

# Phillips Capital 5th Annual Investment Conference

*Bursa Malaysia Derivatives Berhad*



**14<sup>th</sup> June 2014**

# OVERVIEW

## BURSA MALAYSIA DERIVATIVES

75%

25%





Time is of the essence...  
Speed to execute a trade has gone from seconds to milliseconds





***BMD is on CME GLOBEX***  
***All BMD trades are matched on CME GLOBEX***

# CONNECTIVITY - CME GLOBAL HUB LOCATIONS

## CME GLOBEX HUBS



Access the CME Globex platform from more than 150 countries and foreign territories through a range of connectivity options. These include Internet connections, direct connections and several telecommunication hubs that provide reduced connectivity costs, increased accessibility and fast, efficient trading.

1. There are 9 CME Global Hubs.
2. This improves the accessibility and visibility.

# PRODUCTS OFFERED

## **Commodity Products**

- **Crude Palm Oil Futures (FCPO)**
- Options on Crude Palm Oil Futures (OCPO)
- Crude Palm Kernel Oil Futures (FPKO)
- USD Crude Palm Oil Futures (FUPO)
- **Gold Futures (FGLD)**

## **Equity Financial Products**

- **Futures on the FTSE Bursa Malaysia KLCI (FKLI)**
- Options on FTSE Bursa Malaysia KLCI (OKLI)
- Single Stock Futures (SSF)

## **Non-Equity Financial Products**

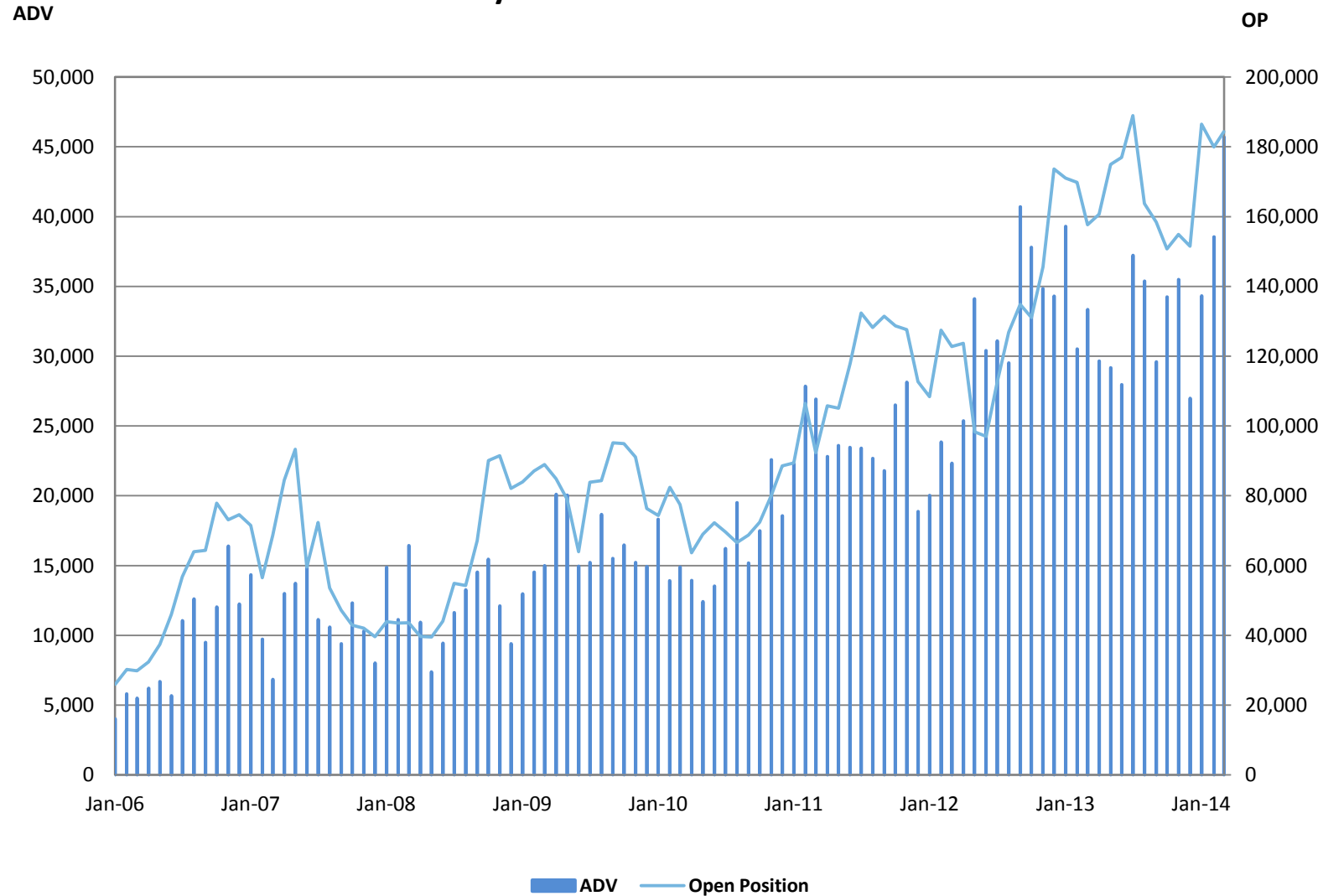
- 3-Month Kuala Lumpur Inter-bank Offer Rate (KLIBOR) Futures (FKB3)
- 3-Year Malaysian Government Securities Futures (FMG3)
- 5-Year Malaysian Government Securities Futures (FMG5)



1. FCPO is price benchmark for the global edible oil market.
2. FCPO has been traded since 1980.
3. 30 years of operation, daily liquidity of over 40,000 contracts and 190,000 contracts open interest.
4. FCPO is a physically delivered contract, ensuring convergence with physical market and quality assurance.
5. Fifteen contract months are traded. The third month contract is the most actively traded.
6. Correlated with Soybeans, Crude Oil & other edible oils

