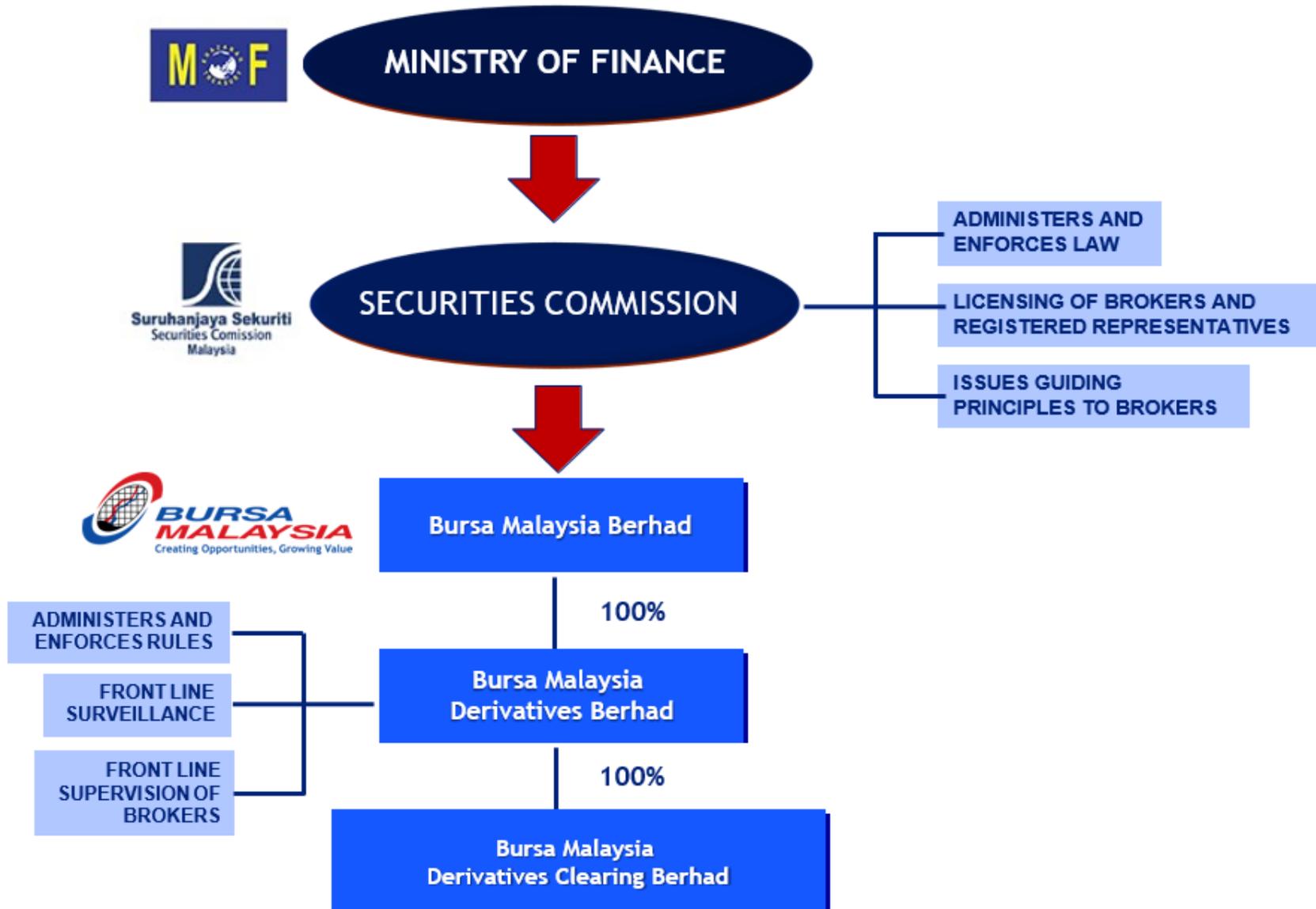


Introduction to Bursa Malaysia Derivatives (BMD)

Vincent Chiew
14th December 2020

Governance Structure



Changing Landscapes of Malaysian Derivatives



Oct 1980
Kuala Lumpur Commodity Exchange (KLCE) was the first Commodity Exchange in Malaysia.

Kuala Lumpur Commodity Clearing House (KLCCH) was the clearing house. Subsequently, transformed into Malaysian Futures Clearing Corporation (MFCC) in 1984.



1996
Malaysian Monetary Exchange (MME) was formed to trade interest rate futures.

Malaysian Derivatives Clearing House (MDCH) was the Clearing House.



1998
KLCE and MME merged to form the *Commodity and Monetary Exchange of Malaysia (COMMEX)*. Malaysian Derivatives Clearing House (MDCH) was the Clearing House.



1995
Kuala Lumpur Options and Financial Futures Exchange (KLOFFE) was set up to trade Stock Index Futures. Malaysian Derivatives Clearing House (MDCH) was the Clearing House.



2001
KLOFFE and COMMEX merged to form the Malaysia Derivatives Exchange (MDEX), a one stop centre for all derivatives products. Malaysian Derivatives Clearing House (MDCH) was the Clearing House.



2004
MDEX renamed to Bursa Malaysia Derivatives (BMD)
MDCH renamed to Bursa Malaysia Derivatives Clearing (BMDC)

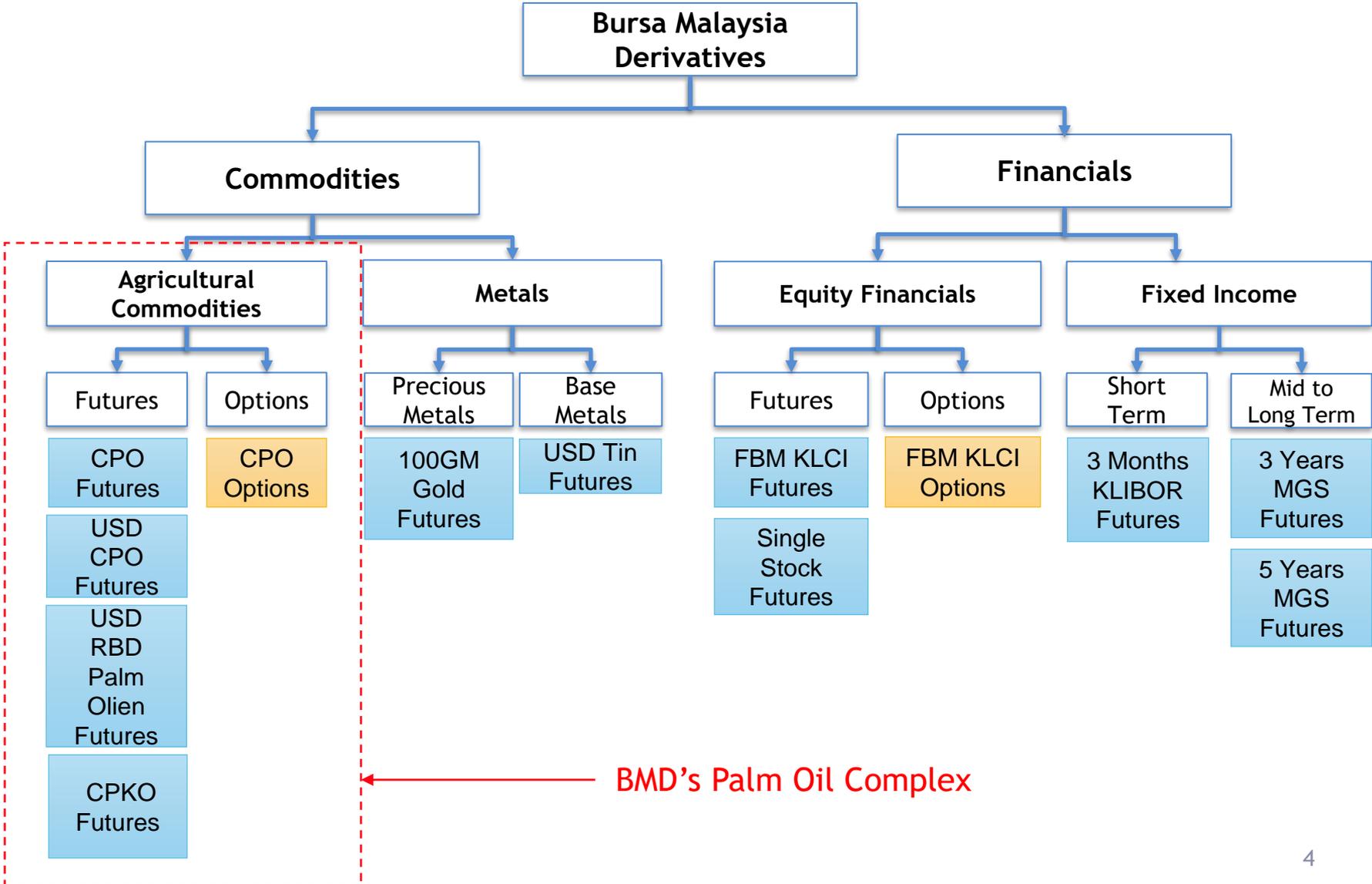


2009
Strategic 75:25 partnership with CME Group



Dec 2019
Bursa Malaysia Berhad bought back the shares held by CME Group. BMD is wholly owned by Bursa Malaysia Berhad.

