yearly or yearly. You are advised to refer to the distribution policy in the prospectus or offering documents of the ETF.

6. How are transactions in ETFs settled?

In the same manner as share transactions i.e. not later than 3 market days after the transaction date (T+3).

7. Is there any risk?

Yes, investing in ETFs, similar to stocks, is subject to ups and downs of the market. The performance of the ETF may be directly affected by the performance of its underlying.

8. What should I do before investing in an ETF?

You are advised to know the following before investing:

- Investment objective & strategy of the ETF
- Information on the underlying that the ETF is tracking
- Dividend policy
- Fees & charges that will be borne by you as an investor
- Trading information of the ETF
- Information about the management company

PRODUCT COMPARISON

	ETFs	STOCKS	UNIT TRUST
Diversification	√	x	√
Real-time dissemination	√	√	x
Trade via	Broker	Broker	Agent
Purchase of ETF / Stocks / Unit Trust	T+3	T+3*	Upfront

** T+3 means the 3rd market / business day after trade date.*

COST OF TRADING

	ETFs	STOCKS	UNIT TRUST
Sales Charge	x	x	√
Brokerage Commission / Clearing Fee / Stamp Duty	<1%	<1%	-

MANAGEMENT FEE

	ETFs	STOCKS	UNIT TRUST
Management fee*	<1%	-	1-2%

** The management fee is a standard feature of ETFs and unit trust. The management fee is reflected in the Net Asset Value (NAV) and unit price of the ETF or unit trust.*

GETTING **STARTED**

ETFs trade just like stocks, subject to the same trading, payment and settlement rules (T+3).

You need to open a CDS account and a trading account with a Participating Organisation i.e. a stockbroking firm registered in Malaysia, if you do not have one.

For more information, visit www.bursamalaysia.com and the respective ETFs' website.

REITs
Real Estate Investment Trusts

Listed on Bursa Malaysia

HOW TO BUY A LARGE PROPERTY PORTFOLIO WITH A SMALL INVESTMENT

REITs

THE EASIEST WAY TO INVEST IN LARGE-SCALE REAL ESTATE.

REAL ESTATE OR PROPERTY IS A KEY ASSET CLASS IN AN INVESTMENT PORTFOLIO.

Typically, before REITs were introduced, an investor may invest in property stocks and/or physical (landed) property to get exposure in the real estate sector.

You now have another option i.e. to invest in REITs by paying only a fraction of the real estate prices. In other words, REITs provide a way to invest in quality large-scale commercial real estate without having to buy the properties directly. REITs typically offer you a stable income stream and attractive distribution yields.

WHAT IS A **REIT?**

A Real Estate Investment Trust (REIT) is a fund or a trust that owns and manages income-producing commercial real estate (shopping complexes, hospitals, plantations, industrial properties, hotels and office blocks).

A management company for a REIT is permitted to deduct distribution paid to its shareholders from its corporate taxable income.

However, to enjoy this tax-free status, the REIT must have most of its assets and income tied to the real estate and distribute at least 90% of its total income to investors/unit holders annually.

REITs that are listed on a stock exchange trade just like stocks.

WHY INVEST IN A REIT?

Benefits of investing in listed REITs:

- **Affordability**
  Investments in REITs cost a fraction of the cost of direct investment in real estate. You can start off with minimal investment outlay.

- **Liquidity**
  REITs are more liquid compared to physical properties. Units of listed REITs are readily converted to cash as they are traded on the stock exchange.

- **Stable income stream**
  REITs tend to pay out steady incomes (similar to dividends), which are derived from existing rents paid by tenants who occupy the REITs' properties.

- **Exposure to large-scale real estate**
  You can derive the benefits of the real estate on a pro-rated basis through a REIT, a quality investment which is affordable.

- **Professional management**
  You benefit from having the REIT and its underlying assets managed by professionals who will add value for a higher yield.

WHAT ARE THE INVESTMENT CONSIDERATIONS?

Apart from the general market risks of economy, politics, capital market and interest rates, you should be aware of the following:

- Management quality and corporate structure of the REIT, in particular the REIT manager (good track record and reputation).
- Investment objective and strategy of the REIT.
- Quality of the real estate, including factors such as mortgages, occupancy rates and geographical locations.
- Distribution policy and tax rules.

