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\DEC21

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

- **Refinitiv**
  
  <1FCPO> + <Month Code> + <Year Code>
  
  Example: <FCPOZ1> DEC1 contract

- **ICE Data Services**
  
  F: FCPO\MYY , where M is month code and YY is year number
  
  Example: F: FCPO\Z21
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
PTI¹ to check on the following:
• Quantity of CPO delivered
• FFA², M&I³ and DOBI⁴ 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-NSR⁵.

05
Seller’s Clearing Participant to notify Clearing House

06
Clearing House to allocate to Buyer’s Clearing Participant

*Traceability documents:
• Parent Company of the Seller
• Mill Party
• Mill Address
• Mill Coordinate: Latitude and Longitude
• Quantity of CPO received in MT
• MSPO Certification Number
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

PTI - Port Tank Installation
FFA - Free Fatty Acid
M&I - Moisture and Impurities
DOBI - Deterioration of Bleachability Index
e-NSR - e-Negotiable Storage Receipts
Production increased
Expectation: CPO price to decline in December.

Decline in the price of CPO

SCENARIO:

CURRENT MONTH: SEPTEMBER

4 MONTHS LATER: DECEMBER

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

SELL

BUY

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:**

**SEPT**
- Buy 1 FCPO Contract at MYR2,360

**DEC**
- 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

**FCPO is expected to RISE**

**STEP 1**
Buy one FCPO Contract at MYR2,360

**STEP 2**
Sell one FCPO Contract at MYR2,400

Gross profit on FCPO: MYR1,000
(MYR40 x 25)

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.**
(This page is intentionally left blank)
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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