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## DAILY SETTLEMENT PRICE GUIDELINES

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Pertaining to Rule 611 of Bursa Malaysia Derivatives Clearing Berhad, the Clearing House will determine the daily settlement price for each open contract, taking into consideration any bids, offers, traded prices, volume and any other trade related information. The information outlined in this document is the general guideline adopted by the Clearing House in determining daily settlement prices. The Clearing House may exercise its absolute discretion in determining settlement price at all times, especially when dealing with exceptional circumstances and abnormal market situations.

In general, the following are the most common characteristics for all products on a daily basis.

- 1) Active market – *contracts with trade recorded near market close for the day*
- 2) Non-active market - *contract with trade but not recorded near market close for the day*
- 3) Non-traded market

In exceptional situations when the above do not apply, additional guidelines might be adopted.

- 4) Additional guidelines for FKB3 with qualified strip trades

### DAILY SETTLEMENT PRICE COMPUTATION FOR FUTURES CONTRACTS

#### 1) ACTIVE MARKET - CONTRACTS WITH TRADE RECORDED NEAR MARKET CLOSE (known as active contracts)

- i. For FCPO, the Volume Weighted Average Price (“VWAP”) of trades executed on CME Globex between 17:59:00 – 18:00:00 Malaysia Time will be used to determine the daily settlement price for the active contract months.

For FPOL, the VWAP of trades executed on CME Globex between 17:50:00 – 18:00:00 Malaysia Time will be used to determine the daily settlement price for the active contract months.

For FGLD, the VWAP of trades executed on CME Globex between 18:55:00 – 19:00:00 Malaysia Time will be used to determine the daily settlement price for the active contract months.

*The bid-ask consideration is not applicable on VWAP*

- ii. For all other products, if there is last trade recorded within stipulated timeframe before market close, the price will be compared against the bid-ask boundaries to determine the daily settlement price.

- iii. Current consideration of the timeframe as follow:
- a. FKLII – last 10 minutes prior to market close
  - b. All other products – last 30 minutes prior to market close

iv. Summary of bid-ask boundaries and considerations:

Bid available at market close <sup>#</sup>	Ask available at market close <sup>#</sup>	Considerations for settlement price
Yes	Yes	Take the price if it is within the bid-ask bound, otherwise take the bid if it is higher than price or take the ask if it is lower than the price.
Yes	No	Take the bid if the it is higher than the price; otherwise take the price as the settlement price
No	Yes	Take the ask if the it is lower than the price; otherwise take the price as the settlement price
No	No	Take the price as the settlement price

<sup>#</sup> A bid or ask will be used for the bid and ask bound if, in the opinion of the clearing house, it is made with the genuine intention and/or reasonable expectation of trading at that price

- v. For non-commodity products, trade prices of contracts without last trade will first be compared with the active contracts to establish spread relationship. The spread relationship established will be used in determining the difference between the settlement prices of the active contract and the inactive contract, subject to the bid-ask boundaries.
- vi. Settlement prices of other contracts without last trade will be calculated as basis settlement price [*Basis Settlement Price = Previous day's settlement price +/- change in settlement price of the "nearest" contract month*], subject to the bid-ask boundaries.

**2) NON-ACTIVE PRODUCTS - CONTRACTS WITH TRADE BUT NOT RECORDED NEAR MARKET CLOSE (known as traded contracts)**

- i. Take the last traded price as settlement price for contract with highest volume for the day, subject to the bid-ask boundaries described above.
- ii. Settlement prices of other contracts without last trade will be calculated as basis settlement price [*Basis Settlement Price = Previous day's settlement price +/- change in settlement price of the "nearest" contract month*], subject to the bid-ask boundaries.

**3) NON-TRADED PRODUCTS**

- i. The previous day settlement price of spot contract / first quarterly contract will be taken as daily settlement price for the day, subject to the bid-ask boundaries.

- ii. Settlement price could also be determined by theoretical pricing models selected by the Clearing House.
- iii. [For FUPO only] If the product is not traded for the day, FCPO settlement price of the same day will be adopted as basis to determine daily settlement price for each corresponding contract month in FUPO through conversion, subject to the bid-ask boundaries. Exchange rates for this calculation shall be the mid exchange rate published by Bank Negara at 6pm daily

#### **4) ADDITIONAL GUIDELINES FOR FKB3 WITH QUALIFIED STRIP TRADES**

- i. If there is no last trade within stipulated timeframe before market close, but there is a strip trade (*within 30 minutes before market close*), the strip trade price may be considered as settlement price, provided that it was done within *the prevailing bid-ask boundaries\**.
- ii. If the strip trade is qualified to be considered as the settlement price, the Clearing House will also consider the final bid and offer boundaries in determining the use of strip trade price as settlement price.

*\* Bid and offer during the time the strip trade was traded.*

#### **DAILY SETTLEMENT PRICE COMPUTATION FOR OPTIONS CONTRACTS**

In general, entities with trades throughout the day would have its last traded price as the daily settlement price, subject to the bid-ask boundaries. Clearing House will identify the “benchmark” entity to derive the implied volatility for pricing of non-traded entities in accordance to the following priority:

- i. Contract traded within the last 30-minute and near the money
- ii. Contract traded with highest volume and near the money
- iii. When there is no trade for the day, contract with genuine bid/ask quotes and near the money

#### **DAILY PRICE LIMITS**

Pertaining to Rule 707.1 of Bursa Malaysia Derivatives Bhd, the Exchange may stipulate a price limit on any contract from time to time. Daily price limit serves as a consideration by the Clearing House in determining the settlement prices.