WHAT KIND OF RETURNS CAN BE EXPECTED FROM **REITs?**

Typically, the returns to unit holders of a REIT can be in the form of:

- Income distribution based on the distribution policy stated in the REIT's deed; and/or
- Capital gains which may arise from appreciation of the REIT's price.

PERFORMANCE INDICATORS OF REITs

Distribution Yield: The yield is normally published in the business section of major daily newspapers. It is derived from the following formula:

$$\text{Distribution yield} = \frac{\text{Income distribution paid to a REIT unit holder}}{\text{REIT's price paid by the unit holder}}$$

(or the prevailing market price of the REIT)

Other indicators include the following which are available in annual reports:

- **Net Asset Value (NAV)**
  The value of a REIT is based on its tangible real estate holdings. This is calculated by the total assets of a company after subtracting all its liabilities.
- **Management Expense Ratio**
  The percentage of operating expenses (management fees, etc.) incurred to the NAV.
- **Total Returns**
  The change in a REIT's price for the period under review plus any income distribution received during the period.

GETTING STARTED

REITs trade just like stocks, subject to the same trading, payment and settlement rules (T+3).

You need to open a CDS account and a trading account with a Participating Organisation i.e. a stockbroking firm registered in Malaysia, if you do not have one.

For more information, visit www.bursamalaysia.com and the respective REITs' website.

ETBS

Exchange Traded Bonds and Sukuk

Listed on Bursa Malaysia

LASTING STABILITY. FUTURE PROSPERITY.

ETBS

INCREASING ACCESSIBILITY OF THE BOND AND SUKUK MARKET TO EVERYONE.

Bonds/Sukuk have always been seen as an asset class to hedge when markets are bearish and a means to develop a steady income over many years. But in the past the bonds and/or sukuk market was accessible only to high net worth and institutional investors.

Now with ETBS, all investors can have access to the bonds and/or sukuk market with ease, via the stock market.

WHAT ARE ETBS?

ETBS are fixed income securities, also known as bonds or sukuk*, that are listed and traded on the stock market. ETBS are issued either by companies or governments (the issuer) to raise funds for their needs. ETBS have varying structures such as fixed rate, floating rate and hybrids.

* Sukuk refers to issues that complies with Shari'ah principles

WHY INVEST IN **ETBS?**

HERE ARE SOME OF THE REASONS TO INVEST IN ETBS:

Flexibility and Ease of Trading

ETBS are traded on Bursa Malaysia, making the buying and selling of ETBS as easy as trading in shares.

Transparency

As ETBS are listed on the bourse, investors will have access to real-time prices and volumes, just like shares. This will enable investors to continuously monitor their investments and receive up-to-date information.

Diversification

Investors can diversify their portfolioto to include ETBS to complement their investments in other asset classes such as equities, derivatives, unit trusts, etc.

Additional Income Stream

Investors can benefit from a steady income stream through regular coupon payments.

WHAT ARE THE TERMINOLOGIES ASSOCIATED WITH ETBS?

ISSUER
A company or government organisation that issues bonds and/or sukuk to investors in order to raise funds for its operations, expansion or other needs.

ETBS HOLDER
The owner of a bond or sukuk asset.

PRINCIPAL
The amount borrowed by the issuer or the amount lent by investors. Typically, this is the value returned to the ETBS holder upon maturity. It is also known as nominal value, par value, redemption value or maturity value of a bonds and/or sukuk.

MATURITY DATE
The date when the ETBS issuer pays the principal amount to the holder. It is also known as redemption date.

COUPON
The interest amount the ETBS holder will receive above the principal amount. It is generally expressed as a percentage of the principal value.

COUPON FREQUENCY
The frequency with which coupon payments are made to ETBS holders.

TRUSTEE
A financial organisation that has been given fiduciary powers to ensure obligation of the bond contract is met between the ETBS issuer and the ETBS holder. They act in the interest of the ETBS holder.

GUARANTOR
The government, commercial or holding company that will act as a guarantor for the ETBS issuer in case of a default.

