

## FREQUENTLY ASKED QUESTIONS (FAQs): MGS FUTURES PHYSICAL DELIVERY SETTLEMENT

### 1. What are MGS Futures?

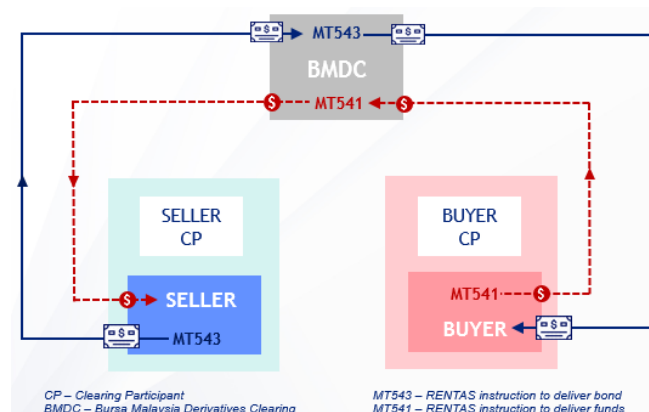
- Malaysian Government Securities (MGS) Futures are standardised derivatives contracts for the purchase and sale of Malaysian Government Securities (MGS) for future delivery. It is a physically settled contract where the seller has the right to make delivery of the eligible deliverable MGS in the delivery period and the buyer is obliged to accept the delivery if assigned. Bursa Malaysia Derivatives (BMD) is offering 3 MGS futures contracts which are 3-Year Malaysian Government Securities Futures (FMG3), 5-Year Malaysian Government Securities Futures (FMG5), and 10-Year Malaysian Government Securities Futures (FMGA), providing market participants exposure to the Malaysian bond markets.
- **Contract units:**
  - 3-Year MGS with a principal value of RM100,000.00.
  - 5-Year MGS with a principal value of RM100,000.00.
  - 10-Year MGS with a principal value of RM100,000.00.
- **Contract coupon rate:** 6% per annum and payable semi-annually.

### 2. What are the changes to all MGS Futures' contract specifications?

Change in the settlement methodology from cash to physical delivery and the selection criteria for the basket of MGS eligible for delivery, as set out in item 4.02 (FMG3), item 4.03 (FMG5) and item 4.04 (FMGA) of Schedule 4 of the Rules of Bursa Malaysia Derivatives Berhad (“BMD”).

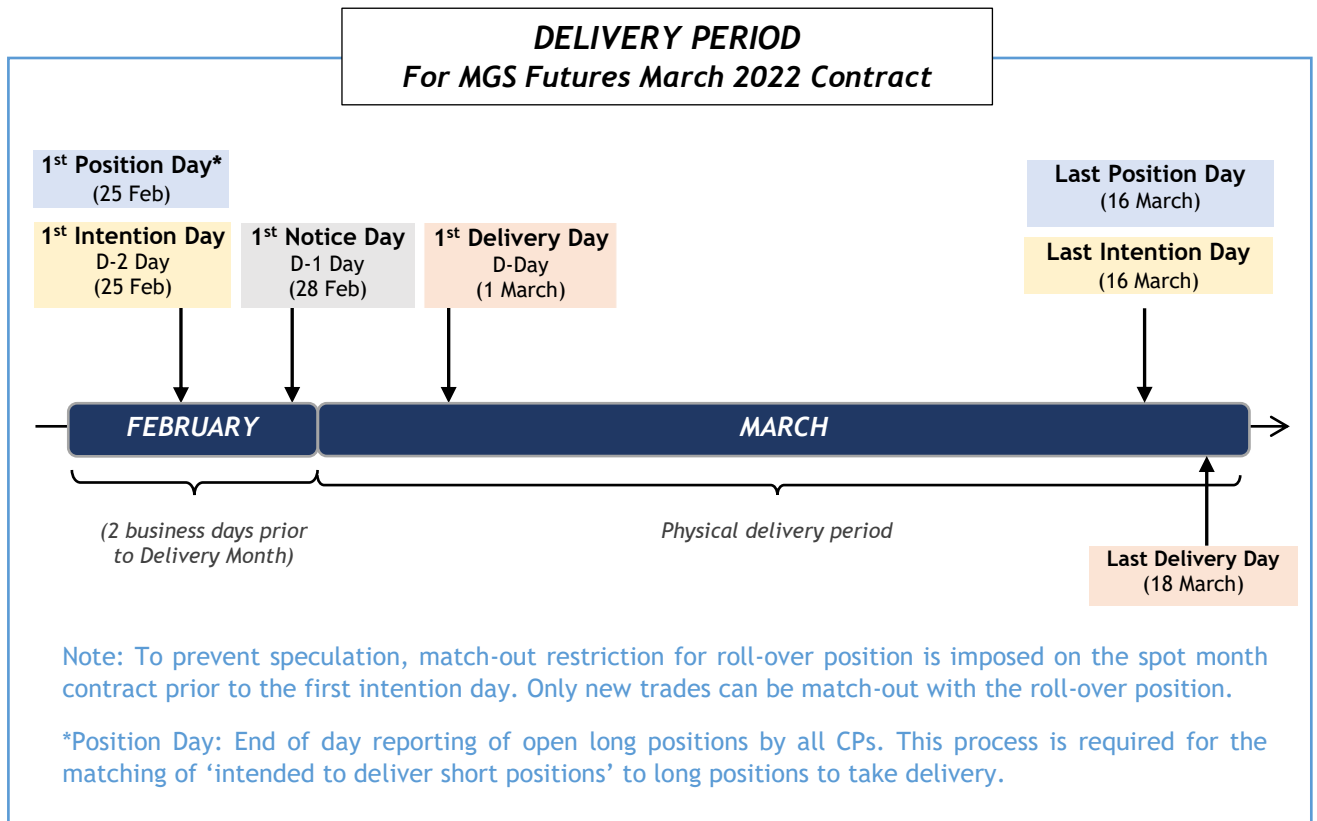
### 3. What is the process of delivery?