# FCPO Monthly Average Daily Volume & Open Position

FCPO Monthly ADV & OP from Jan 06 until Mar 14



# OVERVIEW OF FBM KLCI FUTURES (FKLI)

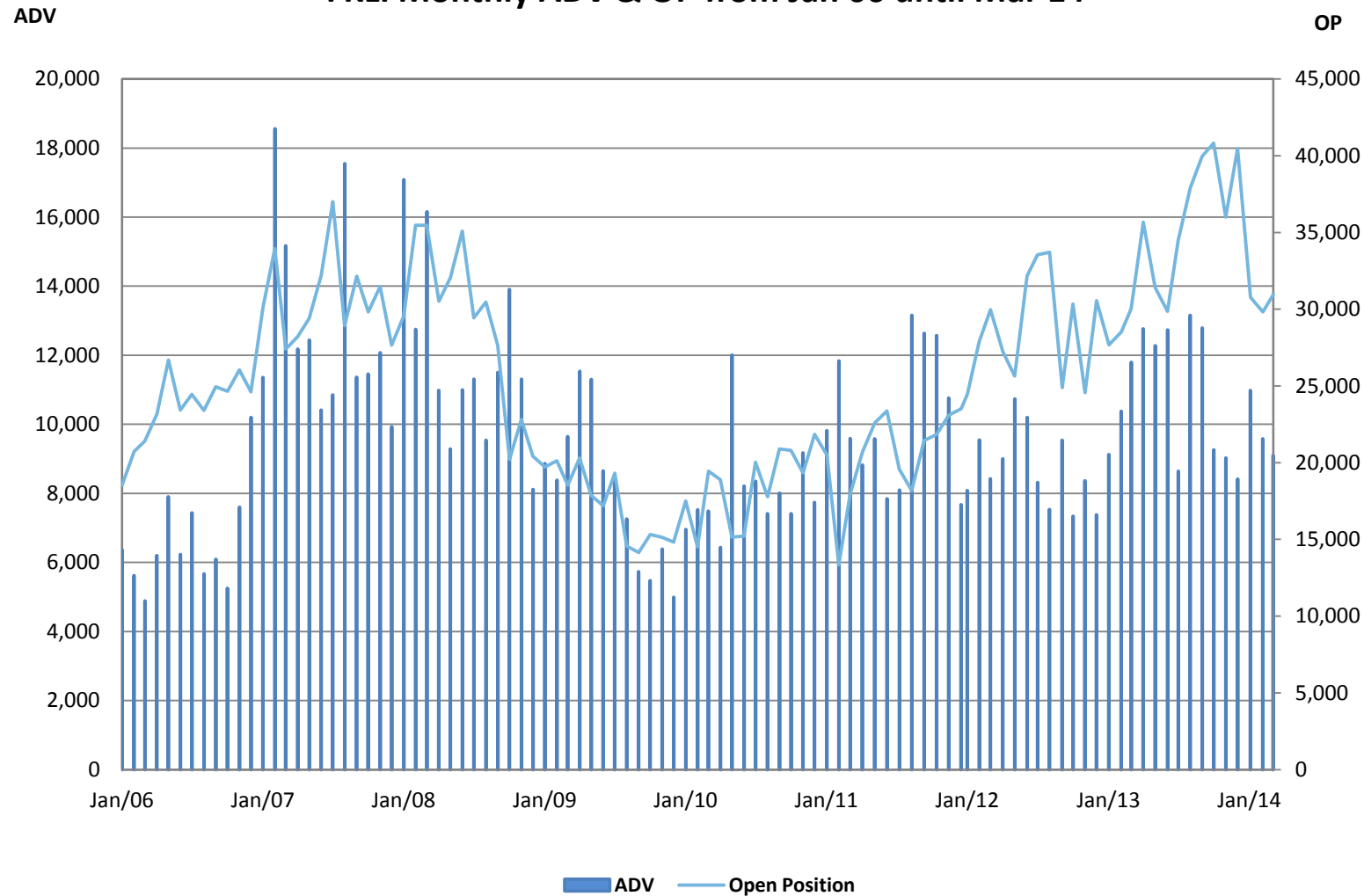
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- i. In 2009, Bursa Malaysia together with FTSE, its index partner, have integrated the KLCI with internationally accepted index calculation methodology to provide a more investable, tradable and transparently managed index.
- ii. Comprises the largest 30 companies listed on the Main Board by full market capitalisation that meet the eligibility requirements of the FTSE Bursa Malaysia Ground Rules.
- iii. FKLI Futures is a cash settled contract with a total of 4 contract months traded.
- iv. Current daily liquidity of 10,000 contracts and 30,000 contracts open interest.
- v. Leverage factor of 4% against the underlying

# FKLI Monthly Average Daily Volume & Open Position

FKLI Monthly ADV & OP from Jan 06 until Mar 14





# OVERVIEW OF BURSA'S GOLD FUTURES

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1. Contracts with expiration, e.g., Jun 14, Jul 14, etc.
2. FGLD is not physically delivered
3. Cash Settled against Loco-London A.M. Fix prices
4. Only available through BMD's brokers
5. Marginable – about 6% of contract value
6. Daily marked to market
7. Provides trusted, transparent and regulated environment



# **Bursa Malaysia Gold & Precious Metals Price Outlook Symposium**

**Hotel Istana, Kuala Lumpur**

**28 June 2014**

**REGISTER  
NOW!**

**GOLD  
FUTURES**



Will gold still glitter in 2014?

Gold & Precious Metals Price  
Outlook 2014

Date : 28 June 2014

Venue : Istana Hotel, KL

Mark your calendar ....