WHAT ARE THE FACTORS THAT DETERMINE THE PRICE OF AN **ETBS?**

Price and Yield

ETBS pricing and yield are primarily determined by the demand and supply in the marketplace. Investors want as high a yield or return for their investment as they can get, thus when ETBS prices are low, investors are willing to pay less for an ETBS and therefore getting a better yield. In contrast, a high ETBS price would mean returns are lower, as coupon payments for an ETBS are generally fixed to the principal value of the bonds and/or sukuk.

Interest Rates

When interest rates change, ETBS prices change in response. This sensitivity to interest rates is one of the key influences on ETBS prices. Supposing the average interest rate available to investors goes up, the ETBS' current yield will become a less attractive investment. This would result in investor demand falling off, causing a decline in the ETBS price; until the point where the yield becomes competitive with prevailing rates. The reverse occurs if interest rates go down.

Risk

Investors must consider the credit risk of the issuing entity before investing in its ETBS. Essentially, credit risk is the likelihood that the issuing entity will or will not be able to repay principal amount and its interest elements at maturity.

This particularly applies to corporate ETBS, because corporations have more risk than most governments.
ETBS are evaluated and rated by several agencies, including Malaysian Rating Corporation Berhad (MARC) or Ratings Agency Malaysia Berhad (RAM) for Malaysia while Moody's and Standard & Poor's for international rating. A top rating (AAA) means the ETBS carries the least credit risk. If a company's rating is downgraded, the ETBS will normally fall in price because investors won't pay as much for them.

Maturity

The future is always less certain than the present. In the financial world, uncertainty translates into risk. Consequently, ETBS with long maturities have somewhat more risk and tend to be priced lower (or have higher yields).
As these ETBS eventually start to approach their maturity date, their prices start to get close to the par value. That's because investors know they will soon be getting their money, and little credit risk remains.

WHAT ARE THE MINIMUM INVESTMENT **UNITS?**

ETBS are traded in minimum board lot size of 10 units per lot size. Given the principal price of RM100.00 per unit, each board lot will cost RM1,000, excluding transaction costs.

WHAT ARE **THE RISKS?**

Credit risk

This risk arises if the ETBS issuer is unable to pay the coupon payment on the coupon date or the principal amount to the lender at maturity. Government bonds and sukuk are backed by the central government, thus deemed to have a low credit risk.

Market risk

This is the risk of price fluctuations and is impacted by the demand and supply in the market.

Interest rate risk

Valuation of the ETBS may be affected by the changes in interest rates e.g. if the interest rate rises, ETBS prices will fall as investors may relocate their investment to capture a rise in interest rates available in other instruments, for example, in a bank deposit.

WHAT ARE MY CONSIDERATIONS BEFORE INVESTING IN ETBS?

Product Comparison

BONDS/SUKUK	STOCKS
Bonds/Sukuk are Debt Securities	Stocks are Equity Securities
Bonds/Sukuk holder - they are the owner of a bond asset and do not have rights to the ownership of the company	Shareholder - an owner of the company
Steady flow of payments known as coupon/dividends	Dividend payments based on the policy and performance of the company
Generally less volatile	Impacted by market volatility and forces
Time limit or maturity period	Do not have a maturity period, unless delisted
Trade size is 10 units	Trade size is 100 units

* Bondholders/Sukukholders will rank higher than shareholders in recourse in the event of liquidation.

GETTING STARTED

How to buy ETBS?

- Primary Market: By subscription, similar to applying for an IPO
- Secondary Market: Through your broker, similar to buying shares

How to sell ETBS?

- Similar to selling shares through your broker
- If held until maturity, investor will get back the nominal value of the bond on maturity date as well as the interest or dividend payable

How to make money from ETBS?

- Earn interest or dividend
- Capital gains – depending on market condition

For new investors, visit your nearest stockbroking firm that is registered with Bursa Malaysia to open a securities trading account and a Central Depository System (CDS) account.

For more information, visit www.bursamalaysia.com/etbs

FCPO
Crude Palm Oil Futures

Traded on Bursa Malaysia

THE GLOBAL PRICE BENCHMARK FOR CRUDE PALM OIL

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 : <FCPO> + <Month Code> + <Year Code>
  Example : <FCPOC3> DEC3 contract
- Interactive Data : F:FCPO\Mnn, where M is month code and nn is year number
  Example : F:FCPO\F14

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

WHY TRADE FCPO?