Derivatives Product



Contract Specifications - Crude Palm Oil Futures



Contract Code	FCPO
Underlying Instrument	Crude Palm Oil
Contract Size	25 metric tons
Minimum Price Fluctuation	RM1 per metric ton
Daily Price Limits	<p>With the exception of trades in the spot month, trades for future delivery of Crude Palm Oil in any month shall not be made, during any one Business Day, at prices varying more than 10% above or below the settlement prices of the preceding Business Day ("the 10% Limit") except as provided below.</p> <p>When at least 3 non-spot month contracts are trading at the 10% Limit, the Exchange shall announce a 10-minute cooling off period ("the Cooling Off Period") for all contract months (except the spot month) during which trading shall only take place within the 10% Limit. Following the Cooling Off Period, all contract months shall be specified as interrupted for a period of 5 minutes, after which the prices traded for all contract months (except the spot month) shall not vary more than 15% above or below the settlement prices of the preceding Business Day ("the 15% Limit").</p> <p>If the 10% Limit is triggered less than 30 minutes before the end of the first trading session, the following shall apply: -</p> <ul style="list-style-type: none"> a. the contract months shall not be specified as interrupted; b. the 10% Limit shall be applied to all contract months (except the spot month) for the rest of the first trading session; and c. the 15% Limit shall be applied for all contract months (except the spot month) during the second trading session. <p>If the 10% Limit is triggered less than 30 minutes before the end of the second trading session, the 10% Limit shall be applied to all contract months (except the spot month) for the rest of the Business Day.</p>
Contract Months	Spot month and the next 11 succeeding months, and thereafter, alternate months up to 36 months ahead
Trading Hours	<ul style="list-style-type: none"> • First trading session: Malaysian time 10:30 a.m. to 12:30 p.m. • Second trading session: Malaysian time 2:30 p.m. to 6:00 p.m.

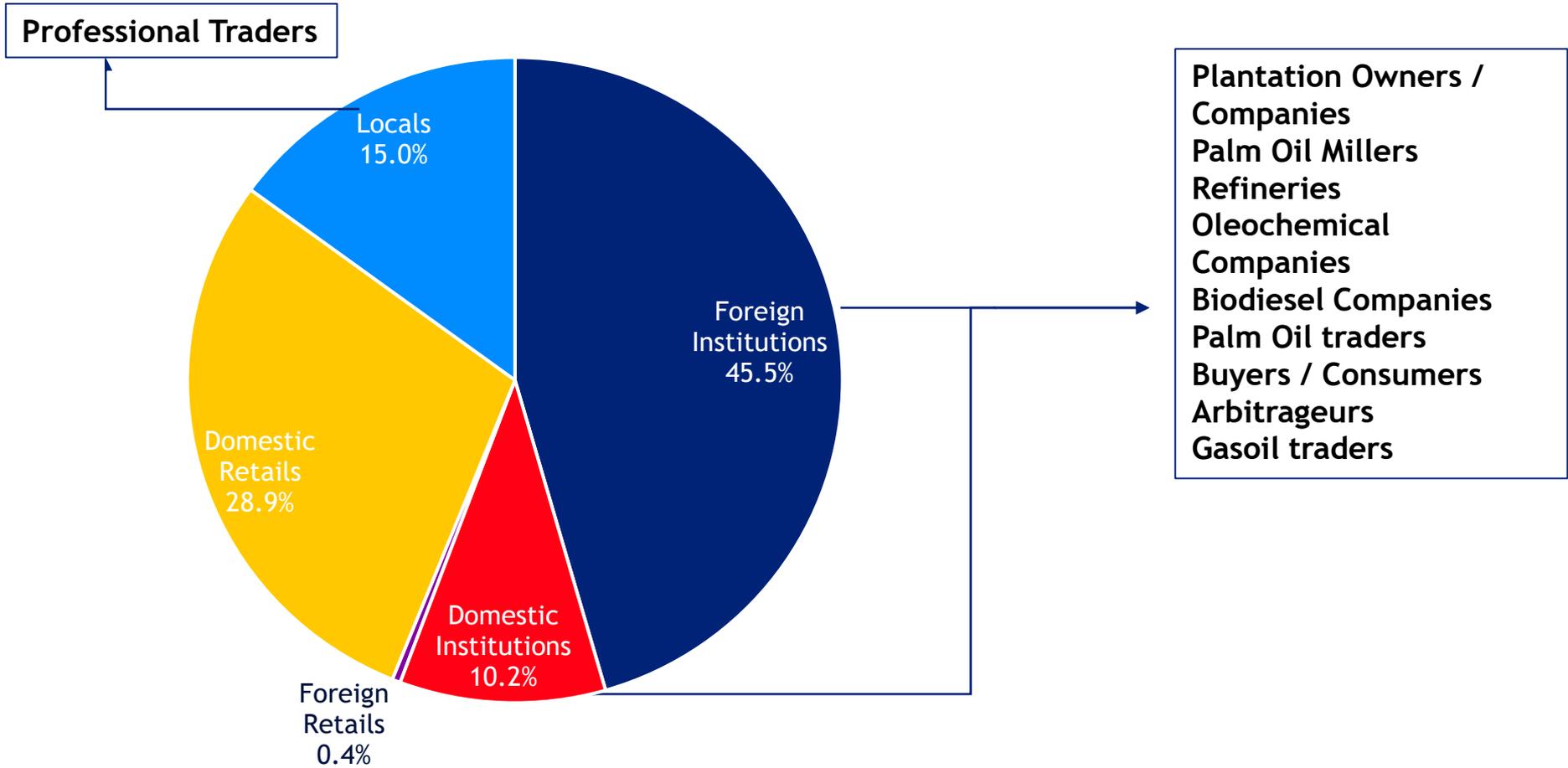
Contract Specifications - Crude Palm Oil Futures



