

# Your Gateway to East Malaysia Palm Oil Prices

## FEPO

East Malaysia  
Crude Palm Oil  
Futures

Traded on  
Bursa Malaysia



# WHAT IS FEPO?

FEPO is a Ringgit Malaysia (MYR) denominated crude palm oil futures contract traded on Bursa Malaysia Derivatives (BMD), providing market participants with an avenue for price discovery of the crude palm oil market in East Malaysia.

The introduction of FEPO complements the existing FCPO contract, strengthens BMD's palm complex and further consolidates Malaysia's position as the leading price discovery centre for palm oil traded globally. The FEPO contract is Shairah-compliant.



## Features



### CONTRACT SIZE

Each FEPO Contract is equivalent to 25 metric tons of crude palm oil



### SETTLEMENT

Physical delivery



### DELIVERY PORTS

Sabah: Lahad Datu and Sandakan  
Sarawak: Bintulu



### MATURITY DATE

15<sup>th</sup> day of the spot month

## What Is The Ticker Code For FEPO Contract?

- ▶ CME Globex®  
*BMD\FEPO\DEC21*
- ▶ Bloomberg  
*FEDA Comdty DES <GO>*
- ▶ Refinitiv  
*<FEPO> + <Month Code> + <Year Code>*  
*Chain RIC: <0#FEPO:>*
- ▶ ICE Data Services  
*F:FEPO\MY, where M is month code and YY is year number*  
*Example: F:FEPO\Z21 for December 2021*

# WHY TRADE FEPO?



## Global Access

FEPO 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 FEPO to manage risk and hedge against the risk of unfavourable price movement in the physical market.



## Price Discovery

FEPO will enhance the competitiveness and provide greater price discovery for the East Malaysia Crude Palm Oil market.



## Arbitraging Opportunities

The availability of FEPO presents arbitraging opportunities with FCPO, where commodity desks, arbitrageurs and proprietary trading firms are able to take advantage of price differences between both contracts.

## PHYSICAL DELIVERY FLOW FOR SELLERS

## PHYSICAL DELIVERY FLOW FOR BUYERS

01



- a) Seller to notify Clearing Participant on their intention to deliver
- b) Seller to deliver CPO together with the traceability documents

02



**PTI<sup>1</sup> to check on the following:**

- Quantity of CPO delivered
- FFA<sup>2</sup>, M&I<sup>3</sup> and DOBI<sup>4</sup> values are fulfilled
- Traceability documents submitted by Seller

04



Seller to notify Clearing Participant upon receiving their e-NSR<sup>5</sup>.

03



PTI to issue e-NSR if all requirements are fulfilled

05



Seller's Clearing Participant to notify Clearing House

06



Clearing House to allocate to Buyer's Clearing Participant

01



After allocation by Clearing House, Buyer makes full payment to Clearing Participant

02



Clearing Participant makes payment to Clearing House

04



Buyer to collect oil from PTI

03



Clearing House to provide the e-NSR to buyer via Clearing Participant

PTI to provide traceability documents of the oil to the buyer upon collection

*\*Traceability documents:*

- Parent Company of the Seller
- Mill Party
- Mill Address
- Mill Coordinate: Latitude and Longitude
- Quantity of CPO received in MT
- MSPO Certification Number

*PTI<sup>1</sup> - Port Tank Installation*

*FFA<sup>2</sup> - Free Fatty Acid*

*M&I<sup>3</sup> - Moisture and Impurities*

*DOBI<sup>4</sup> - Deterioration of Bleachability Index*

*e-NSR<sup>5</sup> - e-Negotiable Storage Receipts*

# TRADING EXAMPLE (BEAR MARKET)

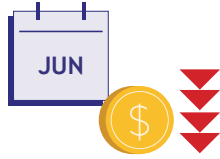
## SCENARIO:

**CURRENT MONTH:**  
01 MARCH



Production increased  
Expectation: CPO price  
to decline in March.

