BURSA MALAYSIA

The Global Price Benchmark for Crude Palm Oil

FCPO

Crude Palm Oil Futures

Traded on
Bursa Malaysia

WHAT IS FCPO?

FCPO is a Ringgit Malaysia (MYR) denominated crude palm oil futures contract traded on Bursa Malaysia Derivatives, providing market participants with a global price benchmark for the Crude Palm Oil Market since October 1980 in the Commodity Futures Exchange space.

With an impressive track record of over 30 years, Bursa Malaysia Derivatives' FCPO price has become the reference point for market players in the edible oils and fats industry.

Features

CONTRACT SIZE

Each FCPO Contract is equivalent to 25 metric tons

SETTLEMENT METHOD

Physical delivery

MATURITY DATE

15th day of the spot month

What Is The Ticker Code For FCPO Contract?

- **CME Globex®**
  BMD\FCPO\relevant contract month code
  Example: BMD\FCPO\MAR14

- **Bloomberg**
  KOA Comdty CT (Go)

- **Thomson Reuters**
  <1FCPO> + <Month Code> + <Year Code>
  Example: <1FCPOC3> DEC3 contract

- **ICE Data Services**
  F: FCPO\Mnn , where M is month code and nn is year number
  Example: F: FCPO\F14

WHY TRADE FCPO?

Global Access

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

Speculate on Price Movement

Traders can use FCPO to gain leveraged exposure to movements in CPO prices.

Gain Immediate Exposure to the Commodity Market

Via FCPO, global fund managers, commodity trading advisors and proprietary traders are able to be part of the active commodity market.

PHYSICAL DELIVERY FLOW FOR SELLERS

01

a) Seller to notify Clearing Participant on their intention to deliver

b) Seller to deliver CPO together with the traceability documents

02

PTI[1] to check on the following:

- Quantity of CPO delivered
- FFA[2], M&I[3] and DOBI[4] values are fulfilled
- Traceability documents submitted by Seller

03

PTI to issue e-NSR if all requirements are fulfilled

04

Seller to notify Clearing Participant upon receiving their e-NSR[5].

05

Seller's Clearing Participant to notify Clearing House

06

Clearing House to allocate to Buyer's Clearing Participant

PHYSICAL DELIVERY FLOW FOR BUYERS

01

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

02

Clearing Participant makes payment to Clearing House

03

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

04

Buyer to collect oil from PTI

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*
- *Malaysian Sustainable Palm Oil (MSPO) Certificate Number*

PTI[1] - Port Tank Installation
FFA[2] - Free Fatty Acid
M&I[3] - Moisture and Impurities
DOBI[4] - Deterioration of Bleachability Index
e-NSR[5] - e-Negotiable Storage Receipts

TRADING EXAMPLE
(BEAR MARKET)

SCENARIO:

CURRENT MONTH: SEPTEMBER

Production increased
Expectation: CPO price to decline in December.

4 MONTHS LATER: DECEMBER

Decline in the price of CPO

HOW TO USE THE FCPO CONTRACT TO PROFIT FROM THE BEARISH MARKET:

Sell 1 FCPO Contract at MYR2,360

Buy back 1 FCPO contract at MYR2,340

GROSS PROFIT:
MYR(2360 - 2340) 25MT = MYR500

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

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

Crude Palm Oil Futures (FCPO) is traded at MYR2,360

FCPO is expected to FALL

STEP 1
Sell one FCPO contract at MYR2,360

Assuming FCPO declines to MYR2,340

STEP 2
Buy one FCPO contract at MYR2,340

Gross profit on FCPO: MYR500 (MYR20 x 25)

He can also use the same strategy (short-selling) for any other indications of a bearish market.

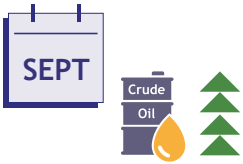
Note:

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.*

TRADING EXAMPLE
(BULL MARKET)

SCENARIO:

CURRENT MONTH: SEPTEMBER



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

4 MONTHS LATER: DECEMBER

Increase in the price of CPO

HOW TO USE THE FCPO CONTRACT TO PROFIT FROM THE BULLISH MARKET:

Buy 1 FCPO Contract at MYR2,360

Sell 1 FCPO contract at MYR2,400

GROSS PROFIT:
MYR(2400 - 2360) 25MT = MYR1,000

Ananda 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 FCPO Contract in the following manner:

Crude Palm Oil Futures (FCPO) is traded at MYR2,360

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.*

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

For more information and latest updates:
Visit Bursa Malaysia website

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