

BURSA MALAYSIA DERIVATIVES BERHAD
Date : 17 April 2015
Trading Participant Circular: 12 /2015
SPECIAL NOTICE PERTAINING TO ELIGIBLE BASKET MGS FOR JUNE 2015 CONTRACT

On 10 March 2015, as per Trading Participant Circular 7/2015, Bursa Malaysia Derivatives Bhd (“BMD”) announced the Eligible basket of MGS for June 2015 contracts of 3-Year and 5-Year MGS futures. These contracts expire on June 17, 2015. In the announcement, The Eligible MGS for the 5-Year MGS Futures or “FMG5” June 2015 futures contract comprises the following:

No	Contract Code	Issue Code	Stock Code	Maturity Date	Coupon (% p.a.)	Amount (RM mil.)	Weightage
1	FMG5	3/2004	MS04003H	30 Jul 2019	5.7340	7,315.54	10%
2	FMG5	4/2014	MJ140004	31 Oct 2019	3.6540	11,800.00	60%
3	FMG5	2/2009	MO090002	29 Nov 2019	4.3780	17,600.00	10%
4	FMG5	6/2012	ML120006	31 Mar 2020	3.4920	11,000.00	10%
5	FMG5	6/2013	MK130006	31 Jul 2020	3.8890	7,973.06	10%
Total						55,688.60	100%

On 16 April 2015, as per Trading Participant Circular 11/2015, BMD announced the replacement of 5-Year Benchmark MGS for June 2015 contract as below:

No	Contract Code	Issue Code	Stock Code	Maturity Date	Coupon (% p.a.)	Amount (RM mil.)	Weightage
1	FMG5	3/2004	MS04003H	30 Jul 2019	5.7340	7,315.54	8%
2	FMG5	4/2014	MJ140004	31 Oct 2019	3.6540	11,800.00	8%
3	FMG5	2/2009	MO090002	29 Nov 2019	4.3780	17,600.00	8%
4	FMG5	6/2012	ML120006	31 Mar 2020	3.4920	11,000.00	8%
5	FMG5	6/2013	MK130006	31 Jul 2020	3.8890	7,973.06	8%
6	FMG5	3/2015	MJ150003	15 Oct 2020	3.6590	4,000.00	60%
Total						59,688.60	100%

We would like clarify our approach in determining the basket of eligible MGS:

- The basket of eligible MGS is determined with the guidance of two documents published by Bank Negara Malaysia on the Fully Automated System Issuing/Tendering (FAST) website. The two documents are:
 - MGS Indicative Price; and
 - MGS Auction Calendar.
- All MGS listed in the MGS Auction Calendar as at the date of our announcement of the eligible basket of MGS, whether issued or to be issued prior to the expiry date of the relevant MGS contract, will be included in the basket of eligible MGS.

3. New issues of MGS that are included in the MGS Auction Calendar after our announcement of the eligible basket of MGS will not be included in the basket of eligible MGS. This is in line with the Contract Specifications of the FMG5 Contract specified in item 2703 of Schedule 27 of the Rules of BMD which states in the section on Final Settlement Value at paragraph 5.3 that no new MGS will be included after the announcement of eligible MGS for the spot quarterly month Contract.

Prior to 10 March 2015, in the 2015 MGS Auction Calendar, Bank Negara Malaysia had scheduled a 5.5-year New Issue of MGS (Maturity 10/20) to be issued in April 2015 which would be the new benchmark bond that is relevant to the June 2015 FMG5 Contract.

BMD had inadvertently omitted to clarify in Trading Participant Circular 7/2015 that this new benchmark bond, which was listed in the 2015 MGS Auction calendar, will be included in the Eligible MGS basket for the FMG5 June 2015 contract and would be announced after the actual issuance date of this bond. We would like to clarify that Trading Participant Circular 11/2015 was issued to correct the omission made in the Trading Participant Circular 7/2015.

One of the key criteria in the re-launch of the FMG5 was to ensure that the prevailing benchmark MGS would be included in the Eligible basket and that this benchmark would necessarily attract a more significant weight compared to non-benchmark MGS. This would then provide the market a more relevant, efficient investment and risk management instrument which would complement the cash bond market.

BMD would like to re-iterate that there is no change to the Contract Specifications of the FMG5 Contract. BMD will ensure that in the future it will notify the market of any scheduled issuance of bond as per the Auction Calendar released by BNM annually. However, any unscheduled issuance of bond will be omitted.