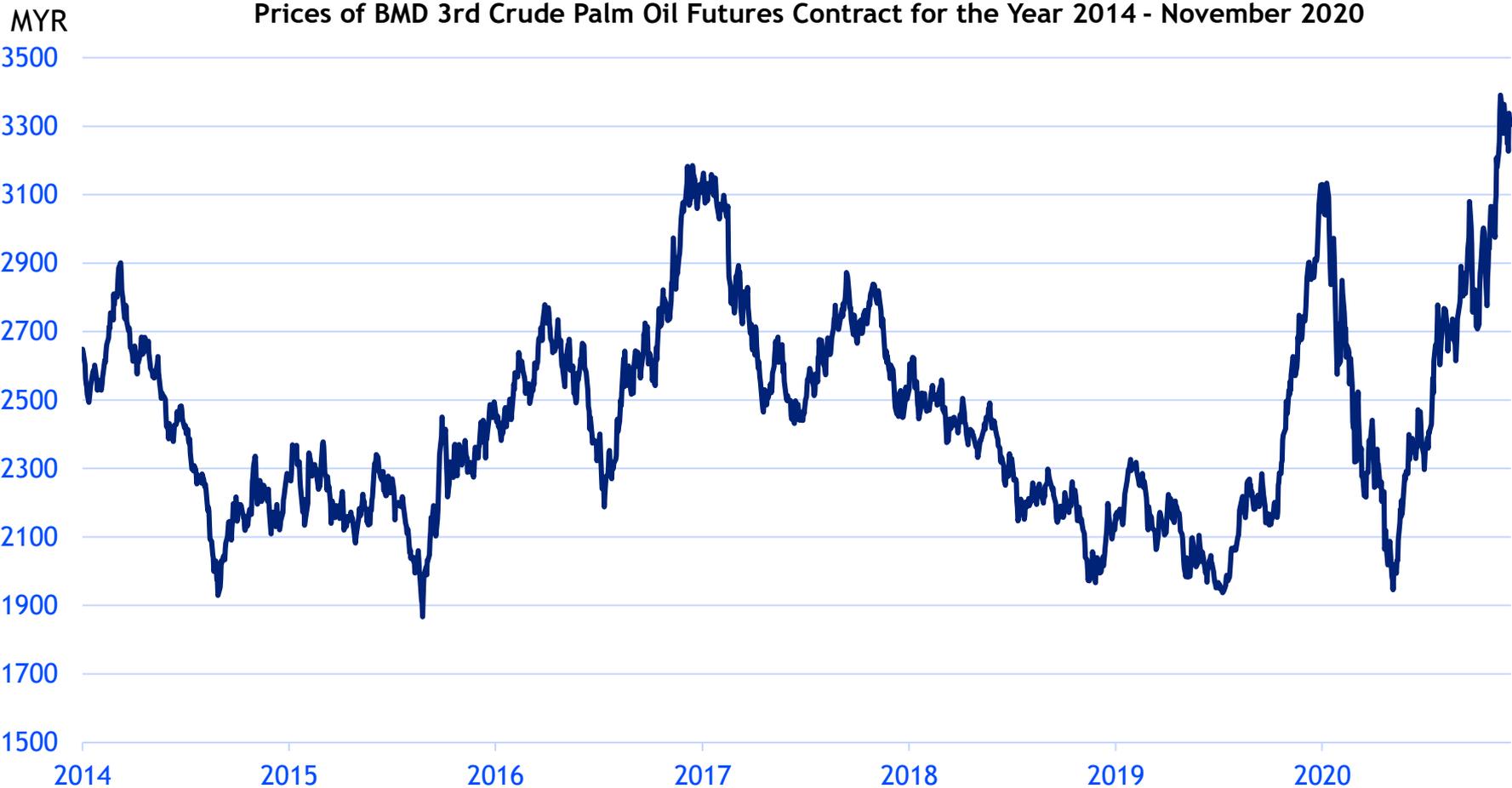
Contract Code	FCPO
Speculative Position Limits	<p>The maximum number of net long or net short positions which a client or a participant may hold or control is:</p> <ul style="list-style-type: none"> • 1,500 contracts for the spot month • 20,000 contracts for any one contract month except for spot month • 30,000 contracts for all months combined <p>The above position limit will be a combined limit for Crude Palm Oil Futures Contracts and Options on Crude Palm Oil Futures. (Please note that spot month futures limit will not be applicable to the options)</p>
Final Trading Day and Maturity Date	<p>Contract expires at noon on the 15th day of the delivery month, or if the 15th is a non-market day, the preceding Business Day.</p>
Tender Period	<p>1st Calendar Day to the 20th Calendar Day of the spot month, or if the 20th is a non-market day, the preceding Business Day.</p>
Contract Grade and Delivery Points	<p>Crude Palm Oil of good merchantable quality, in bulk, unbleached, in Port Tank Installations approved by the Exchange located at the option of the seller at Port Kelang, Penang/Butterworth and Pasir Gudang (Johor).</p> <p>Free Fatty Acids (FFA) of palm oil delivered into Port Tank Installations shall not exceed 4% and from Port Tank Installations shall not exceed 5%.</p> <p>Moisture and impurities shall not exceed 0.25%.</p> <p>Deterioration of Bleachability Index (DOBI) value of palm oil delivered into Port Tank Installations shall be at a minimum of 2.5 and of palm oil delivered from Port Tank Installations shall be at a minimum of 2.31.</p>
Deliverable Unit	<p>25 metric tons, plus or minus not more than 2%.</p> <p>Settlement of weight differences shall be based on the simple average of the daily Settlement Prices of the delivery month from:</p> <ol style="list-style-type: none"> a. The 1st Business Day of the delivery month to the day of tender, if the tender is made before the last trading day of the delivery month; or b. The 1st Business Day of the delivery month to the last day of trading, if the tender is made on the last trading day or thereafter

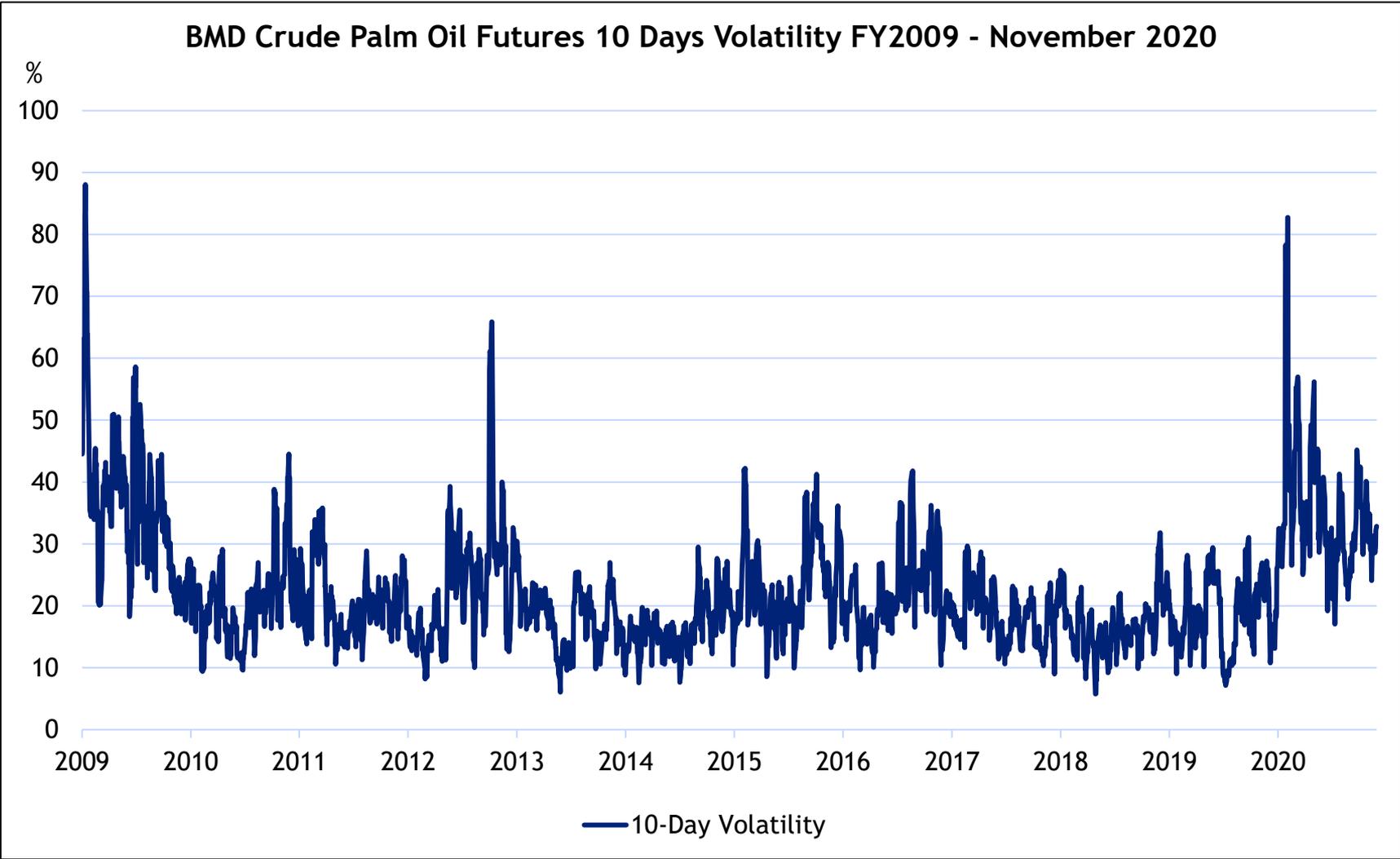
Market Demography - Crude Palm Oil Futures Contract (FCPO)