**4 MONTHS LATER:**  
30 JUNE



Decline in the price  
of CPO

## HOW TO USE THE FEPO CONTRACT TO PROFIT FROM THE BEARISH MARKET:



**CURRENT MONTH:**  
01 MARCH



**4 MONTHS LATER:**  
30 JUNE



MYR3,550



MYR3,510



**GROSS PROFIT:**  
MYR (3,550 - 3,510) 25MT = MYR1,000

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

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

East Malaysia Crude Palm Oil Futures (FEPO) is traded at MYR3,550

**FEPO is expected to FALL**

**STEP 1**  
Sell one FEPO Contract at MYR3,550

**Assuming FEPO declines to MYR3,510**

**STEP 2**  
Close off the existing sell position by buying back one FEPO Contract at MYR3,510

Gross profit on FEPO: MYR1000 (MYR40 x 25)

He can also use the same strategy for Bullish market (buy low - sell high).

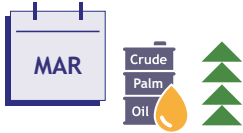
*Note:*

1. Initial Margin is to be deposited with a Futures Broker prior to trading.
2. Open position is subject to daily mark-to-market which may require additional margin to be deposited.
3. Transaction costs have been excluded in this example.

# TRADING EXAMPLE (BULL MARKET)

## SCENARIO:

**CURRENT MONTH:**  
01 MARCH



Expectation:  
Increase in the price of  
Crude Oil, which will also  
impact CPO prices.

**4 MONTHS LATER:**  
30 JUNE



Increase in the price  
of CPO

Jason 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 the FEPO Contract in the following manner:

East Malaysia Crude Palm Oil Futures (FEPO) is traded at MYR3,550

## HOW TO USE THE FEPO CONTRACT TO PROFIT FROM THE BULLISH MARKET:



**CURRENT MONTH:**  
01 MARCH



**4 MONTHS LATER:**  
30 JUNE



FEPO is expected to RISE

### STEP 1

Buy one FEPO Contract at MYR3,550

Assuming FEPO rises to MYR3,590

### STEP 2

Close off the existing buy position by selling one FEPO Contract at MYR3,590

Gross profit on FEPO: MYR1,000 (MYR40 x 25)

MYR3,550



MYR3,590



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

Note:

1. Initial Margin is to be deposited with a Futures Broker prior to trading.
2. Open position is subject to daily mark-to-market which may require additional margin to be deposited.
3. Transaction costs have been excluded in this example.



**GROSS PROFIT:**  
MYR (3,590 - 3,550) 25MT = MYR1,000

## 1. What are the differences between FEPO and FCPO?

There are 3 main differences between FEPO and FCPO, namely the following:

- (a) Trading Hours
- (b) Delivery Ports
- (c) Speculative Position Limits

The differences in contract specifications between FEPO and FCPO are summarised in the table below::

Contract Specifications	FCPO	FEPO
<b>Trading Hours</b>	Trading begins at 1030 hours (10:30 am)	Trading begins at 0900 hours (9:00 am)
<b>Delivery Ports</b>	Port Klang, Pasir Gudang, Butterworth	Lahad Datu, Sandakan and Bintulu
<b>Speculative Position Limits</b>	1,500 contracts for the spot month	800 contracts for the spot month
	20,000 contracts for any one contract month except for spot month	10,000 contracts for any one contract month except for spot month
	30,000 contracts for all months combined	15,000 contracts for all months combined

## 2. Why do we have FEPO rather than including the East Malaysia delivery ports into FCPO?

Having a clear distinction between the delivery ports for both FCPO and FEPO will cater to the buyers and sellers of crude palm oil based on their geographical location. Through the designated East Malaysian delivery ports in FEPO, there is greater accessibility for East Malaysian sellers and buyers of crude palm oil to participate in the physical delivery process without having to incur the additional logistical costs of making and taking delivery in Port Klang, Pasir Gudang or Butterworth through FCPO.

## 3. What are the fees charged by the Exchange for trading the FEPO contract?

The fees charged for trading the FEPO contract is the same as that for FCPO:

Per Contract Per Way	
Exchange Fee (MYR)	Clearing Fee (MYR)
2:00	1:00

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Open a Futures Trading Account with one of the licensed Futures Brokers of Bursa Malaysia Derivatives to get started.

Please refer to our list of Trading Participants at [www.bursamalaysia.com](http://www.bursamalaysia.com)

For more information and latest updates:  
Visit Bursa Malaysia website



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