Contact us for more details



# Contract Specification of BMD's Products

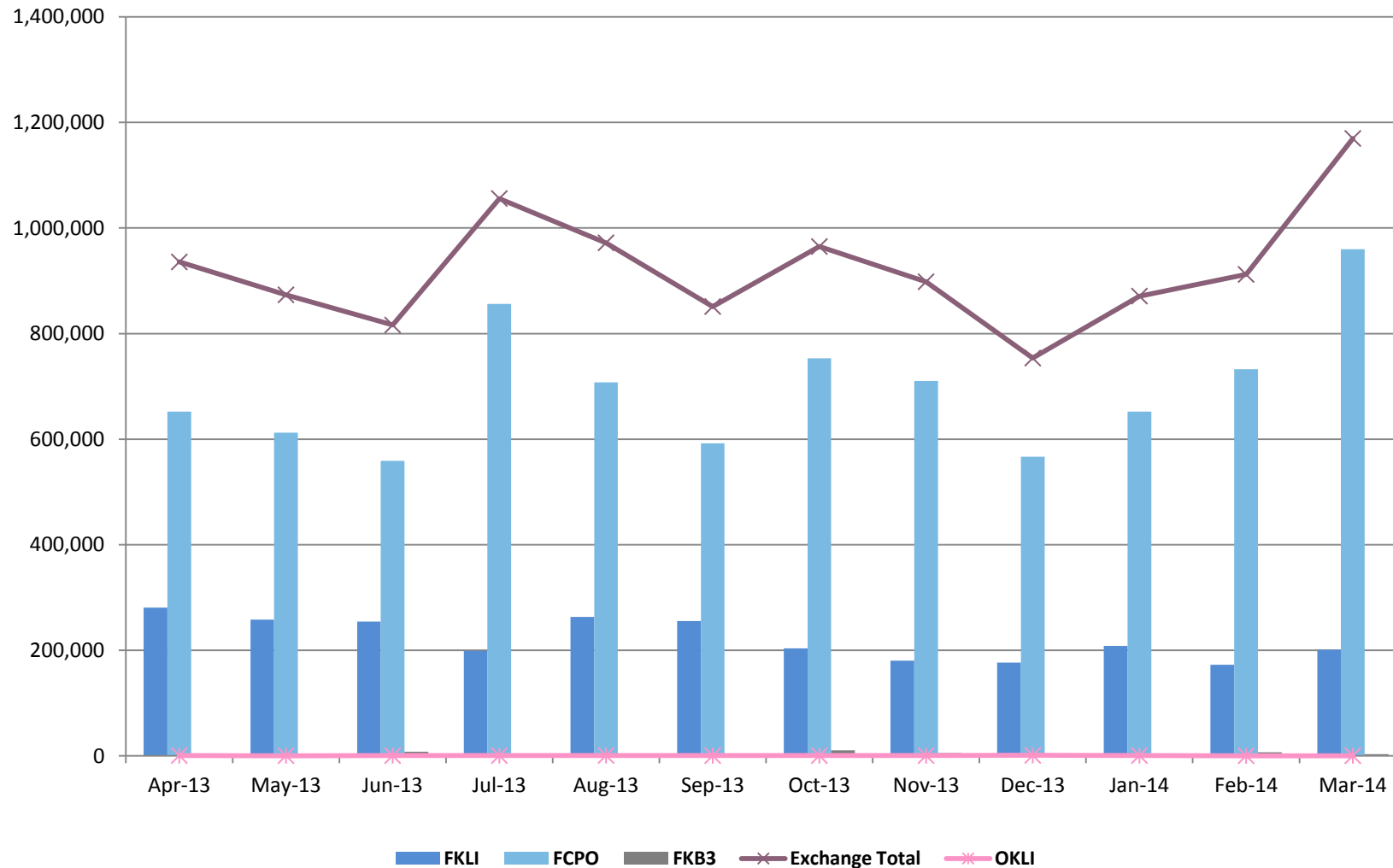


	FKLI	FCPO	FGLD
Margin	RM 3,500	RM 4,000	RM 800
Value	1,800 x RM 50 = RM 90,000	2,400 x RM 25 = RM 60,000	130 x RM 100 = RM 13,000
Leverage Factor	4%	6%	6%
Minimum Tick	RM 25	RM 25	RM 5
Underlying Instrument	FBM KLCI	CPO	London Gold Fix



# EXCHANGE MONTHLY VOLUME

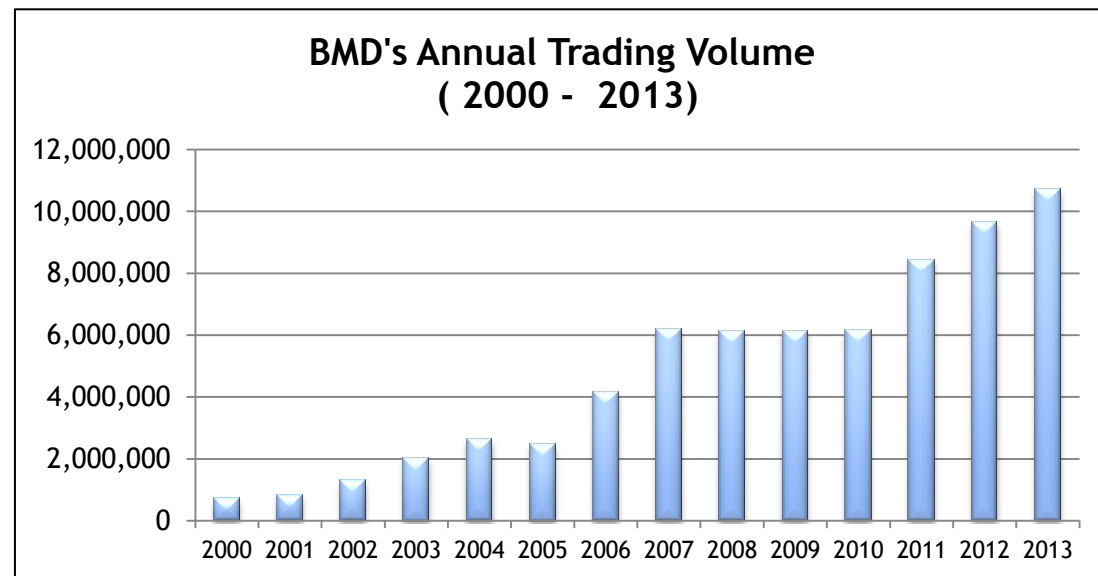
All Products Monthly Volume from Apr 13 to Mar 14