Crude Palm Oil Futures
Market Demography for Year 2020



BMD Crude Palm Oil Futures Contract Price

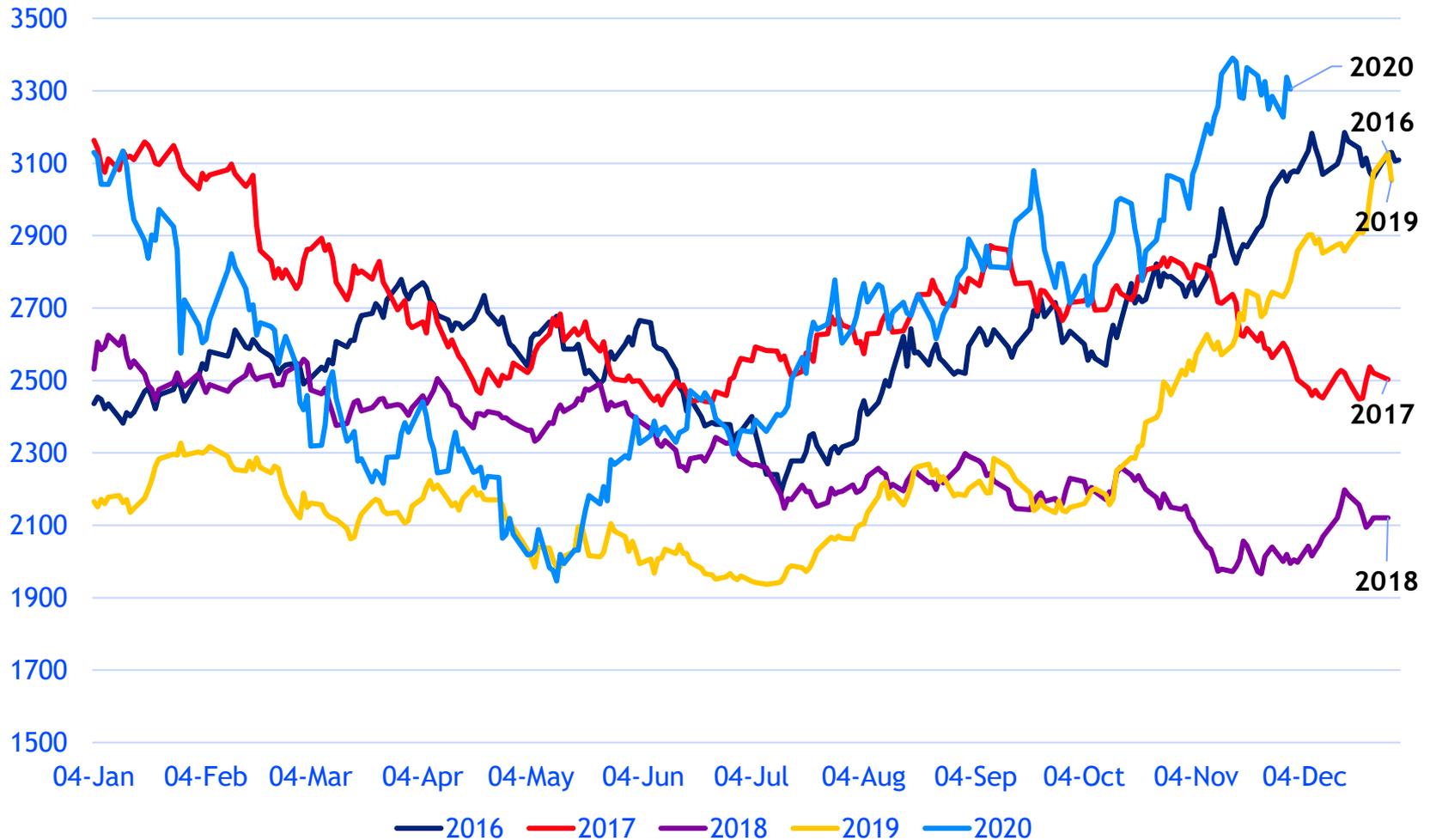




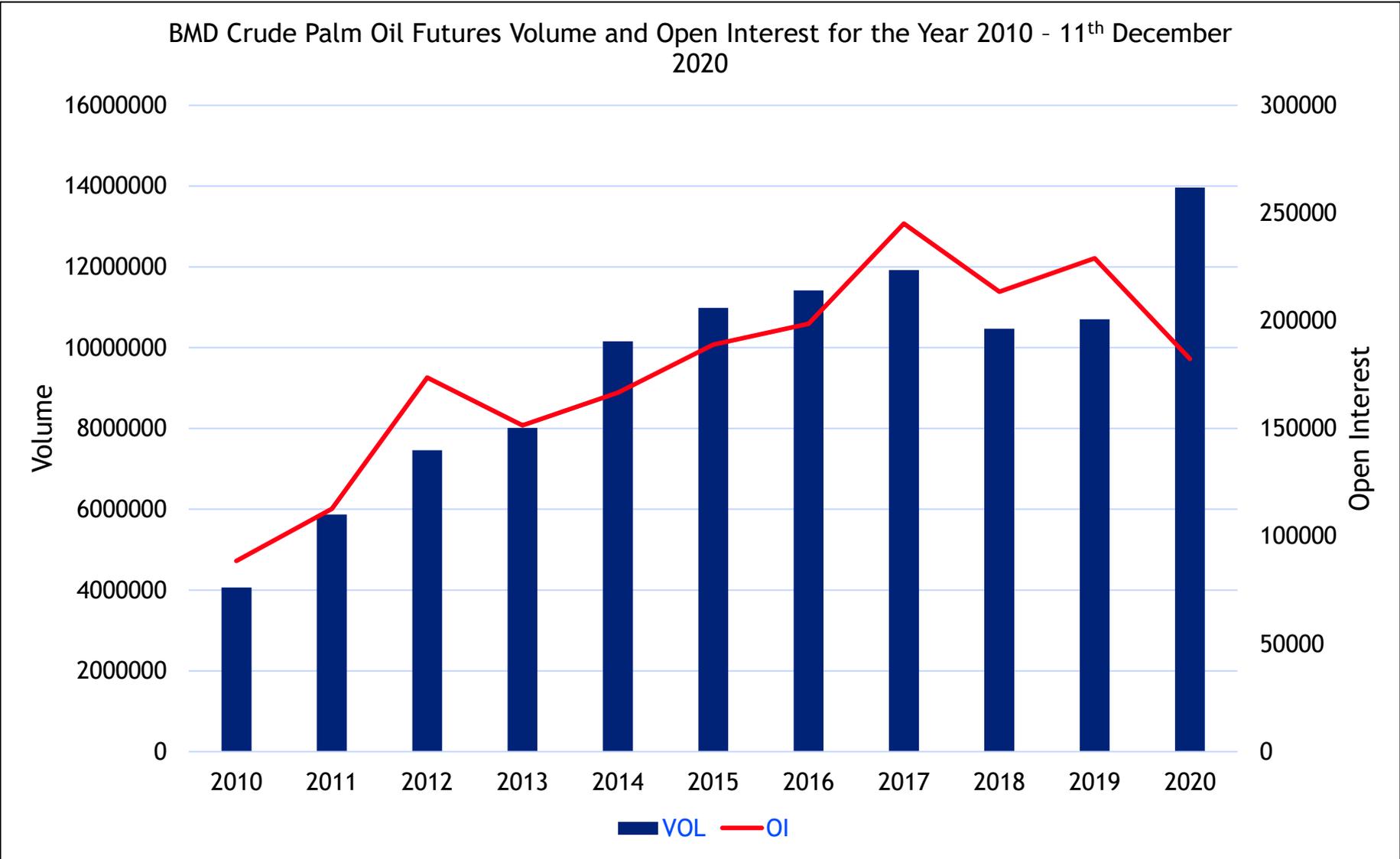
BMD Crude Palm Oil Futures Contract 5 Years Heat Map



BMD Crude Palm Oil Seasonal Price for Year 2016 - November 2020



BMD Palm Oil Futures Volume & Open Position



Global Market Scenario

Malaysia

- The Malaysian Palm Oil Board (MPOB) proposed an additional cess payment of RM5 for every metric tonne of CPO to be imposed for one year starting January 2021.
- Malaysia's palm oil end-stocks in November 2020 fell to a more than three-year low as production slumped and exports fell more than expected.

