

## FAQs on Migration to Globex (As at 21 June 2010)

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### A. General

1. What is CME Globex?

Answer:

CME Globex is the trading platform of CME Group where all Bursa Malaysia Derivatives Bhd's ("BMD") products will be hosted and traded, upon implementation of the Application Service Provider ("ASP").

2. What trading platform will be used for trading BMD's products upon the ASP launch?

Answer:

The current Bursa Trade Derivatives ("BTD") trading platform will be made redundant upon the ASP launch. BMD's products will be migrated to the CME Globex trading platform based in Chicago, USA.

3. What will be the trading hours once BMD's products are migrated to CME Globex trading platform?

Answer:

The trading hours for all BMD's products shall remain unchanged.

### B. Onboarding

1. What is Onboarding?

Answer:

Onboarding is a process of acquiring, accommodating, assimilating and accelerating new users into the new derivatives trading system i.e. CME Globex to ensure a smooth migration of all BMD's products onto CME Globex.

2. Why do TPs need to attend the entire series of onboarding sessions organized by BMD?

Answer:

To be well-educated on the relevant processes, documentation, requirements and execute necessary action and approvals to ensure readiness to trade all BMD products upon migration onto CME Globex.

### **C. Order Management System (“OMS”)**

1. Will the PAM front end OMS be changed?

Answer:

The PAM front-end OMS will be completely replaced by “BMD’s OMS” upon the launch of the ASP.

2. Can TPs appoint their own Information Service Provider (“ISV”) for the provision of the OMS software?

Answer:

Yes, provided that such ISV has been duly certified by the CME Group. Please refer to the CME Group website for the complete list of CME-certified ISVs.

### **D. Trading**

1. Are the market states in CME Globex similar to what we currently have in BTM?

Answer:

No, there will be changes in market states. The changes are:

- Trading for the whole day will be over one session instead of the current two sessions with a PAUSE state for the lunch break. There shall be no matching during this state but orders may be cancelled.
- There shall be no Pre-Closing state for either the lunch break or the end of day trading.
- There shall be a 30 seconds NO-CANCEL state just after the Pre-Opening and immediately before the Continuous Trading states.

Comparison of current BTM System States and Globex System States

<b>Market States</b>	<b>BTM</b>	<b>Globex</b>
Pre Opening	Yes	Yes
No Cancel	No	Yes
Opening	Yes	Yes
Continuous Trading	Yes	Yes
Pause	No	Yes
Pre Closing	Yes	No
Surveillance Intervention	Yes	Yes
Reserve	Yes	Yes

2. What is the purpose of the NO-CANCEL state?

Answer:

While in the NO-CANCEL state trader may enter orders but cannot amend or delete orders. This may help to prevent price manipulation during the Pre-Opening state.

3. What can be done in the Surveillance Intervention state in Globex?

Answer:

During this state, traders are allowed to delete their orders only.

4. What order types will be available in Globex?

Answer:

For trading of BMD products the order types available are as follows:

Order Types	Futures	Options
Limit	Yes	Yes
Market Order With Protection	Yes	Yes
Market-Limit	Yes	Yes
Stop-Limit	Yes	No
Stop Order With Protection	Yes	No
Hidden Quantity (iceberg)	Yes	Yes
Minimum Quantity	Yes	Yes

Market Order FAK and Market On Opening/Closing orders that are currently available in PAM will not be available in CME Globex.

5. What order qualifiers are available in CME Globex?

Answer:

CME Globex provides the following order qualifiers:

- Day
- GTC (Good-Till-Cancel)
- GTD (Good-Till-Date)
- FAK (Fill-And-Kill)
- FOK (Fill-Or-Kill)

6. What are Market Order and Stop Order with protection?

Answer:

Market orders at CME Globex are implemented using a “Market with Protection” approach. Unlike a conventional Market order, where customers are at risk of having their orders filled at extreme prices, Market with Protection orders are filled within a predefined range of prices (the protected range). The protected range is typically the current best bid or offer, plus or minus the range for the product. If the entire order cannot be filled within the protected range, the unfilled quantity remains on the book as a Limit order at the limit of the protected range.

Stop orders at CME Globex are implemented using a “Stop with Protection” approach. Unlike a conventional Stop order, where customers are at risk of having their orders filled at extreme prices, Stop with Protection orders are filled within a predefined range of prices (the protected range). A Stop with Protection order is triggered when the designated price is traded on the market. The order then enters the order book as a Limit order with the limit price equal to the trigger price, plus or minus the predefined protected range. The protected range is typically the trigger price, plus or minus the range for that product. The order is executed at all price levels between the trigger and limit price. If the order is not completely filled, the remaining quantity rests in the market at the limit price. A buy Stop order must have a trigger price greater than the last traded price for the instrument. A sell Stop order must have a trigger price lower than the last traded price.

7. What is Hidden Quantity (iceberg) Order?

Answer:

A Hidden Quantity (Iceberg) Order is an order type that allows a trader to control the manner in which he wants the order to be reflected in the market.

For example, the trader may place an order for the quantity of 500 lots but only wanted to show to the market 100 lots each time. By using this order type, the first 100 lots will be shown to the market. Once the first 100 lots are fully matched, the next 100 lots will be entered into the market as a new order. This will continue until the order is completely filled.