# RECORDS BROKEN IN 2014

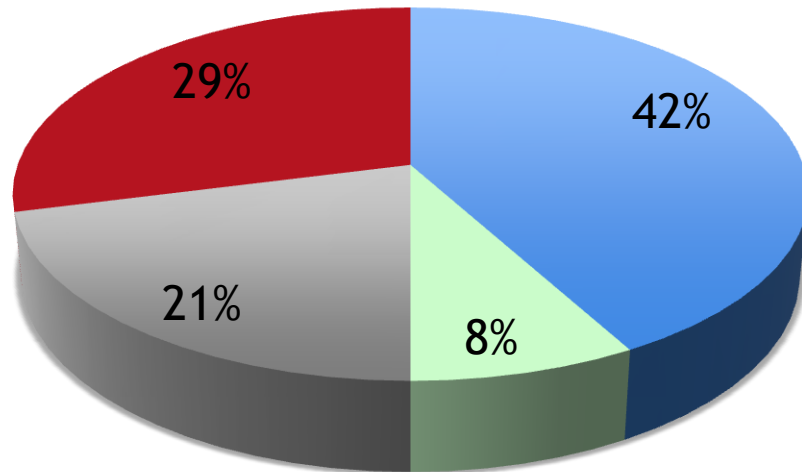
	Daily Volume	Date
Total Market	93,313	25/3/2014
FCPO	71,678	12/3/2014
FGLD	1,308	7/4/2014

- In 2010, the annual volume was 6 million
- In 2013, we broke the 10 million mark



# BMD Volume Demography

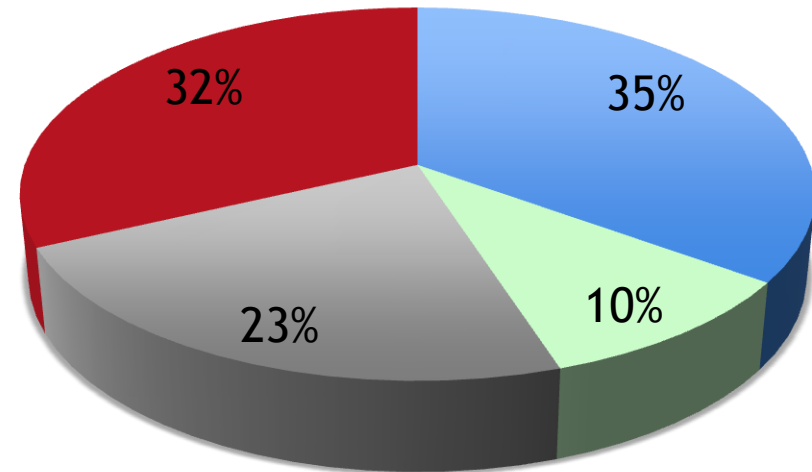
**2013**



Mkt Annual Vol. : 10.7m contracts

Ave Daily Vol. : 43.5k contracts

**2012**



Mkt Annual Vol. : 9.6m contracts

Ave Daily Vol. : 39k contracts

■ Foreign Institutions    ■ Domestic Institutions    ■ Retailers    ■ Locals

# DIFFERENCE BETWEEN INVESTING IN STOCKS AND TRADING IN FUTURES

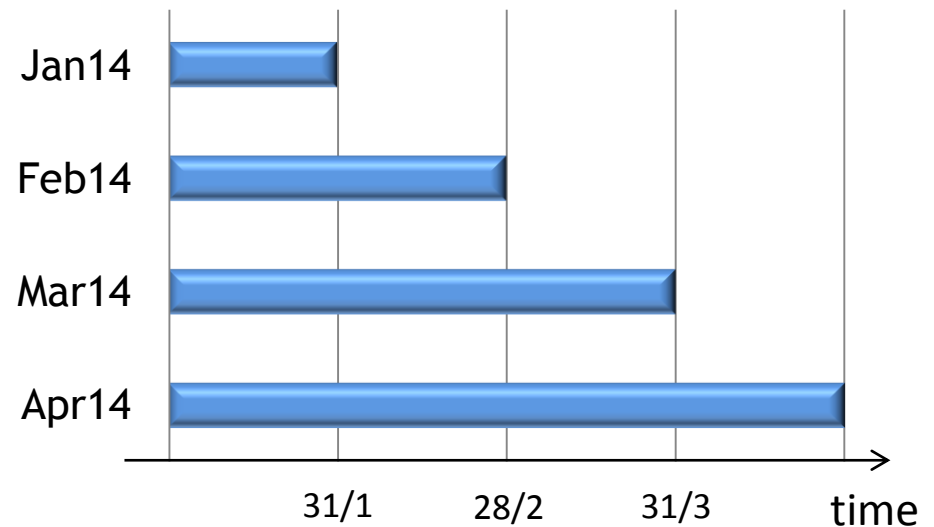
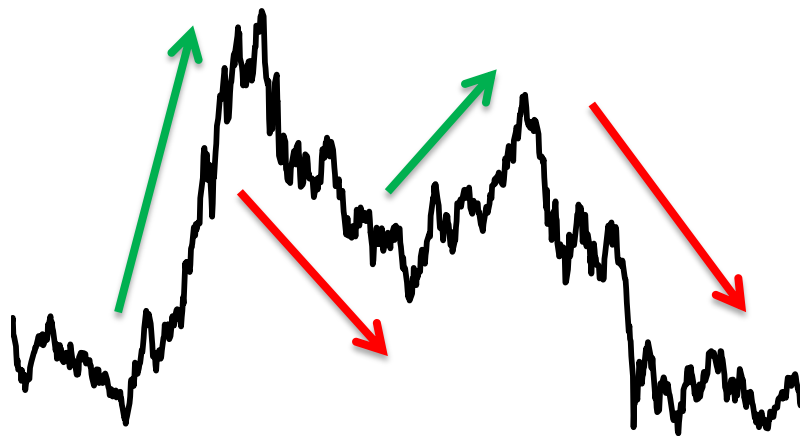