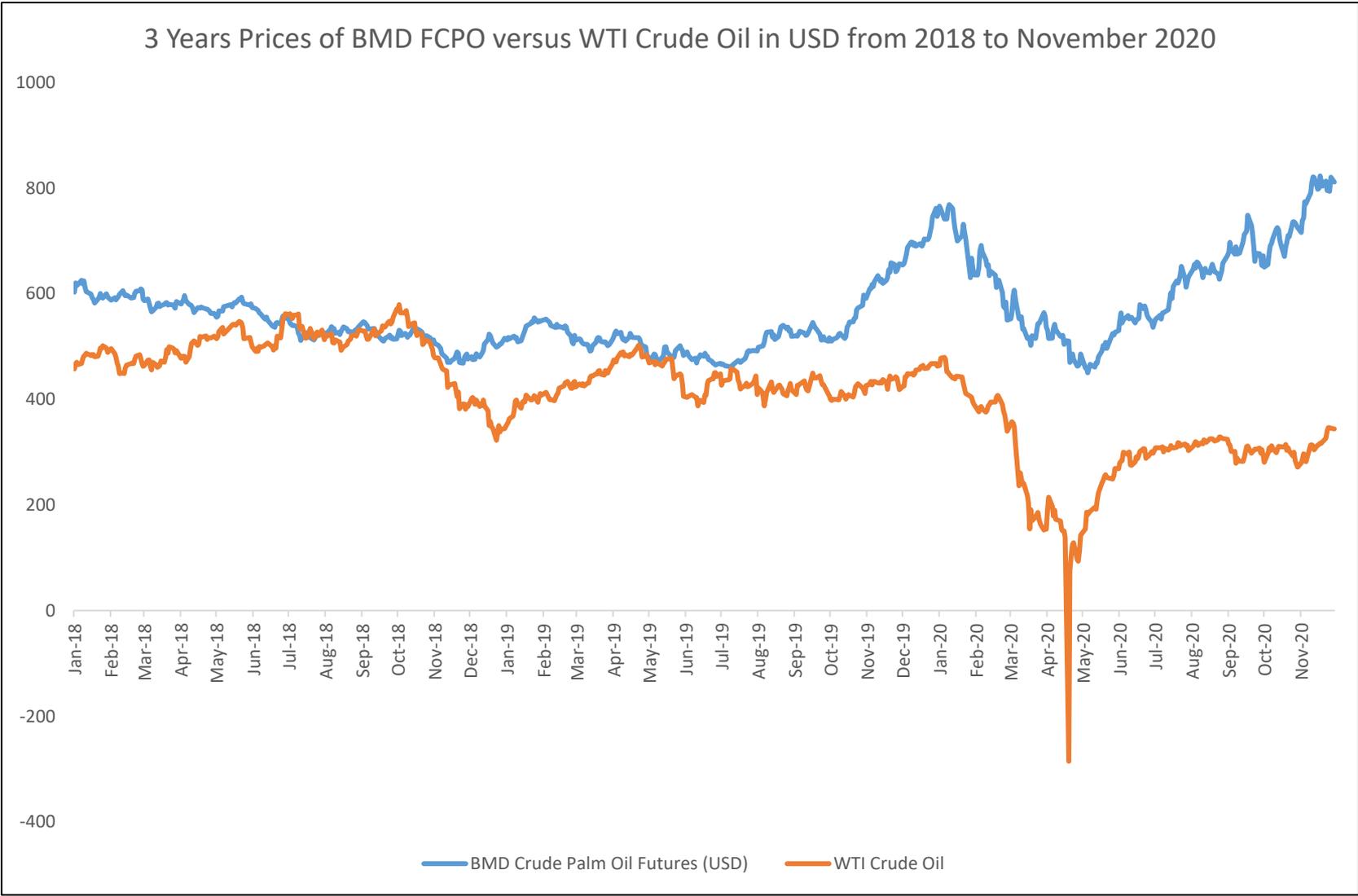
Indonesia

- The Indonesian government has announced the export duty on CPO in December will be raised to \$33/mt from \$3/mt from 30th Nov
- Furthermore, the export levy on crude palm oil in Indonesia has increased to \$180/mt from \$55/mt earlier, with effect from Dec. 10
- The combined levy and duty on crude palm oil exports from Indonesia will now total \$213/mt for December cargoes.

Global Market Scenario

- **India**
 - The Indian Ministry of Finance has cut the import duty on crude palm oil by 10% to 27.5%.
- **China**
 - According to Malaysian Palm Oil Council (MPOC), Malaysian palm oil exports to China increased by 394,670 MT or by 20.8% to 2,291,963 MT, during the period from January-October 2020.
 - China has also announced its commitment to purchase 1.7 million tonnes of palm oil from Malaysia until 2023.

Prices of BMD FCPO vs WTI Crude Oil



US Dollar against Global Currencies



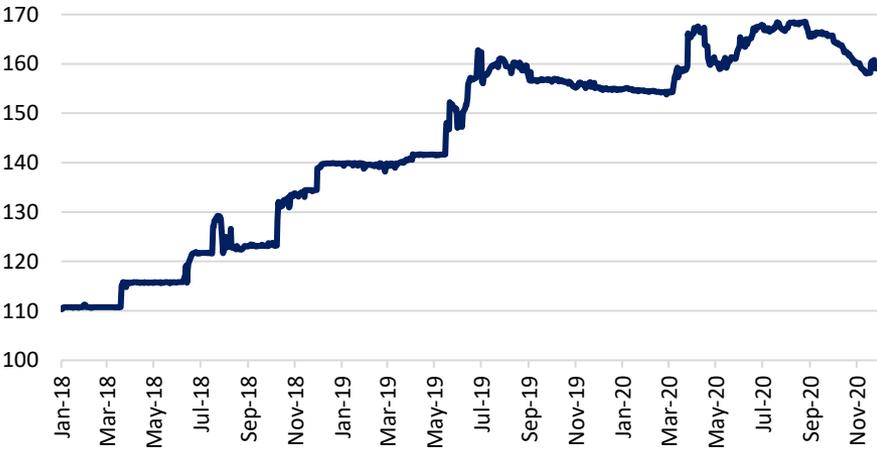
US Dollar against India Rupee FY2018 - November 2020



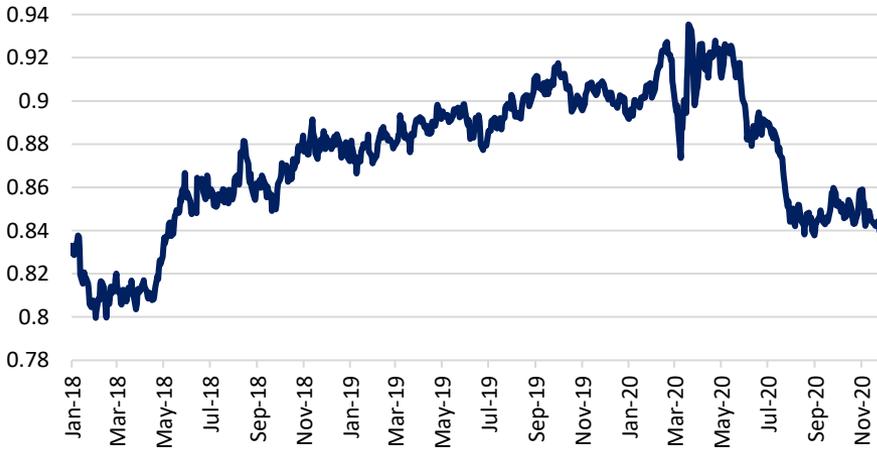
US Dollar against Chinese Yuan FY2018 - November 2020