BMD MGS Futures physical delivery model closely mirrors the transfer of MGS in the over-the-counter (OTC) market with key alterations being Bursa Malaysia Derivatives Clearing Berhad’s (BMDC) role as the “passthrough” to facilitate the exchange of the MGS and cash payment. The following diagram illustrates the flow of MGS and payment between Buyer and Seller through BMDC via a Delivery Versus Payment (DVP) model enabled by RENTAS’s Securities Linked Settlement (SLS) functionality.

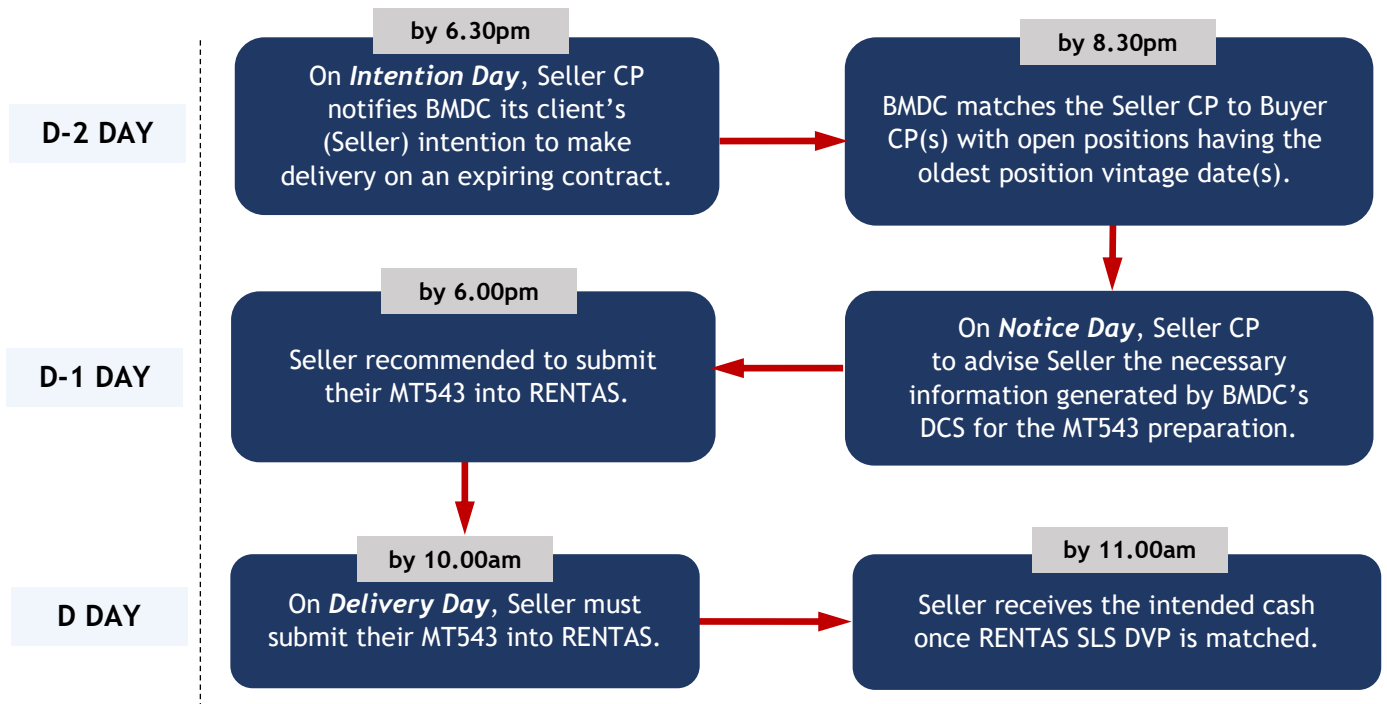


#### 4. When is the Delivery Period?

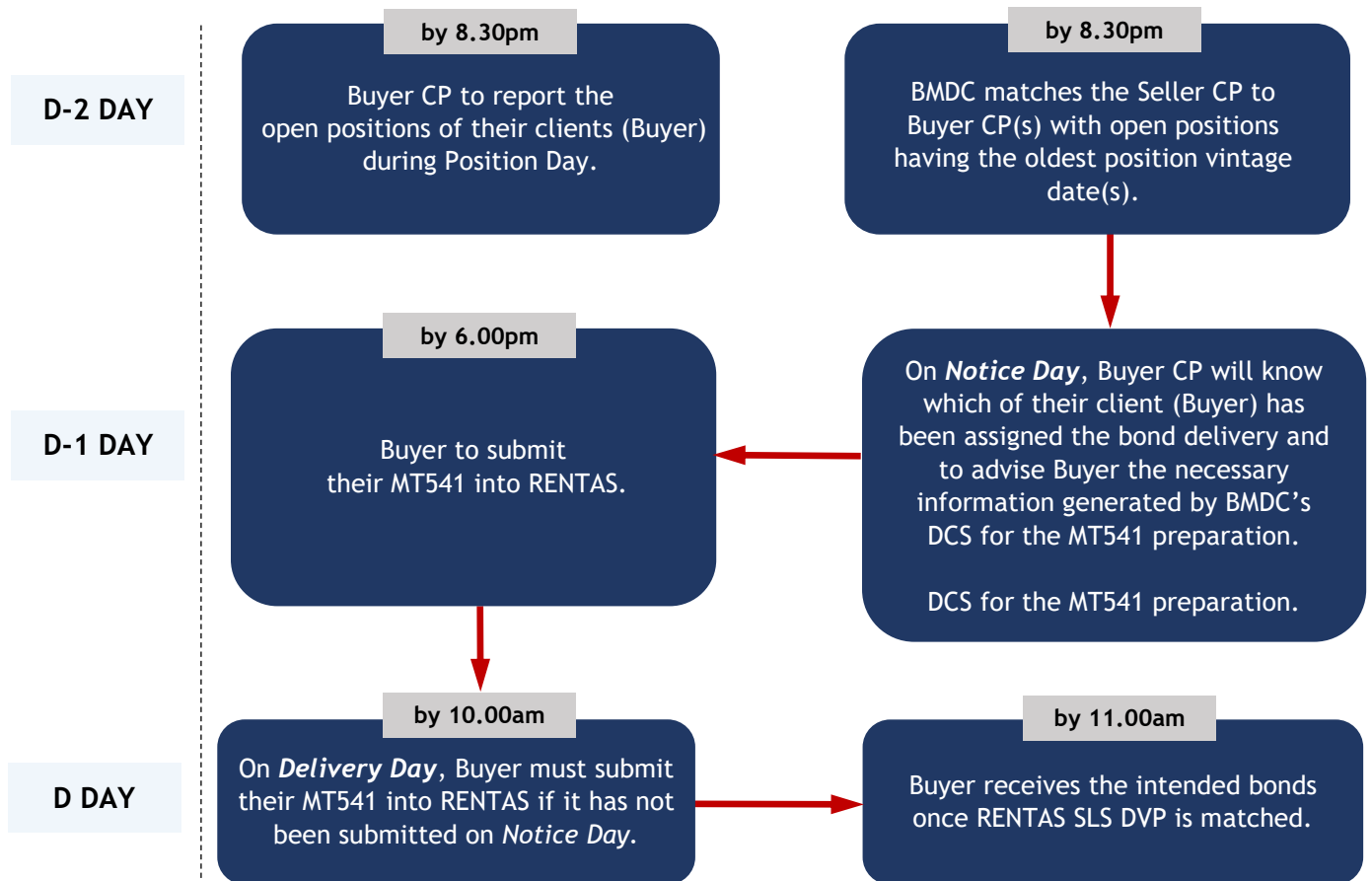
The delivery period starts from the first business day of the quarterly month for delivery to the second Business Day after the Final Trading Day. The Final Trading Day shall fall on 3<sup>rd</sup> Wednesday of the contract month or the 1<sup>st</sup> Business Day immediately following the 3<sup>rd</sup> Wednesday if the 3<sup>rd</sup> Wednesday of the contract month is not a Business Day.