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.

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.

Speculate on Price Movement

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

Gain immediate exposure to Commodity Market

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

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**

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.

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 sold 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 25 x 20)

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 25 x 40)

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

WHAT OTHER PRODUCTS DO WE OFFER?

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)

Commodity Derivatives

- Gold Futures (FGLD)
- Crude Palm Oil Futures (FCPO)
- Options on Crude Palm Oil Futures(OCPO)
- USD Crude Palm Oil Futures (FUPO)

GETTING **STARTED**

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

Step 2
Deposit 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.

THE EQUITY MARKET INDEX BENCHMARK IN MALAYSIA

FKLI
FTSE Bursa Malaysia KLCI Futures

Traded on Bursa Malaysia

FKLI

MALAYSIAN FBM KLCI FUTURES IS NOW AVAILABLE ON **CME GLOBEX®**

- Global Access
- Exposure to underlying FBM KLCI constituents
- Index barometer to reflect equity market
- Diversified users of contract

FKLI TICKER CODE

• CME Globex®	:	BMD\FKLI\relevant contract month code
Example	:	BMD\FKLI\MAR14
• Bloomberg	:	IKA Index CT (Go)
• Thomson Reuters	:	<FKLI> + <Month Code> + <Year Code>
Example	:	<FKLIC1> DEC4 contract
• Interactive Data	:	F: FKLI\Mnn, where M is month code and nn is year number
Example	:	F: FKLI\F14

WHAT IS **FKLI?**

FKLI is a Ringgit Malaysia (“MYR”) denominated FTSE Bursa Malaysia Kuala Lumpur Composite Index (FBM KLCI) Futures contract traded on Bursa Malaysia Derivatives providing market participants exposure to the underlying FBM KLCI constituents.

It is actively used by both the institutional and retail investors in their respective trading portfolios.

Contract Size: FBM KLCI multiplied by MYR50.

Settlement: This is a cash settled contract.

WHY TRADE FKLI?

Global Access

FKLI 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.

Prudent Capital Management

An insurance company or fund manager with an equity portfolio will sell the FKLI as a hedge to protect itself against a potential decline in the equity portfolio value.

Maximise Volatility Trading

Traders may use the FKLI to gain leveraged exposure arising from price volatility in the underlying FBM KLCI index.

Lower Cost of Entry

An institution, which is in a tight cash flow situation and is unable to obtain the physical stocks now, may buy the FKLI as a temporary substitute for holding stocks until it has the available funds. The FKLI position would be liquidated later once the stocks are acquired. This method entails a cheaper entry (via only initial margin deposits) with similar exposure to the value of the underlying stocks MINUS the cost of an outright purchase.

Ability to Short Sell

Trading the FKLI allows you to sell first and purchase later to close out your trading positions.

MARGINS AND APPROVED CURRENCIES

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.

TRADING **EXAMPLES**

Scenario 1 - Benefit from Bear Markets

On concerns of higher prices of consumer goods and an overall decline of economic conditions, Sofea views that the market will be on a decline. To make profit out of the bear market, she can use the FKLI contract in the following manner:

Index Futures (FKLI) is traded at 1780.0

Scenario: FKLI is expected to FALL
Step 1: Sell one FKLI contract at 1780.0

Assuming FKLI declines to 1760.0

Step 2: Buy one FKLI contract at 1760.0
Gross profit on FKLI: MYR 1000 (MYR 50 x 20 points)

Scenario 2 - Benefit from Bull Markets

Ryan has been watching the stock market very closely due to the upcoming General Elections. He foresees that the market will be on an uptrend after the election. To make profit out of the bull market, he can use the FKLI contract in the following manner:

Index Futures (FKLI) is traded at 1780.0

Scenario: FKLI is expected to RISE
Step 1: Buy one FKLI contract at 1780.0

Assuming FKLI rises to 1790.0

Step 2: Sell one FKLI contract at 1790.0
Gross profit on FKLI: MYR 500 (MYR 50 x 10 points)

Scenario 3 - Hedging

A position established in one market in an attempt to offset exposure to price fluctuations in the opposite position in another market with the goal of minimizing one's exposure to unwanted risk.