# Differences - Stocks / Futures

	Basket of Index Stocks	FKLI futures
Value	RM 90,000	1 lot $1,800 \times \text{RM } 50 =$ RM 90,000
Capital Layout	RM 90,000	RM 3,500
Dividends	Yes	No

# Differences - Stocks / Futures

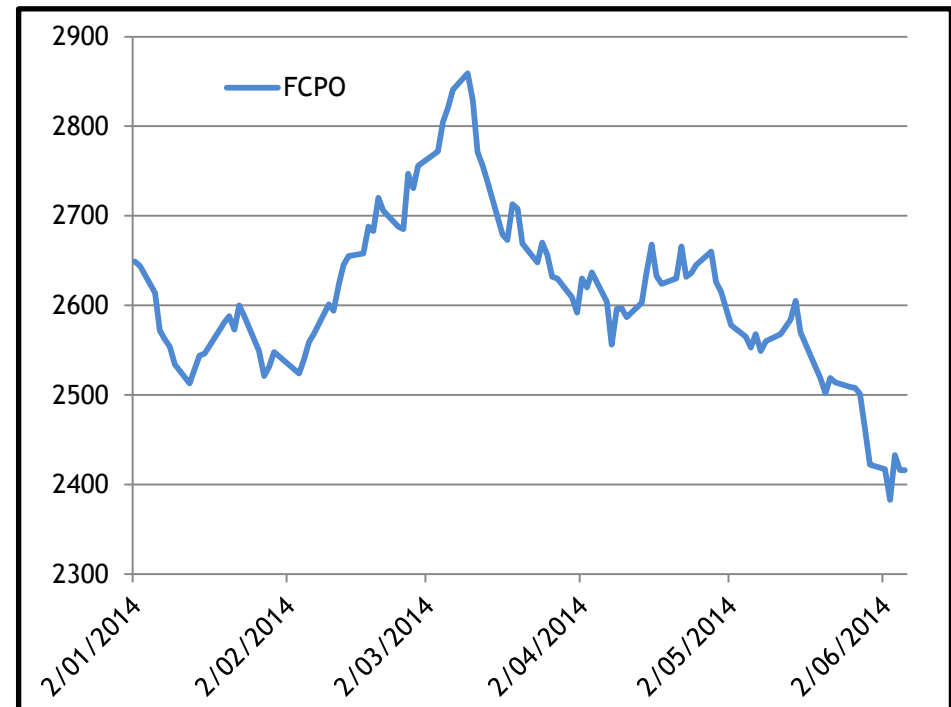
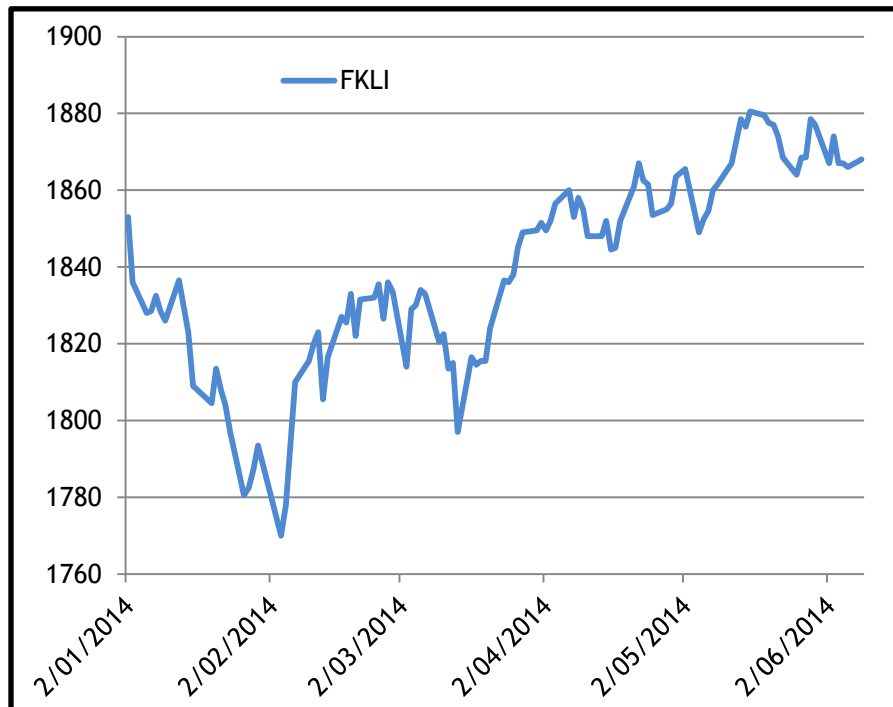
	Basket of Index Stocks	FKLI futures
Market Direction	Buy or Long Short selling is possible through SBL	Long & Short
Expiration	No	Final day of the month Need to roll over



# TRADING FUTURES

# Directional - Long (Buy) & Short (Sell)

- Opportunity to make profits in both bull and bear markets





- Buying one futures contract & selling another futures contract
- Between different contract months
- Profit from the change in price difference between them
- Low risk & low margin