US Dollar against Pakistani Rupee FY2018 - November 2020



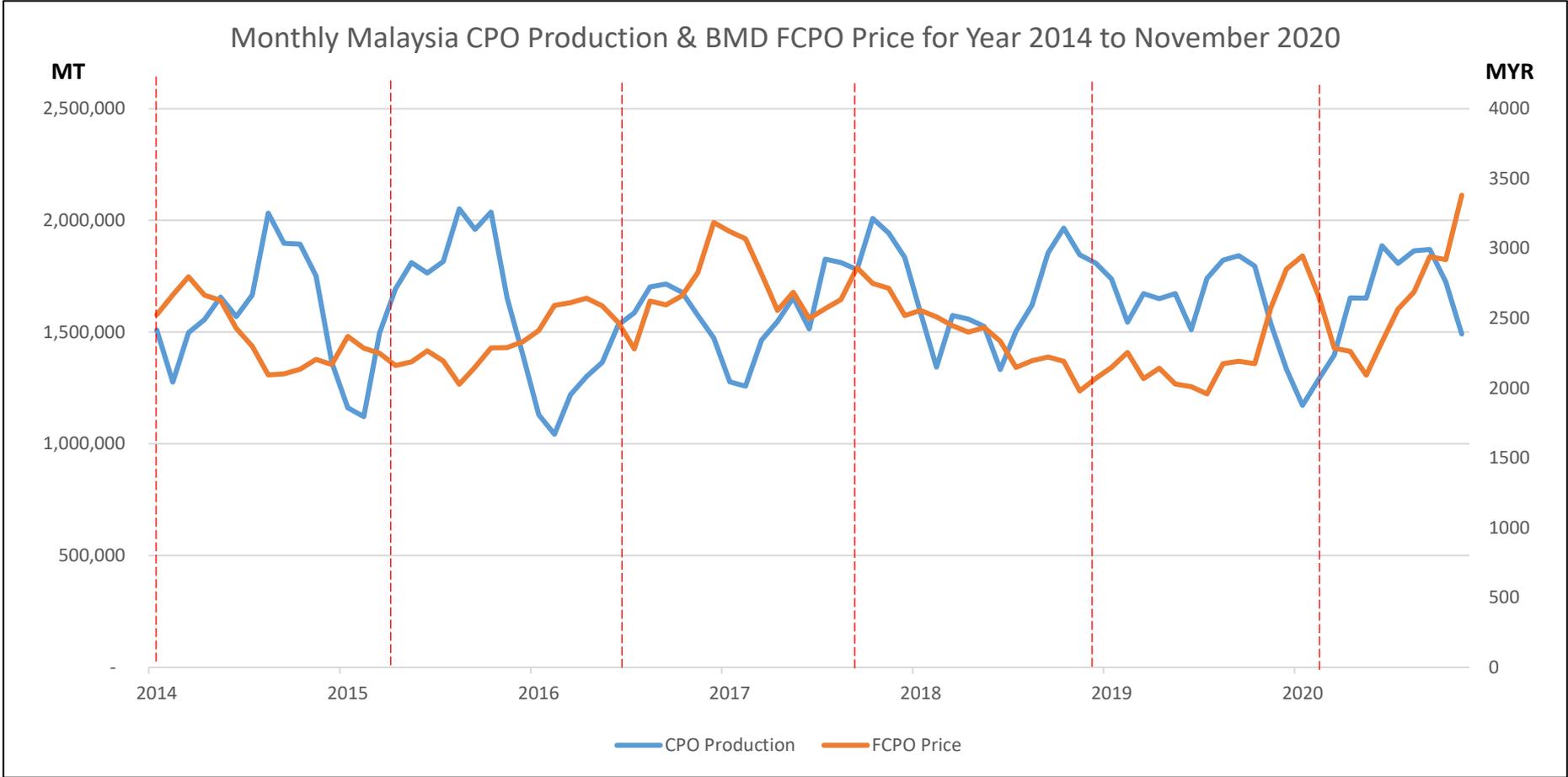
US Dollar against Euro FY2018 - November 2020



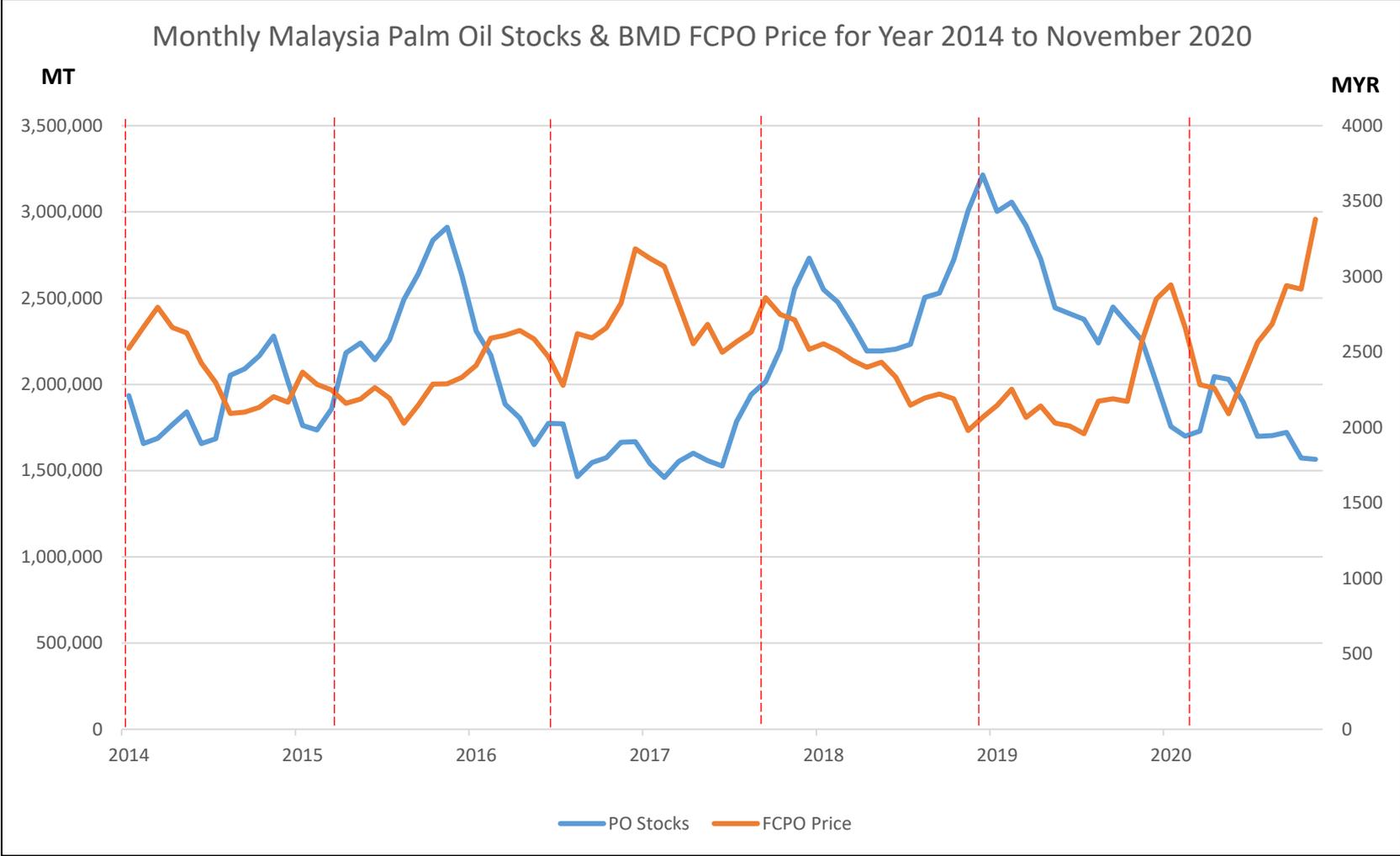


Malaysia Palm Oil Statistics

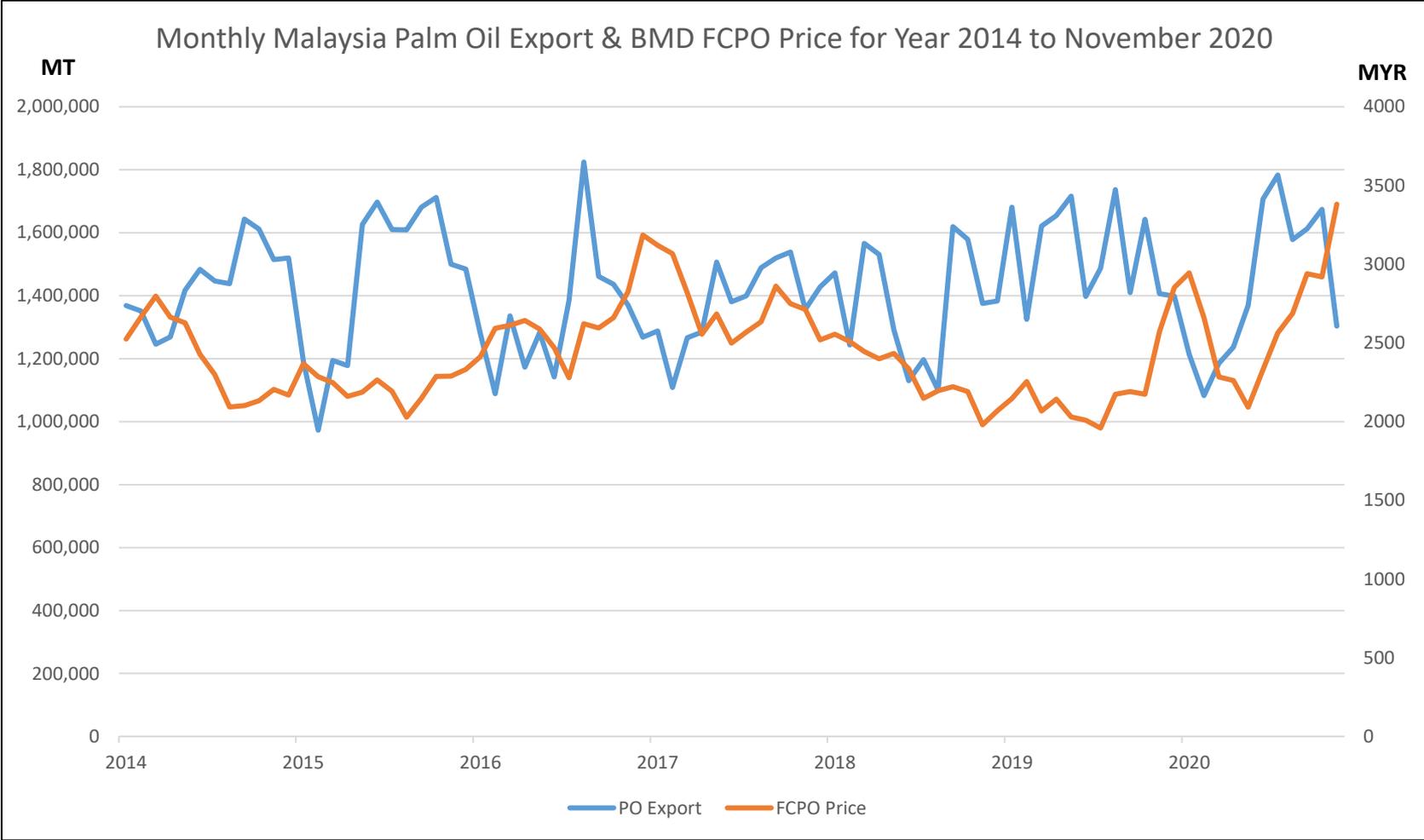
Malaysia CPO Production & BMD FCPO Price