8. What is Stop Spike Logic and how does it works?

Answer:

The CME Globex trading platform is programmed to prevent the continuing execution of cascading stop orders that will cause excessive and improper price movement. The Trading Engine monitors if the triggering of a stop order or series of stop orders will result in matched prices exceeding the contract's predefined values (typically the No Bust Range) from the price level that matching limit orders finished matching and caused the triggering of a stop order(s). Once the predefined values is exceeded, the contract will be placed in a reserved state, during which orders may be entered, modified or cancelled but not matched.



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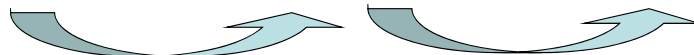
**STOP SPIKE LOGIC**

Example:

Stop Spike Logic trigger = 100  
Protection Points = 100

- The triggering point of the Stop Spike Logic is calculated from the last limit match before the 1<sup>st</sup> stop order is triggered, in this case 1496

Bid (Buy)	Offer (Sell)	Bid (Buy)	Offer (Sell)	Bid (Buy)	Offer (Sell)
5 x \$1500	\$1496 x 10 ←	5 x \$1500 →	\$1496 x 10	10 x \$1390	\$1300 x 10
5 x \$1490		5 x \$1496		20 x \$1370	(remaining triggered Stop order)
10 x \$1480		10 x \$1480	\$1396 x 50		
10 x \$1448	Stop Order Book	10 x \$1448	(Stop order triggered & converted to limit order)		
30 x \$1400		30 x \$1400			
10 x \$1398	50 lots, trigger=\$1496	10 x \$1398	\$1300 x 20		
20 x \$1390	20 lots, trigger=\$1400	20 x \$1390	(Stop order triggered & converted to limit order)		
20 x \$1370		20 x \$1370			
					<b>Market Reserved</b>



9. Are there any forms of Risk Management Services available in CME Globex?

Answer:

Yes. From the trading perspective, 3 types of services are available. They are:

- Cancel On Disconnect
- Drop Copy
- Globex Credit Control

For details description of each, kindly login to [www.cmegroup.com](http://www.cmegroup.com)

10. Is implied functionalities available in CME Globex?

Answer:

CME Globex supports implied pricing, which automatically identifies and creates additional possible spreads and outright orders based on placed orders.

Implied IN orders are created when an implied bid on one outright contract month and an offer in another outright contract month create an implied order in the corresponding calendar spread with those two expirations.

Implied OUT orders are created when the platform combines a spread order with an outright order in one of the spreads' individual contract legs to create an implied order in the other leg.

11. What is the purpose of Firmsoft?

Answer:

FirmSoft is a browser-based order management tool that provides real-time access to information on working and filled CME Globex orders, across multiple firm IDs. FirmSoft provides important risk mitigation functionality during system failures.

With FirmSoft, customers can view and cancel orders.

FirmSoft users can view:

- current order status
- fill information, including partial fills and fills from mass quotes
- cancel replace history
- CME Globex timestamps

If enabled to do so, FirmSoft users can cancel:

- an individual order
- a group of orders
- all working orders and mass quotes

## **E. Technology**

1. What is the bandwidth requirement which TPs need to maintain to trade BMD products?

Answer:

The bandwidth requirements for BMD's futures contracts are as follow:

Bandwidth	W/WO PDD Server	No of terminals supported*
<b>128 kbps</b>	Without	Up to 5 terminals without performance issue
	With	Up to 25 terminals without performance issue
<b>256 kbps</b>	Without	Up to 10 terminals without performance issue
	With	Up to 55 terminals without performance issue

\* Assumption: 9 active instruments per second per terminal

In respect of trading in non-BMD futures contracts, the bandwidth requirement depends on the types of contracts which a TP intends to trade in and how actively such contracts will be traded by the TP. The max bandwidth requirement for trading in all CME products is 40MB. Kindly refer to the CME Group website on the minimum bandwidth size requirement for trading in each of the derivatives products listed on the CME Group.

2. To what extent are IT support services provided by BMD?

Answer:

BMD IT will provide support services from 3am Monday until 9am Saturday. Malaysian public holiday excluded

## **F. Trading CMEG Products / Other Specified Exchanges**

1. What is the first step TPs need to undertake to trade all derivatives products hosted on CME Globex?

Answer:

To establish a business relationship with at least one (1) CME-certified Futures Commission Merchant (FCM). The complete list of certified FCMs/Clearing Firms is posted on CME Group website.

2. Can a TP trade CUPO and other CME's products upon launch of CUPO on 24 May 2010?

Answer:

Yes, come 24 May 2010, TPs will be allowed to trade CUPO. To do so, TPs must hook up to ILink, either directly or through BMD's trading infrastructure.

The relevant approval has been granted by Bank Negara Malaysia, with effect from 2 April 2010, to allow resident futures brokers to make payments to non-residents for foreign currency-denominated derivatives (except for currency futures and options contracts) transacted on specified exchanges. CME Group is a specified exchange.

3. Do all TPs have to apply to SC (compulsory?) for trading in overseas markets regardless of whether they are using PATS or going through another CMEG clearing firm?

Answer:

Yes, application to SC is compulsory if TPs would like to trade in overseas markets i.e. the specified exchanges including CMEG.

4. What sort of back office compatible system do we need to cater for all these new CME approved products and trades?

Answer:

It depends on the arrangement between TP and the CMEG's clearing partner

## **G. Clearing**

1. How does TP clear trades in the new structure?

Answer:

There is no change in the clearing arrangement for BMD's products.