## An Example of Buying & Exiting a Spread Trade

### Entry :

- Buy FCPO June 2408  
Sell FCPO July 2405
- Buy spread at 3

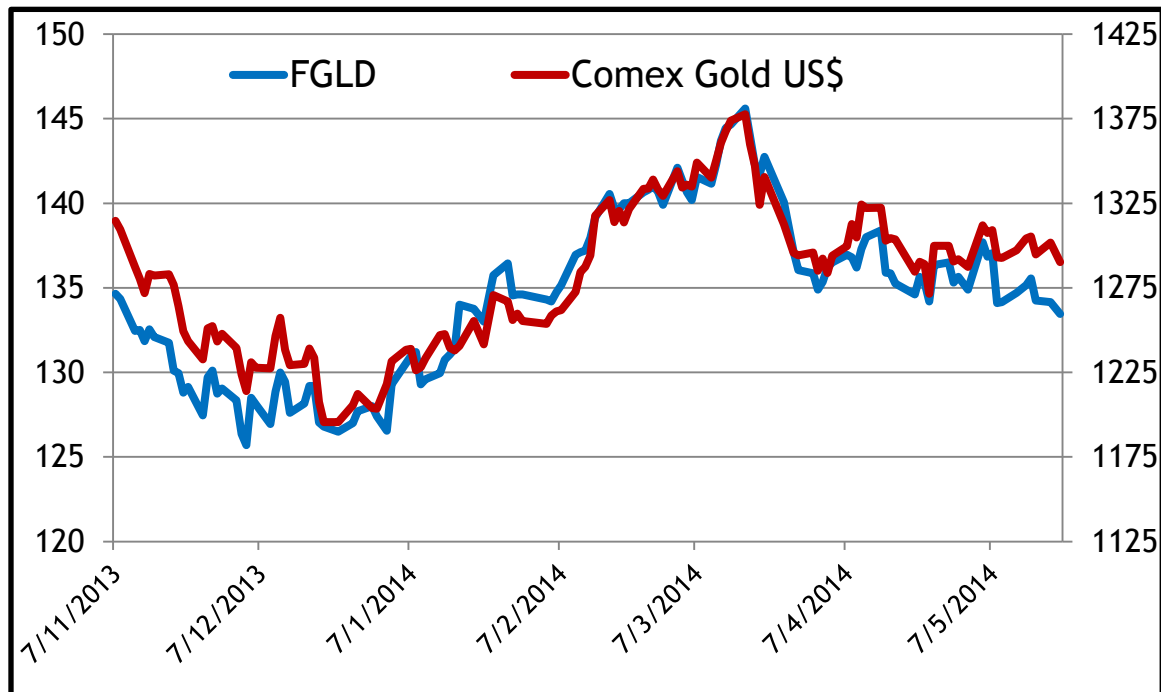
### Exit :

- Sell FCPO June 2407  
Buy FCPO July 2402
- Sell spread at 5

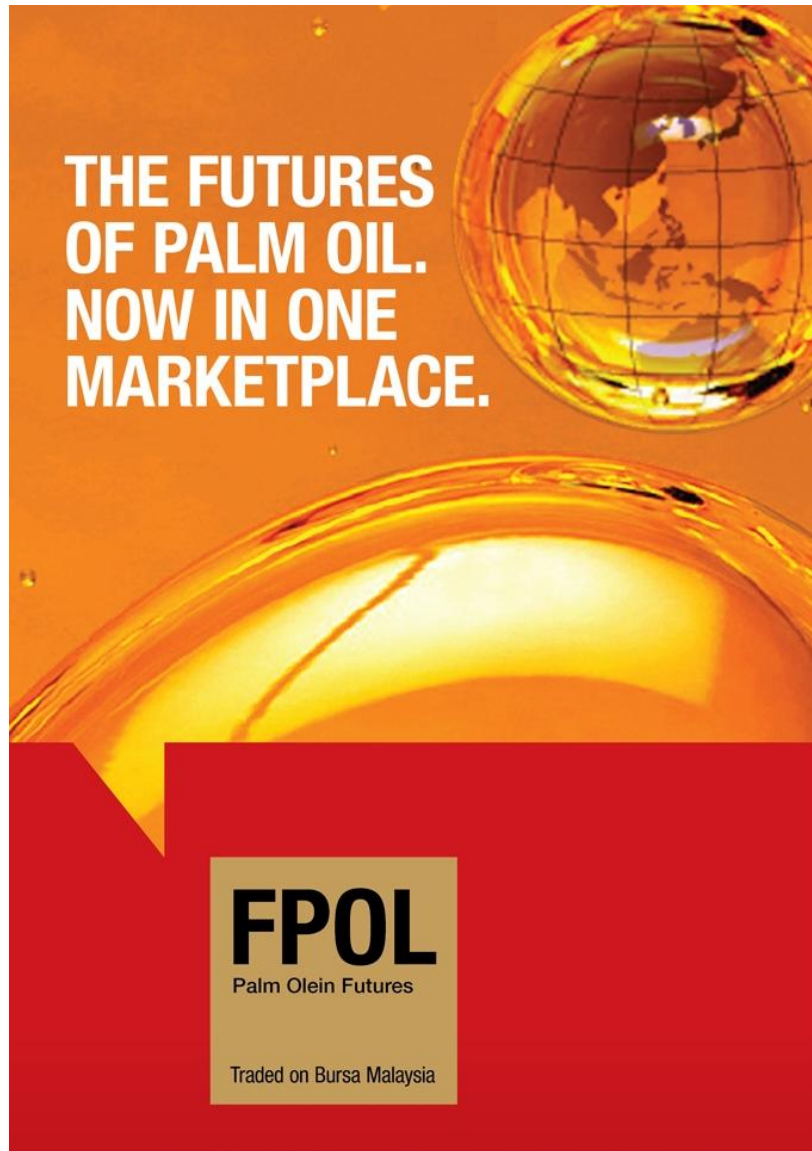
Trader's profit =  
2 points

# Arbitrage

- Buying in one market & simultaneously selling in another
- Profit from a temporary difference in price
- Eg. Buying Gold Futures in BMD & Selling Gold Futures in CME Comex



