

**BURSA MALAYSIA DERIVATIVES BERHAD**

Date: 23 February 2021

Trading Participant Circular: 03/2021

**AMENDMENTS TO THE RULES AND DIRECTIVES OF BURSA MALAYSIA DERIVATIVES BHD (“BMD RULES” AND “BMD DIRECTIVES”) IN RELATION TO THE REVAMPED CRUDE PALM KERNEL OIL FUTURES (“FPKO”) CONTRACT**

**1. INTRODUCTION**

- 1.1 Bursa Malaysia Derivatives Berhad (the “**Exchange**”) has revamped the contract specifications for the FPKO Contract in response to the market needs for a more effective crude palm kernel oil (“**CPKO**”) hedging instrument.
- 1.2 The amendments among others, seek to achieve the following:
- (a) meeting the market demand for an effective instrument to hedge against the fluctuation in prices of CPKO; and
  - (b) providing local and international participants exposure to CPKO prices via FPKO.
- 1.3 The amendments have been approved by the Securities Commission Malaysia and are further detailed in paragraphs 2 and 3 below.

**2. AMENDMENTS TO THE BMD RULES**

- 2.1 The salient amendments to the contract specifications of the FPKO Contract under Item 1.03 of Schedule 1 of the BMD Rules are as follows:
- (a) amending the price limits to align with the price limits in force for Ringgit Malaysia Denominated Crude Palm Oil Futures (“**FCPO**”) Contract;
  - (b) increasing the trading hours for the second trading session to align with the trading hours for the FCPO Contract i.e. the session will start from 1430 hours instead of 1500 hours, and will end at 1800 hours instead of 1805 hours;
  - (c) amending the Final Trading Day for the trading in the delivery month to cease at 12:00pm instead of 12:05pm on the Final Trading Day, in alignment with the FCPO Contract;
  - (d) amending the contract grade specification to widen the percentage of maximum free fatty acids requirement between in-tank and out-tank, by reducing the in-tank requirement from a maximum of 3.75% to 3.50%; and
  - (e) amending the delivery points to increase efficiency, by reducing the approved delivery points for the FPKO Contract from 3 ports to 2 ports by removing Penang/Butterworth.
- 2.2 The detailed amendments to the BMD Rules are as set out in **Annexure 1**.

### 3. AMENDMENTS TO THE BMD DIRECTIVES

3.1 The salient amendments to the BMD Directives are as follows:

- (a) amending the Directive on Applications to the Exchange Pursuant to Chapter 3 of the Rules (No. 3-001), to reduce the trading fees and introduce Negotiated Large Trade facility charges for the FPKO Contract. The amended fees and new facility charges are consistent with the fees and facility charges for the FCPO Contract;
- (b) amending the Directive on Position Limits and Exercise Limits (No. 6.44-001) to increase the position limits for FPKO Contract from 1,500 Contracts to 3,000 Contracts (for all contract months combined), from 250 Contracts to 500 Contracts (for spot month) and from 1,000 Contracts to 2,000 Contracts (for any one contract month (except for spot month)) in view of the higher global CPKO production; and
- (c) amendments are also made to Directive No. 6.44-001 to clarify that when a client or participant holds a combination of a futures contract and an option on the said futures contract, the client or participant must comply with the position limits for the options as stated in Schedule 1 of the directive.

3.2 The detailed amendments to the BMD Directives are as set out in **Annexure 2**.

### 4. AMENDMENTS TO THE TRADING PARTICIPANTS' TRADING MANUAL ("TRADING MANUAL")

4.1 The Trading Manual has also been amended to reflect corresponding changes made to the contract specifications of the FPKO Contract.

4.2 The updated version of the Trading Manual is attached as **Annexure 3**.

### 5. EFFECTIVE DATE

5.1 The amendments to the BMD Rules and BMD Directives will take effect from **8 March 2021**.

### 6. CONTACT PERSON

6.1 In the event of any queries in relation to the above matter, kindly contact us at the following:

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## Regulation