Malaysia Palm Oil Stocks & BMD FCPO Price

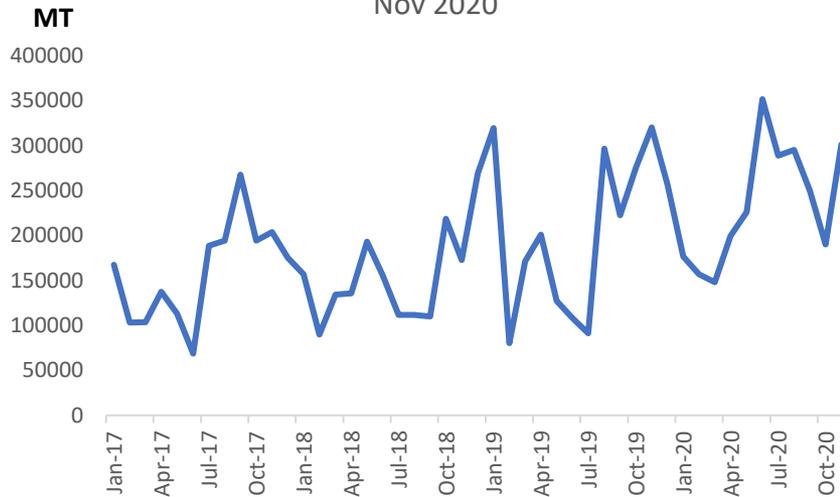


Malaysia Palm Oil Export & BMD FCPO Price



3 Years Monthly Malaysia Export of Palm Oil

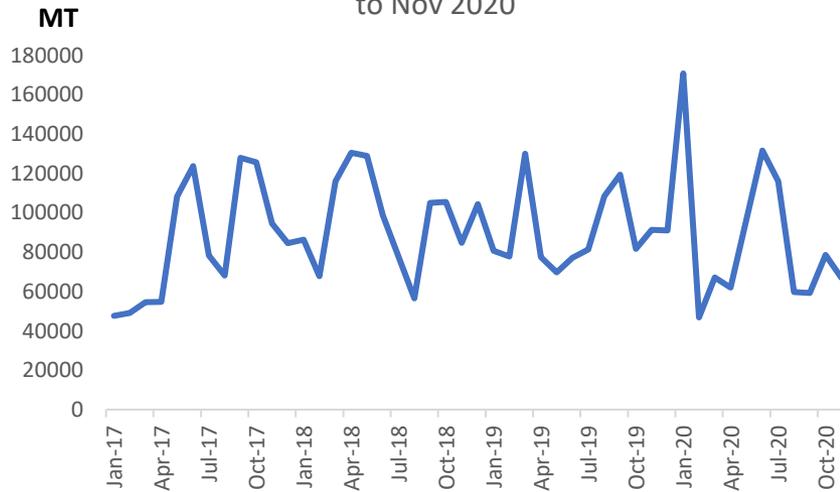
Export of Malaysia Palm Oil to China for Year 2017 to Nov 2020



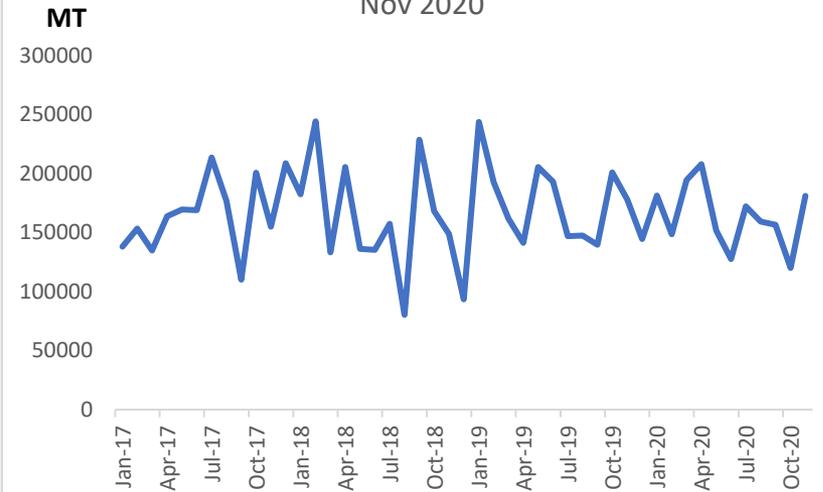
Export of Malaysia Palm Oil to India for Year 2017 to Nov 2020



Export of Malaysia Palm Oil to Pakistan for Year 2017 to Nov 2020



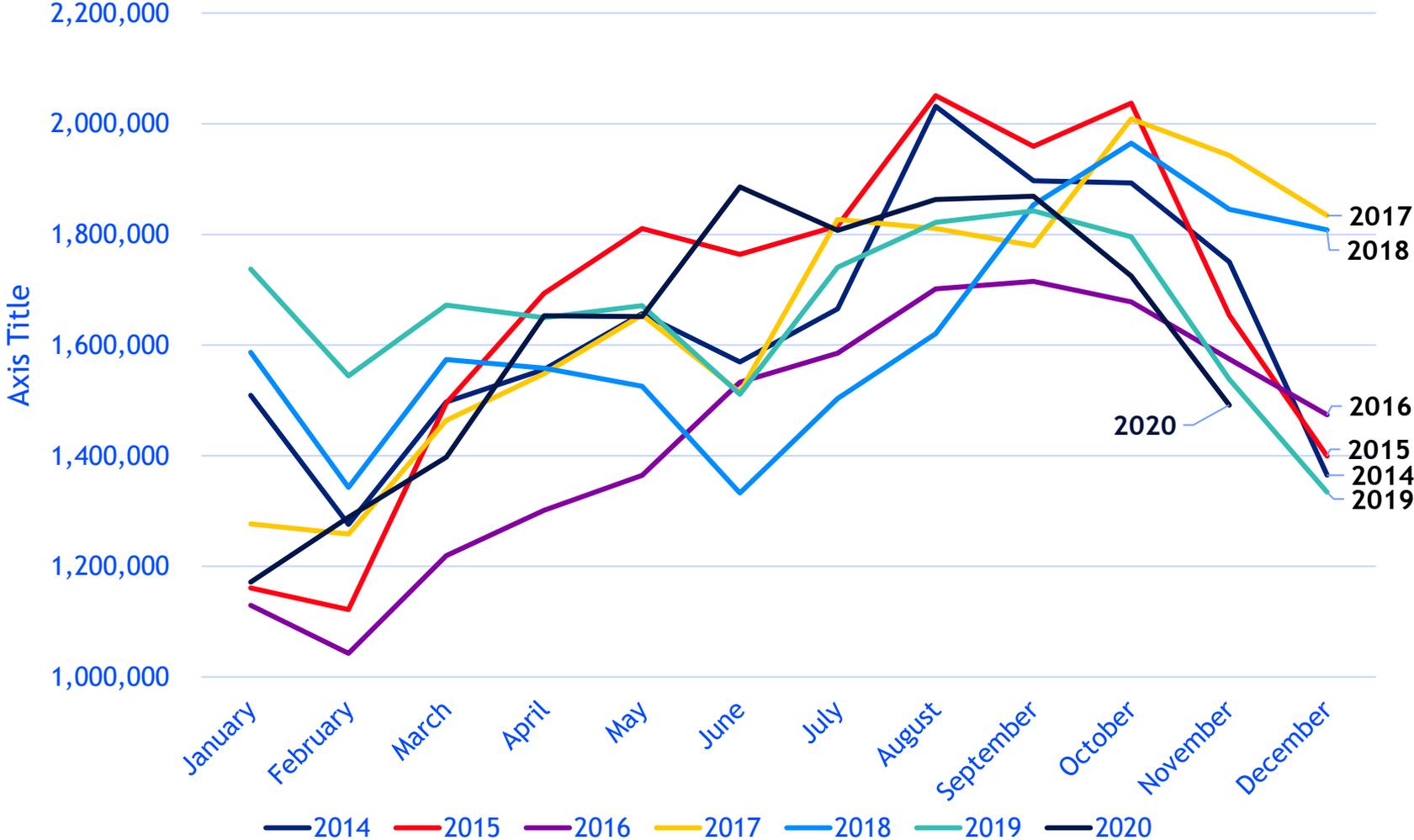
Export of Malaysia Palm Oil to EU for Year 2017 to Nov 2020



