

T+1 Night Trading Q&A

No.	Question
1	<p data-bbox="277 312 959 342">Why did BMD finally decided to introduce night trading?</p> <ul data-bbox="277 390 1479 701" style="list-style-type: none"> <li data-bbox="277 390 1479 594">• Mainly to align the Exchange with global market practices and increase the attractiveness of the Malaysian derivatives market to international participants, in line with our strategy to internationalise the market. Since 2019, Bursa Market Derivatives has experienced a significant increase in market participation. In 2020, we registered a 35% growth with the total number of contacts traded increased to 18.2 million contracts from 13.5 million contracts in 2019, with 46% of the total trading volume contributed by international participants. <li data-bbox="277 604 1479 701">• We want to sustain this growth momentum. A key step is by enhancing our infrastructure to improve the price discovery of Malaysian derivatives products and entice international market players.
2.	<p data-bbox="277 743 889 772">Who are the target audience for the night trading?</p> <ul data-bbox="277 821 1479 1171" style="list-style-type: none"> <li data-bbox="277 821 1479 850">• Both institutional participants and retail investors will benefit from the availability of night trading. <li data-bbox="277 856 1479 1024">• For institutional participants, Night Trading provides them with a window to discover price efficiency in the commodity market. It will increase market opportunities for hedgers manage their risk exposure effectively in volatile markets. Commodity price risk exposure is highly correlated with the real-time global development in different time zones and is particularly useful when large market movements occur during the U.S. market hours. <li data-bbox="277 1031 1479 1171">• When it comes to retail traders, Malaysian retail market players who are actively trading in the U.S. market are already engaged in night trading currently. It is common for futures traders to trade night hours due to the price sensitivity of commodity prices to global developments. With Night Trading, we are providing them an avenue to safeguard their trade positions.
3.	<p data-bbox="277 1211 1479 1276">Why is night trading significant for the benchmark FCPO contract? What difference would the night trading make for the FCPO contract?</p> <ul data-bbox="277 1325 1479 1854" style="list-style-type: none"> <li data-bbox="277 1325 1479 1457">• For over 30 years, Bursa Malaysia Derivatives' FCPO has remained the price reference for Crude Palm Oil for market players in the edible oils and fats industry. In 2020, a total of 14.6 million FCPO contracts were traded, equivalent to 365 million metric tons of Crude Palm Oil (CPO), or 5 times of the world's production of CPO. <li data-bbox="277 1463 1479 1596">• The use of FCPO is extensive and continues to be driven by market volatility. In June 2021, we renewed the all-time high of monthly FCPO trading volume at 1.7 million contracts, surpassing the previous record of 1.66 million contracts traded in March 2020. This further demonstrates the market participants' need an avenue to better manage their price risk exposure. <li data-bbox="277 1602 1479 1770">• When it is night time in the Asian hours, a large volume of commodities is being traded globally during the U.S. and European market hours. CPO prices could be affected by foreign market developments. Night Trading will strengthen the linkage between the local and global markets, enabling traders to effectively hedge or discover trading opportunities based on real-time global developments in different time zones. <li data-bbox="277 1776 1479 1854">• In short, the availability of Night Trading will further improve the efficiency of price discovery and risk management functions of FCPO, strengthening its competitive advantage.

4.	<p>What challenges will night trading pose for the FCPO contract?</p> <p>Bursa Malaysia Derivatives recently received Approval-in-Principle (“AIP”) from the Securities Commission Malaysia to operate Night Trading. The next steps are for the Trading Participants (brokers) to set up the necessary access and infrastructure to enable Night Trading for their clients.</p> <p>We do not foresee challenges posed to the FCPO contract. In fact, as mentioned earlier, night trading will bring more benefits to all market participants as it improves price discovery and attract more global investors to trade and institutional users to manage their portfolio risk.</p>
5.	<p>Apart from FCPO, which other BMD products will be available for night trading? Are there plans to launch new products?</p> <ul style="list-style-type: none"> • Night Trading will be applicable for all Bursa Malaysia Derivatives commodity and equity index futures and options contracts, as our efforts are also focused on diversifying our products, apart from enhancing our palm complex offerings. • Continuous efforts are being made to widen our derivatives offerings to meet the evolving needs of market participants. Some exciting launches coming up include the following: <ol style="list-style-type: none"> i. The East Malaysia Crude Palm Oil Futures contract (FEPO) new contract will provide an avenue for palm oil industry players in Malaysia’s two largest crude palm oil producing states to hedge price risk while increasing transparency in the East Malaysia palm oil market. ii. We will also revamp Our Gold Futures contract (FGLD) to enhance its appeal. The T+1 Night Trading availability is anticipated to boost participation from Gold market players, with Gold being actively traded via the COMEX Gold Futures and on the London OTC market contract during the U.S. morning and London afternoon trading hours equivalent to Asian night hours.
6.	<p>Can BMD share more on the details of night trading session?</p> <ul style="list-style-type: none"> • BMD’s proposed T+1 Night Trading follows a “hybrid model.” Due to its hybrid nature, the night trading session on the Derivatives market will be available from Monday to Thursday nights, from 9.00pm to 11.30pm, except Friday night trading sessions. • All trades performed during the night session will be included in the trading sessions the following day, with clearing and settlement for the night trades taking place at the end of the following business day. • We conducted feasibility studies by comparing the T+1 Night Trading model to other jurisdictional practices during the designing process. Several market consultation sessions with trading participants and industry stakeholders were held, and we received positive feedback on our proposal.