# Palm Olein Futures (FPOL)



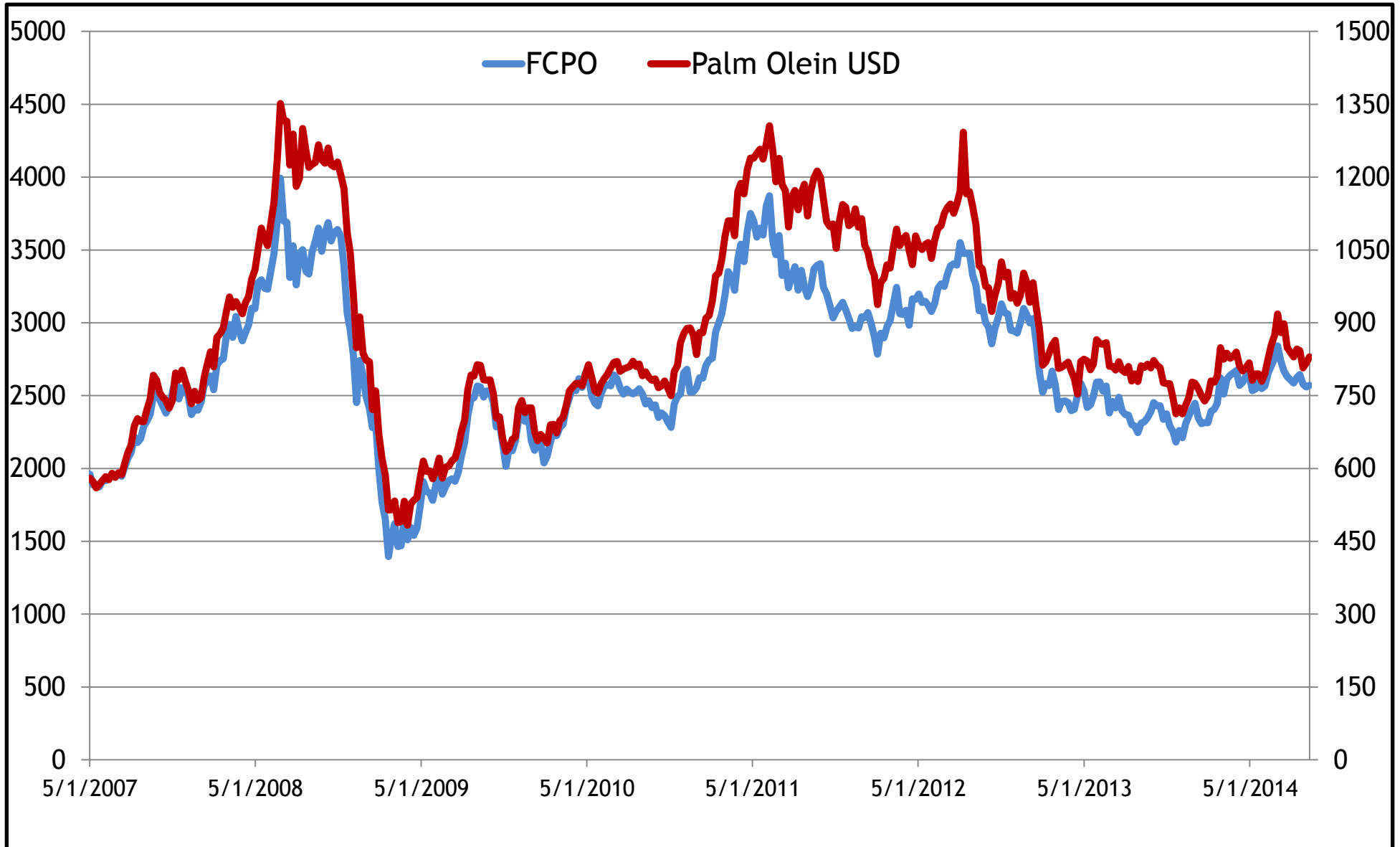
**THE FUTURES  
OF PALM OIL.  
NOW IN ONE  
MARKETPLACE.**

**FPOL**  
Palm Olein Futures  
Traded on Bursa Malaysia

**\*\*Launching on 16 June 2014\*\***

Contract Code	FPOL
Underlying Instrument	RBD Palm Olein
Settlement Method	Physical Delivery as per FCPO
Contract Size	25 metric tons
Price Quotation	US\$ per metric ton
Minimum Price Fluctuation	US\$0.50 per metric ton

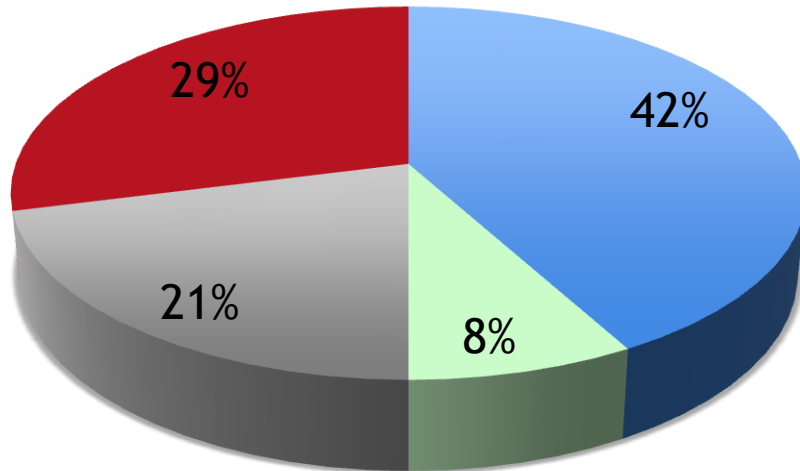
# FCPO Futures vs MPOB Palm Olein



# TRADING OPPORTUNITIES AS A LOCAL PARTICIPANT

# BMD Volume Demography

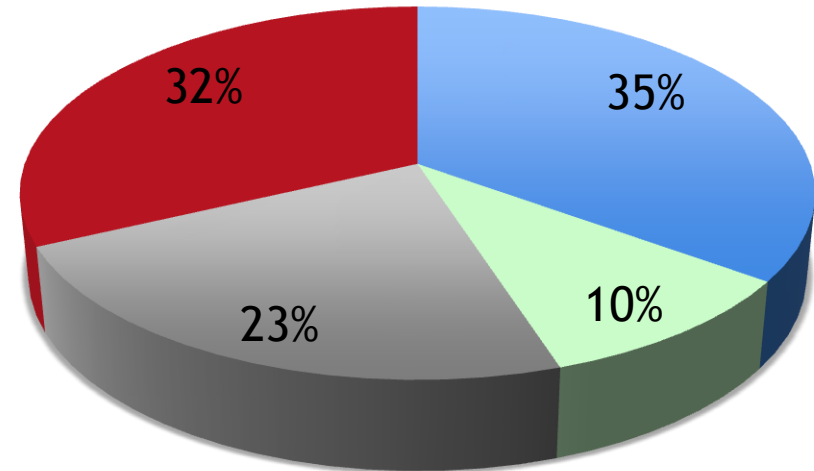
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# What is a Local Participant?