Fund managers perpetually hold stocks in hand, therefore their risk exposure to the market would be enhanced in declining markets. A fund manager expects that in two months' time, the share price will appreciate. However, he is worried that unforeseen event may cause prices to decline prior to the time he would sell his stocks. He chooses to trade on Bursa Malaysia Derivatives and hedge his position by selling the forward FKLI contract. In doing so, he has effectively agreed to lock-in his future selling price today for a contract that will expire in two months' time.

Scenario 4 - Arbitraging

When derivatives are trading above or below their theoretical "fair value," it is possible to undertake arbitrage strategies by buying or selling the derivatives and simultaneously selling or purchasing the underlying stock(s).

The fund manager realises that the correlation prices of the cash market and the FKLI market have deviated from their usual spreads, and that the FKLI is trading at a premium to the cash market. He decides to sell FKLI and buy the underlying shares in the equity market to arbitrage. The position will be liquidated later once the spread of the prices between both markets return to its fair value.

Scenario 5 – Trading

Observation of trading patterns and post data on reactions to market announcements provide an estimate on possible bullish or bearish trends.

The fund manager expects a spike up in prices in anticipation of an increase in buying activities by foreign funds based on the positive economic data of the country. It naturally will increase its exposure and may purchase stocks and FKLI simultaneously to maximize its 'buy / long' portfolio position.

WHAT OTHER PRODUCTS DO WE OFFER?

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)

Commodity Derivatives

- Gold Futures (FGLD)
- Crude Palm Oil Futures (FCPO)
- Options on Crude Palm Oil Futures (OCPO)
- USD Crude Palm Oil Futures (FUPO)
- Crude Palm Kernel Oil Futures (FPKO)

GETTING STARTED

Step 1

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

Step 2

Deposit Initial Margin with your Futures Broker.

Step 3

Start trading FKLI.

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.


GOLD FUTURES
FGLD
Gold Futures
Traded on Bursa Malaysia
THE TRUSTED
WAY TO TRADE GOLD
IN MALAYSIA

FGLD

MALAYSIAN GOLD FUTURES ARE NOW AVAILABLE ON **CME GLOBEX®**

- Global Access
- Regulated Trading
- Leveraged Trading
- Benefit from Bull and Bear Markets

FCPO TICKER CODE

- CME Globex®: BMD\FGLD\relevant contract month code
  Example BMD\FGLD\OCT14
- Bloomberg: FGDA Cmdty CT (Go)
- Thomson Reuters: <FGLD> + <Month Code> + <Year Code>
  Example <FGLDZ3> DEC3 contract
- Interactive Data: F:FGLD\Mnn, where M is month code and nn is year number
  Example F:FGLD\Z13

WHAT IS **FGLD?**

FGLD is a small-sized Ringgit Malaysia ("MYR") denominated gold futures contract traded on Bursa Malaysia Derivatives, providing market participants exposure to international gold price movements.

- Contract Size : Each FGLD contract is equivalent to 100 grams of gold
- Pricing : The pricing of the FGLD contract is benchmarked against the London Gold Fix Price
- Cash Settled : There is no physical delivery as it is a cash settled contract. The FGLD contract will be settled on expiry using the cash equivalent of gold purchased (e.g. 100 grams), calculated using the London AM Fix price (in USD) on the final trading day converted into MYR

WHY TRADE **FGLD?**

Global Access

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

Regulated Trading

The trading of the FGLD contract on Bursa Malaysia Derivatives comes under the regulatory supervision of the Securities Commission of Malaysia pursuant to the Capital Markets and Services Act 2007.

Margin deposits and payments relating to settlement of futures contracts are guaranteed by Bursa Malaysia Derivatives Clearing while the conduct of the futures brokers is also regulated.

The regulatory framework provides added protection and comfort to market participants.

Leveraged Trading

In the futures market you will need to deposit a small percentage of the notional value of the contract (known as Initial Margin). This margin will fluctuate according to the volatility of gold price. The "leverage" allows you to have greater exposure to gold at a fraction of the total value.

Benefit from Bull and Bear Markets

Unlike purchasing an "asset" based on today's prices (e.g. stocks or physical assets), a futures contract enables you to take a position now based on your view of the prices in the future. Traders have the opportunity to sell first in declining markets and this is the main trading advantage of futures contracts. It allows traders the flexibility in participating and taking opportunity in market trends and movements.

