

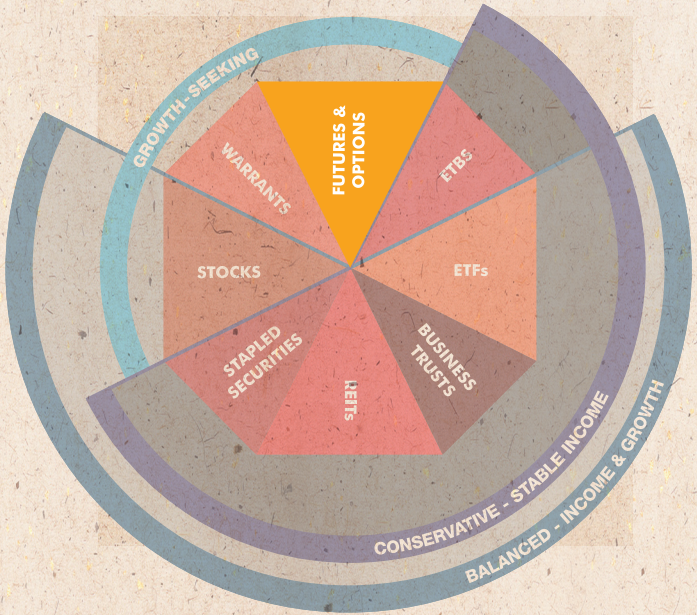


FKLI

FTSE Bursa Malaysia
KLCI Futures

Traded on 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 check out what other products you might consider having in your portfolio besides the one in this brochure.

**THERE'S SOMETHING FOR
EVERYONE
ON BURS MALAYSIA**

WHO IS **BURSA MALAYSIA DERIVATIVES (BMD)**?

Bursa Malaysia Berhad, established in 1964, offers equities, derivatives, bonds as well as Islamic services products and operates an international finance exchange in Labuan.

Bursa Malaysia Derivatives Berhad (BMD), a subsidiary of Bursa Malaysia Berhad established in 1993, provides, operates and maintains equity, bond, and commodity futures and options market trading and settlement services.

Both Bursa Malaysia Berhad and BMD are regulated under the jurisdiction of the Ministry of Finance Malaysia and operate under the supervision of the Securities Commission and are governed by the Capital Market and Services Act 2007.

In 2009, Chicago Mercantile Exchange (CME) acquired a 25% stake in BMD, while the remaining 75% interest is held by Bursa Malaysia Berhad. In 2010, BMD's products were migrated onto the CME Globex® electronic trading platform to provide greater product visibility and accessibility to international traders.

WHAT ARE **DERIVATIVES**?

Derivatives are financial instruments used to manage one's exposure in today's volatile markets. A derivative product's value depends upon and is derived from an underlying instrument, such as commodities, interest rates, indices or stocks.

In other words, a derivative is a financial contract with a value linked to the expected future price movements of an underlying asset. It is used as a tool for price discovery hedging, speculating and arbitraging.

WHAT ARE **FUTURES AND OPTIONS**?

Futures and options are derivative products mostly traded on exchanges. A futures contract is an agreement between two parties to buy or sell the underlying instrument at a specific time in the future at a specific price determined today.

An option however, provides the holder/buyer the right but not the obligation, to purchase or sell a certain quantity of the underlying instrument at a stipulated price within a specific time period by paying a premium.

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 : <1FKLI> + <Month Code> +
<Year Code>
Example : <1FKLIC1> DEC4 contract
- ICE Data Services : F: FKLI\MY , where M is month code
and YY is year number
Example : F: FKLI\F18 for FTSE Bursa Malaysia
KLCI Jan-2018



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**?

1. 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.

2. 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.

3. Maximise volatility trading

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

4. 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.

5. Ability to short sell

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

3

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

4

Scenario 1 – Benefit from Bear Markets

On concerns of higher prices of consumer goods and an overall decline of economic conditions, Sofea views that 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 BMD 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. It 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 FACILITIES ARE AVAILABLE?

5

a. “Exchange for Related Positions” (EFRP)

EFRP 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.

b. “Negotiated Large Trade” (NLT)

Negotiated Large Trade (NLT) is an off-market trading facility that allows Trading Participants or their clients to arrange and transact orders of a defined large size away from the trading system. NLT allows large trades to be done at a single price and it minimises the possible price impact and time delays that may occur when transacting orders of large sizes on the Exchange.

6

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)
- 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

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 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.**

Disclaimer

This brochure has been provided for general information purposes only. The information contained in this brochure does not constitute financial or trading advice and does not make any recommendation regarding the product/s mentioned. Although care has been taken to ensure the accuracy of the information within this brochure, Bursa Malaysia Berhad and its group of companies including Bursa Malaysia Derivatives Berhad (“Bursa Malaysia”) do not warrant or represent, expressly or impliedly as to the accuracy, completeness and/or currency of the information herein. Bursa Malaysia further does not warrant or guarantee the performance of any product/s referred to in this brochure.

All applicable laws, regulatory requirements and rules, including current Rules of Bursa Malaysia Derivatives and Rules of Bursa Malaysia Derivatives Clearing should be referred to in conjunction with this brochure. Bursa Malaysia does not accept any liability for any claim howsoever arising, out of or in relation to this brochure including but not limited to any financial or trading decisions made by the reader or any third party on the basis of this information. You are advised to seek independent advice prior to making financial or trading decisions.

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