Malaysia Crude Palm Oil Production 7 Year Heat Map



Malaysia Crude Palm Oil Production For Year 2014 - November 2020



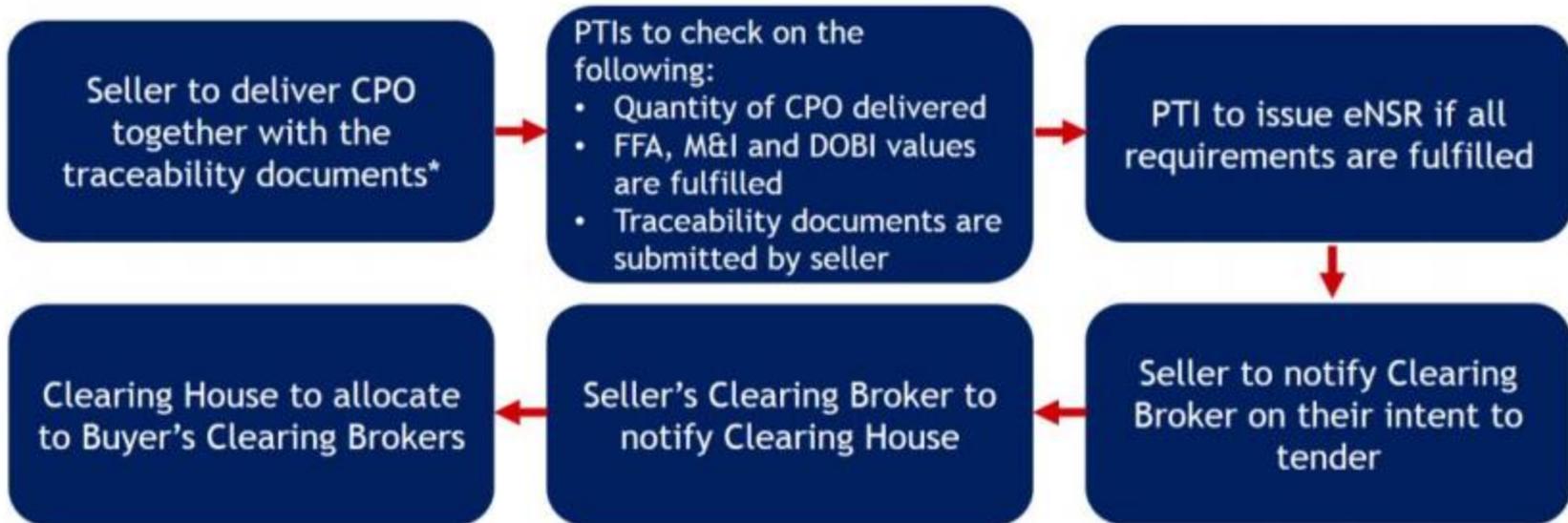
Thank You

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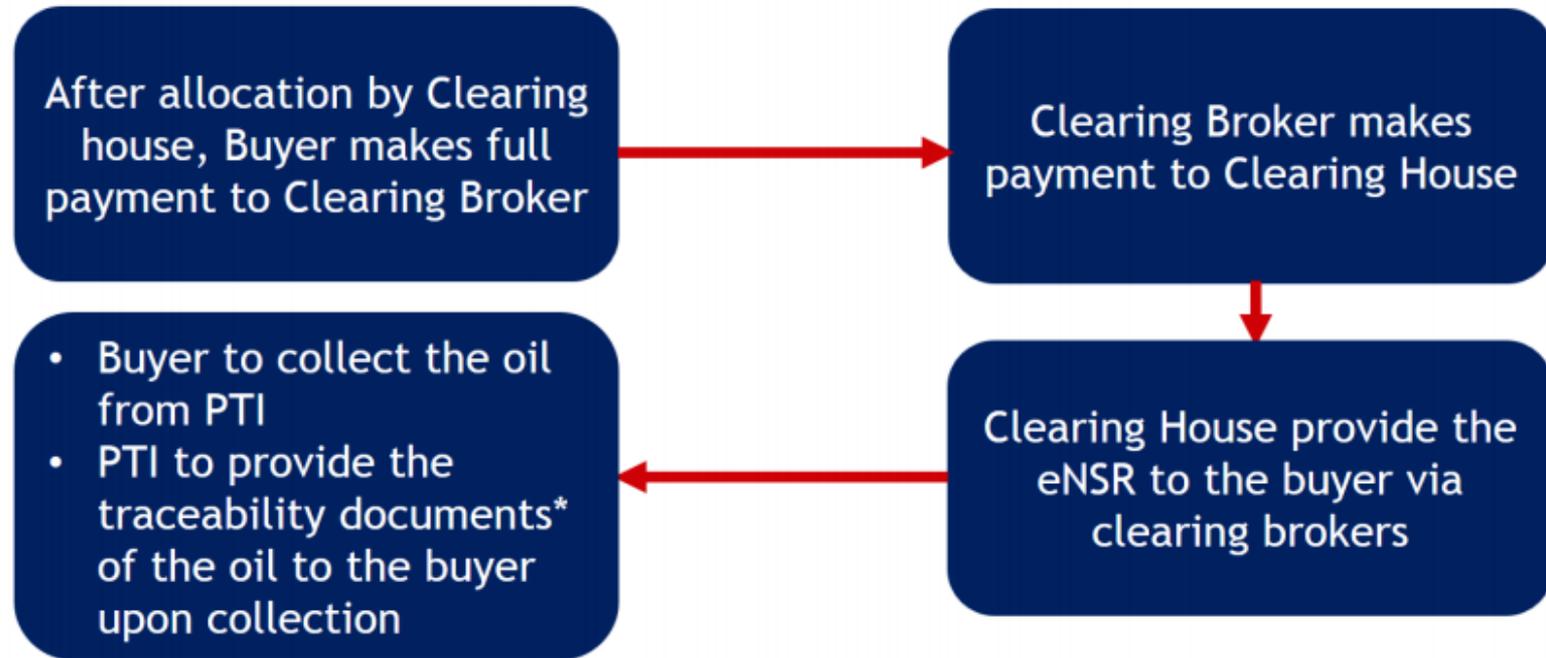
Ex Tank Delivery Process Flow (Sellers)



*Information required for traceability documents

- Parent Company
- Mill Party
- Mill Address
- Mill Coordinates: Longitude and Latitude
- Quantity of CPO received in MT

Ex Tank Delivery Process Flow (Buyers)



*Information required for traceability documents

- Parent Company
- Mill Party
- Mill Address
- Mill Coordinates: Longitude and Latitude
- Quantity of CPO received in MT

BMD Palm Oil Options Volume & Open Position