Self employed futures  
trader

Trades his own account





# Why become a Local?

## Cost savings

- enjoy exchange and clearing fee incentives
- scratch trades

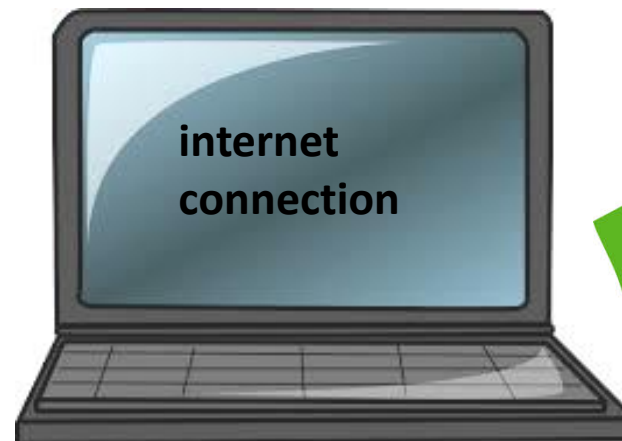


# Why become a Local?

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## Flexibility

- trade from anywhere



# Who can become a Local?



minimum 21 years old



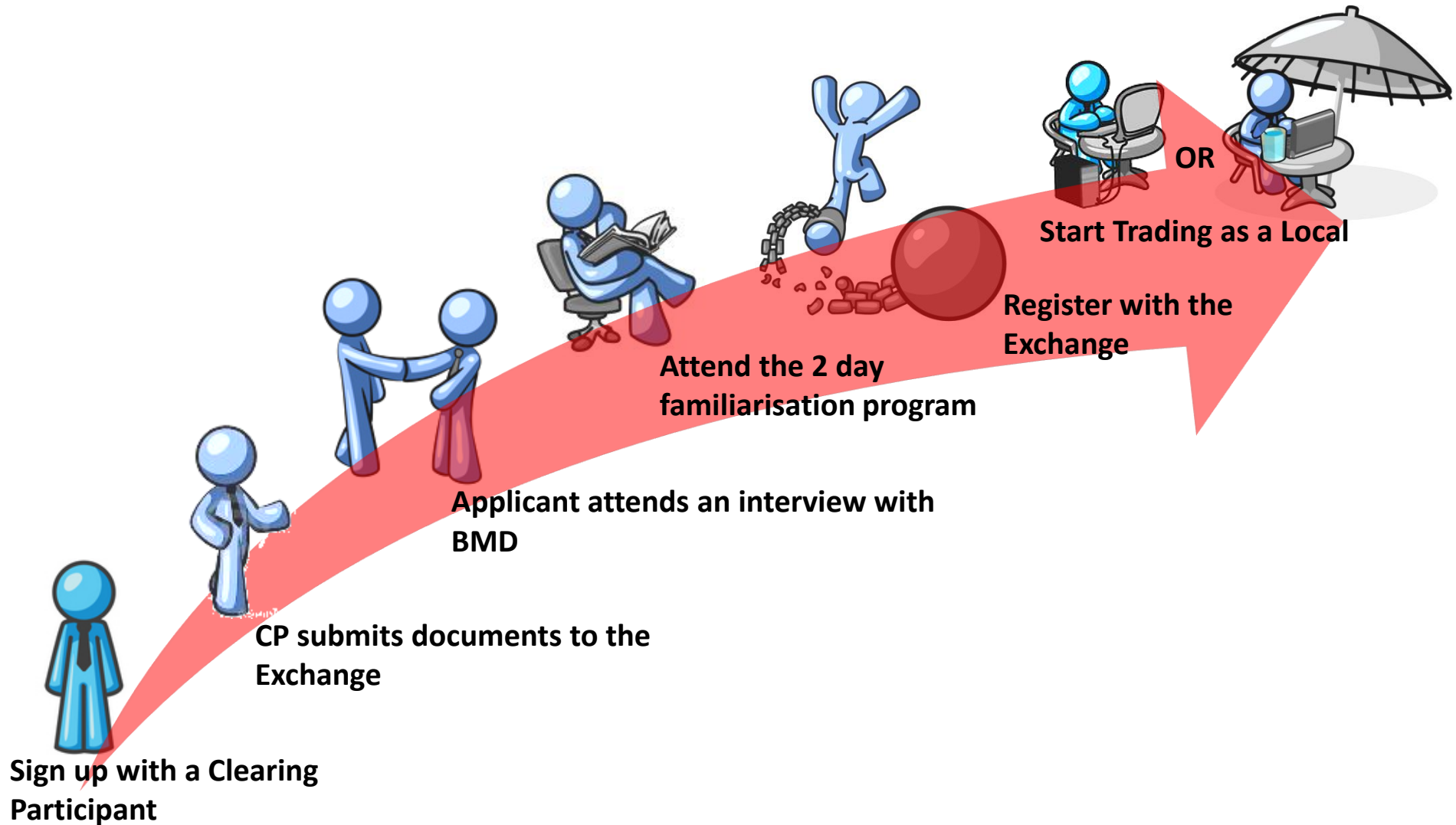
not a bankrupt



attended the 2 day  
familiarisation programme



# How to become a Local?



# Contact Us

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# ***Thank You***

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