7.	<p>What does BMD expect to see and achieve with the night trading?</p> <ul style="list-style-type: none"> • In recent years, BMD has seen healthy participation in our market by local and global investors, as evidenced by the trading volume growth mentioned earlier. We anticipate the T+1 Night Trading to continue the growth momentum because: <ol style="list-style-type: none"> i) It would increase the effectiveness of our products as a risk management solution, hence provide more confidence to institutional investors to hedge their price risks. ii) New trading opportunities will be created because of the improved price discovery, further attracting international participation. • The availability of Night Trading also lays a strong foundation for our ongoing product expansion, attracting global participation in our new products. • We believe this development will expedite the growth of the Malaysian derivatives market ecosystem, as it enables our Trading Participants (brokers) to widen their range of services to their clients.
8.	<p>With night trading hours in play, what will be the main benefits to Bursa Malaysia Derivatives?</p> <p>Bursa Malaysia Derivatives' (BMD) T+1 Night Trading is a significant move that aligns the Exchange with global market practices. It will also help increase the appeal of the Malaysian derivatives market to international participants.</p> <p>Since 2019, we have observed a significant increase in market participation. Last year, the total number of contracts traded registered a 35% growth, increasing to 18.2 million contracts from 13.5 million contracts in 2019, with international participants accounting for 46% of the total trading volume.</p> <p>Night Trading will help sustain the market's strong growth momentum and propel the Exchange forward in line with Bursa Malaysia Derivatives' strategy to internationalize our market.</p>
9.	<p>What are the benefits of Night Trading to investors?</p> <p>The T+1 Night Trading will benefit both institutional participants and retail investors.</p> <p>Night Trading provides hedgers a window into the opening of the U.S. market and the closing of the European market, respectively. This can enhance the price discovery of Bursa Malaysia Derivatives products and strengthen the linkage between local and global markets.</p> <p>The recent volatility in crude palm oil prices, which contributed to record high trading volume for the Bursa Malaysia Derivatives' Crude Palm Oil Futures contract ("FCPO"), has also demonstrated the need</p>

	<p>for Night Trading. It provides an avenue for market participants to effectively manage their price risk exposure based on real-time global developments in different time zones, which is particularly useful when large market movements occur during U.S. market hours.</p> <p>As for retail investors, it is common for futures traders to frequently engage in night trading due to the sensitivity of commodities' price. We also have retail market players in Malaysia who are actively trading in the U.S. market.</p> <p>By offering Night Trading session, we can provide traders with new market opportunities and allow them to react quickly to price volatility or market news to protect their trade positions.</p>
10.	<p>Following the launch of night trading sessions, do you expect any expansion to BMD customer base?</p> <p>We have seen healthy trade participation in our market by local and global investors in recent years, as evidenced by the trading volume growth mentioned earlier. As T+1 Night Trading offers clear benefits to the derivatives market ecosystem, we believe this is a development that will sustain the growth momentum and expand the Exchange's customer base.</p> <p>The availability of T+1 Night Trading will increase the effectiveness of our products as a risk management solution, hence enticing more institutional investors to hedge their pricing risks. New trading opportunities will be created because of the improved price discovery, further attracting international participation.</p>
11.	<p>Can BMD share more on the details of night trading session such as the period of the session?</p> <p>BMD's proposed T+1 Night Trading follows a "hybrid model." Due to its hybrid nature, the night trading session on the Derivatives market will be available from Monday to Thursday nights, from 9.00pm to 11.30pm, except Friday night trading sessions.</p> <p>All trades performed during the night session will be included in the trading sessions the following day, with clearing and settlement for the night trades taking place at the end of the following business day.</p> <p>i. We conducted feasibility studies by comparing the T+1 Night Trading model to other jurisdictional practices during the designing process. Several market consultation sessions with trading participants and industry stakeholders were held, and we received positive feedback on our proposal.</p>
12.	<p>What is the expected investment from the brokers to avail this night trading for market participants?</p> <p>Based on Bursa Malaysia Derivatives' survey, most Trading Participants (brokers) offer night desks for their clients today, particularly for access to overseas markets such as the U.S. or the UK.</p> <p>For Trading Participants looking to set up night trading for their clients, the Direct Market Access ("DMA") made available for clients and the previous abolishment of voice recording audit requirement have also significantly reduced set up costs.</p> <p>That said, the decision to provide Night Trading will depend on the commercial decision of each Trading Participant. Bursa Market Derivatives, however, would encourage Trading Participants to adopt Nigh Trading as it will allow them to deliver better service to their clients through an improved risk management avenue.</p>

13.	Will the night trading session affect the operation of CME Globex?
	No, as Bursa Malaysia Derivatives products will continue to be traded on CME Globex.