For example, if you wish to have exposure to gold and anticipate that gold price will go down in the future (e.g. in December), you could sell a December futures contract now to lock in today's prices, and take your gains in December when the contract expires at a lower price. This ability to "sell" a contract without first having to buy it enables you to benefit from both downward and upward movements in price.

MARGINS AND APPROVED CURRENCIES

The Initial Margin amount is to be deposited with your licensed Futures Broker prior to trading. All currency deposits for the 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:

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- Singapore Dollar (SGD)
- Australian Dollar (AUD)

Please refer to your Futures Broker for other approved collaterals.

TRADING **EXAMPLES**

Objective 1: Protection of Asset Value

Simon has 1kg (1000g) of gold coins collected over the years. He observes that gold prices have declined and anticipates a further downtrend. He wishes to hold on to his physical gold portfolio for his retirement. To protect his asset value, he can use the FGLD contract in the following manner:

Quantity of gold	**:**	**1000g**
Current gold price	**:**	**MYR130 per gram**
Scenario	**:**	**Gold prices are expected to FALL**

How can FGLD help in this scenario?

Step 1 : Evaluate portfolio value = MYR130,000 (MYR130 x 1000g)

Step 2 : Evaluate hedging amount = 10 FGLD contracts (100g = 1 FGLD contract,1000g = 10 FGLD contracts)

Step 3 : Execute the FGLD order with the broker
Sell 10 FGLD contracts at the current price of MYR130

Assuming gold prices fall to MYR 100 per gram

Step 4 : i. Re-evaluate portfolio value = MYR100,000 (MYR100 x 1000g)

Gross Loss (physical gold value) = (MYR30,000)
(MYR130,000 – MYR100,000)

ii. Gross Profit on FGLD = MYR30,000*
((MYR130 – MYR100) x 1000g))
(Sell 10 FGLD contracts at MYR130
Buy 10 FGLD contracts at MYR100)

In this way, he maintains the value of his gold coins in the event of downward price movement.

* Initial Margins are to be deposited prior to trading
* Transaction costs have been excluded in this example

Objective 2: Locking in current gold price

Madam Deepika's daughter is getting married in 6 months time. She intends to withdraw her Fixed Deposit (FD) sum to buy gold jewellery. However, the Fixed Deposit is not due until closer to the wedding. Madam Deepika notices the gold prices have been trending upwards and is concerned that this may reduce the amount of gold she can purchase. To lock in the current gold price, she can use the FGLD contract in the following manner:

Quantity of gold:	**200g**
Current gold price:	**MYR130 per gram**
FD Value:	**MYR26,000**
Scenario:	**Gold prices are expected to RISE**

How can FGLD help in this scenario?

Step 1	:	Evaluate gold value	= MYR26,000 (MYR130 x 200g)
Step 2	:	Evaluate hedging amount	= 2 FGLD contracts (100g = 1 FGLD contract, 200g = 2 FGLD contracts)
Step 3	:	Execute the FGLD order with the broker Buy 2 FGLD contracts at the current price of MYR130	

Assuming gold prices rise to MYR160 per gram

Step 4	:	i. Re-evaluate gold value	= MYR20,000 (MYR100 x 200g)
		Gross Loss (physical gold value)	= (MYR6,000) (MYR26,000 – MYR20,000)
		ii. Gross Profit on FGLD	= MYR6,000* (MYR160 - MYR130) x 200g) (Buy 2 FGLD contracts at MYR130 Sell 2 FGLD contracts at MYR160)

She can then add the profit to her Fixed Deposit sum and purchase the same amount of gold that she originally intended. By using this strategy, she effectively locked in the price of gold at the time she bought FGLD.

* Initial Margins are to be deposited prior to trading
* Transaction costs have been excluded in this example

Objective 3: Taking advantage of gold price volatility

Suhaila is interested in having gold as an asset class in her investment portfolio. She observes that gold prices have been volatile recently, moving actively in both directions. She believes she can profit from the price fluctuations. To benefit from the volatile market, she can use the FGLD contract in the following manner:

Quantity of gold:	**100g**
Current gold price:	**MYR130 per gram**

How to benefit from the FGLD contract?