#### 5. What is the physical delivery flow for the Seller?



## 6. What is the physical delivery flow for the Buyer?



**7. What are the eligible MGS for delivery for all MGS Futures contracts?**

- a) Subject to sub-clause (c) below, the eligible deliverable MGS Futures shall comprise the following:

MGS Futures	Bond Type	Minimum Issuance Size	Term to Maturity
FMG3	Benchmark 3-year MGS*	Not applicable	
	Non-benchmark MGS	RM5 billion	2 to 4 years on the first calendar day of the contract month for delivery
FMG5	Benchmark 5-year MGS*	Not applicable	
	Non-benchmark MGS	RM5 billion	4 to 6 years on the first calendar day of the contract month for delivery
FMGA	Benchmark 10-year MGS*	Not applicable	
	Non-benchmark MGS	RM3 billion	8 to 11 years on the first calendar day of the contract month for delivery

[\\*http://bondinfo.bnm.gov.my/portal/server.pt?open=514&objID=41920&parentname=CommunityPage&parentid=2&mode=2](http://bondinfo.bnm.gov.my/portal/server.pt?open=514&objID=41920&parentname=CommunityPage&parentid=2&mode=2)

- b) The eligible deliverable MGS will be announced on the 10<sup>th</sup> day of the quarterly month (i.e. March, June, September, December) preceding the contract month of that Contract or the next Business Day immediately following the 10<sup>th</sup> day if the 10<sup>th</sup> day is not Business Day.
- c) No new MGS will be included to the list of eligible bonds after the announcement of eligible MGS for the spot quarterly month Contract has been made.

**8. What are the approved currencies that I can deposit as initial margin?**

- Malaysian Ringgit (RM)
- US Dollar (USD)
- British Pound (GBP)
- Euro (EUR)
- Hong Kong Dollar (HKD)
- Japanese Yen (JPY)
- Chinese Renminbi (RMB)
- Singapore Dollar (SGD)
- Australian Dollar (AUD)

**9. Where can I view MGS Futures contract prices?**

ICE Data Services and Bloomberg

*Alternatively, you are advised to contact your Futures' Broker on how to access the MGS Futures prices.*

**10. What is the ticker code for all contracts?**

	FMG3	FMG5	FMGA
ICE Data Services	F: FMG3\MY Example: F: FMG3\M22	F: FMG5\MY Example: F: FMG5\M22	F: FMGA\MY Example: F: FMGA\M22
Bloomberg	MFA Comdty CT <Go>	MGA Comdty CT <Go>	MHA Comdty CT <Go>

**11. Are all contracts EFP/EFRP-eligible?**

Yes, all contracts are EFP/EFRP-eligible.

➤ [View Eligible Related Positions for Exchange for Related Position](#)

**12. What are the fees for all contracts?**

Per contract per side		
Exchange Fee (RM)	Clearing Fee (RM)	Tender Fee (RM)
0.50	0.50	0.50

**13. What are the margin requirements for all contracts?**

Margin requirements can be viewed at Bursa Malaysia website.

➤ [View margin requirement](#)

**14. What will happen if either the Seller fails to deliver the underlying MGS or Buyer fails to make payment in respect of MGS Futures Contract in RENTAS?**

Clause 68.7 of Payments Network Malaysia Sdn Bhd's (PayNet) Operational Procedures for Securities Services provides that the management of failed settlement of MGS Futures Contract will be referred to BMDC. Hence, in the event of failed settlement on RENTAS, BMDC will apply the default framework under the Rules of BMDC to address the liability of the failing party via its Clearing Participant.

Under the Rules of BMDC, BMDC may liquidate the MGS Futures Contract by cash settlement, at a price determined by BMD or BMDC. The Clearing Participant of the failed client will be liable to make good the differential compensation to be paid to BMDC for onward payment to the Clearing Participant of the non-failing client based on the market price difference of the selected eligible MGS and the settlement price of its spot contract. Differential compensation will be calculated by end of day of the failed settlement day and is payable on the next business day. If computation of differential compensation leads to a surplus to the failed client, no compensation shall be required to be paid to the non-failing client. The failed client shall also receive no compensation due to the act of failed settlement.

([https://fast.bnm.gov.my/fastweb/public/files/3.%20pd\\_OP%20for%20Securities%20Services\\_june2021\\_revised.pdf](https://fast.bnm.gov.my/fastweb/public/files/3.%20pd_OP%20for%20Securities%20Services_june2021_revised.pdf) and [https://www.bursamalaysia.com/regulation/derivatives/rules\\_of\\_bursa\\_malaysia\\_derivatives\\_clearing](https://www.bursamalaysia.com/regulation/derivatives/rules_of_bursa_malaysia_derivatives_clearing) )

**15. Are there any other means of failed settlement?**

Yes, if the Seller fails to notify BMDC on its intention to tender for delivery by 6.00 p.m. on the Final Trading Day of an expiring spot contract, BMDC shall deem this as failed settlement immediately. Differential compensation shall be calculated in a similar manner to Question (14) above.



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