Scenario A	**:**	**Gold prices are expected to RISE**
Step 1	:	Buy one FGLD contract at MYR130
Assuming gold prices rise to MYR150 per gram		
Step 2	:	Sell one FGLD contract at MYR150
Gross profit on FGLD	:	MYR2,000* (MYR20 x 100 grams)
Scenario B	**:**	**Gold prices are expected to FALL**
Step 1	:	Sell one FGLD contract at MYR130
Assuming gold prices fall to MYR100 per gram		
Step 2	:	Buy one FGLD contract at MYR100
Gross profit on FGLD	:	MYR3,000* (MYR30 x 100 grams)

She can use numerous strategies to maximise her trading opportunities in the market, for e.g. spread trading, arbitrage trading and outright trading.

* Initial Margins are to be deposited prior to trading
* Transaction costs have been excluded in this example

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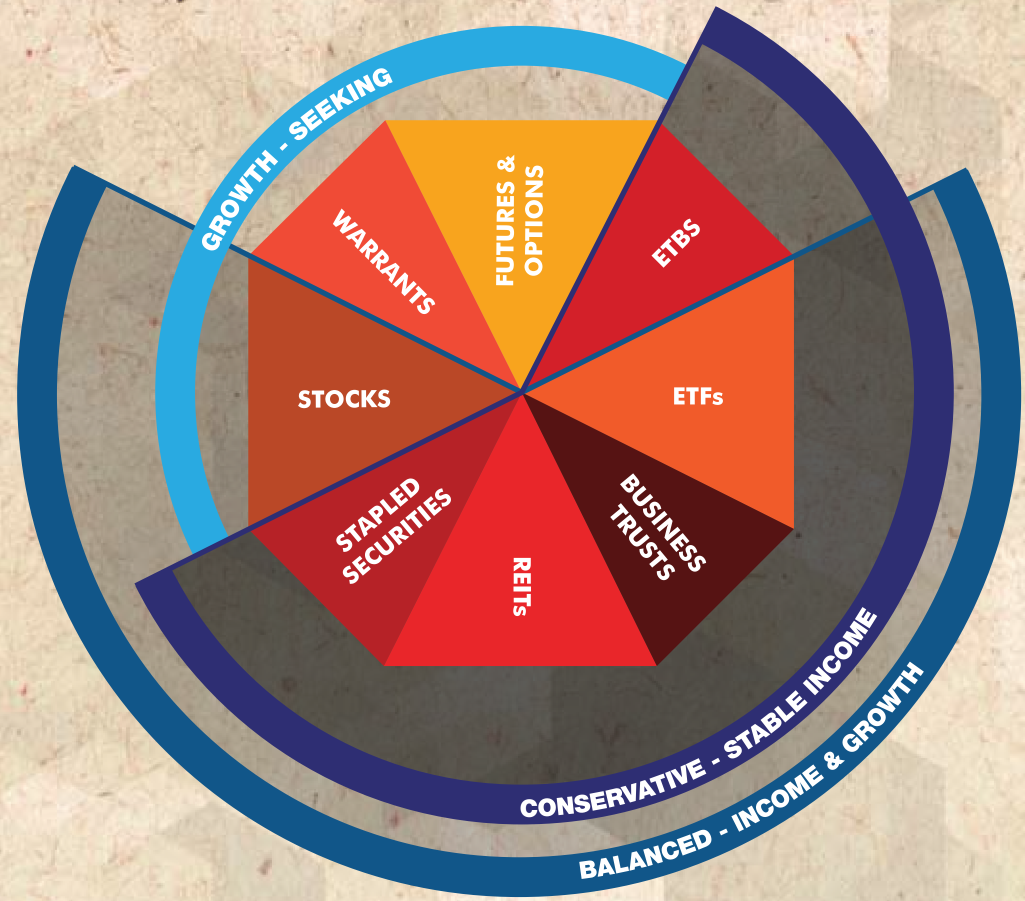
THERE'S SOMETHING FOR EVERYONE ON BURSA MALAYSIA



BURSA MALAYSIA BERHAD 30632-P
Exchange Square, Bukit Kewangan, 50200 Kuala Lumpur, Malaysia.
T : +(603) 2034 7000 F : 03-2026 3584

www.bursamalaysia.com