

23rd PALM AND LAURIC OILS CONFERENCE & EXHIBITION 2012 (POC)

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OPENING REMARKS BY

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I am delighted to welcome all of you to the Bursa Malaysia Derivatives or BMD's 23rd Palm and Lauric Oils Conference & Exhibition 2012. This year's edition brings together over 2,000 guests from over 40 countries right across the globe.

Looking back, this conference was the first to bring together the captains in the palm and lauric oils industries, producers, refiners, physical commodity traders, commodity hedge fund managers and proprietary traders under one roof.

What makes this conference truly unique is the tremendous impact it continues to have on the palm and lauric oils industries, namely the insights and learnings provide the framework that contribute to the stability, credibility and relevance of BMD's Palm Oil Futures Contracts (FCPO).

Also, from a meeting of minds the conference is now looked upon as the global voice of the palm and lauric oil industries.

Ladies and gentlemen,

Our industry faces many challenges. The European Debt Crisis, the tension and aftershocks of the Middle East region, the much talked about soft landing of China's economy and changing weather patterns have had a huge impact on the world's local economies.

Which is why this year's theme – Global Shocks, Local Impact – is a call for action. How we turn this moment of challenge into a time of opportunities may be the tipping point that drives the palm and lauric oil industries in the years to come.

Today, palm oil is the world's most widely used edible oil and about 80% of current world palm oil output is consumed for food or edible use. Consumption in non-food areas is also growing and will drive demand upwards.

In the face of global shocks & challenges and the increased use of palm oil, BMD has in place the necessary infrastructure for trading, clearing and risk management which are of international standards. The time is ripe for some of you to consider using BMD's FCPO contract as a hedging tool.

I am proud to say that BMD is putting into place five critical pillars to build upon the stability, credibility and relevance of this contract so that it will continue to create a more vibrant trading environment.

The five pillars are as follows:

One, strengthening the position of BMD's FCPO as the global price benchmark

For over 30 years, BMD's palm oil futures market has been regarded as the benchmark for the pricing of palm oil products globally.

In 2010, BMD moved towards fulfilling its potential as a liquidity hub for the Crude Palm Oil Futures through a strategic partnership with the CME Group, the world's largest and most diverse derivatives marketplace.

The CME Globex electronic trading platform has improved accessibility, while consolidating Malaysia's position as the world's leading price discovery centre and the clear benchmark for palm oil traded globally. The increase in foreign and domestic participation has resulted in a 39 percent growth in trade for 2011.

Two, managing risk by using FCPO to hedge

Recent global events have led to the increased volatility of commodities such as crude oil, gold, currencies and crude palm oil. This is to be expected, and there is a need now to manage price risk as well as to gain leveraged exposure to movements in crude palm oil prices.

In view of this, we intend to introduce innovative options for palm oil futures. These options will enable traders to not only manage their risks in terms of directional trading but also manage against market volatility.

Three, provide the flexibility to swap

Another innovative facility we are developing is a facility that allows related positions that include OTC swap positions to be converted into futures contracts. This will not only bring in new participants into BMD's market, but it will also bridge the OTC market closer to the Exchange.

Four, introduce new palm oil based products

BMD plans to introduce USD-denominated palm olein sometime this year. With this offering, refineries can now hedge the refining margin between CPO and palm olein. What's more, the negotiated large trade facility, currently used in the FCPO markets will also be made available for this contract.

Five, introduction of SPAN margining and risk management tool

With the introduction of our new Derivatives Clearing System (DCS), BMD upgraded its Clearing House infrastructure to incorporate SPAN margining. It is a methodology developed by CME group for risk management purposes. SPAN does real time monitoring of participants' exposure. SPAN is used by more than 50 exchanges worldwide and adopted by major players in the derivatives market to assess their portfolio risk.

Ladies and gentlemen,

I have outlined the road ahead to grow the market for palm oil and its related products. The journey ahead, I can assure you, will be an exciting one.

To help us on this journey, we have an impressive line-up of speakers who will touch on important issues including the price outlook for palm oil and its related oil products, best sustainable practices and bio-fuels. I am confident that the knowledge you will gain here will serve as a valuable guide to turn global shocks into a world of opportunities in the year ahead.

I would like to thank our panel of distinguished speakers who have given their valuable time to be with us, some travelling from far. I would also like to express our gratitude to the Ministry of Plantation Industries and Commodities, our co-organiser, the CME Group, our lead partner, Sime Darby Plantation Berhad, Titanium sponsors, Emery Oleochemicals (M) Sdn Bhd and LT International Futures (M) Sdn Bhd and other sponsors, exhibitors and delegates.

Without your ongoing support, this conference will not be what it is today. We truly appreciate your support, which have ultimately led to the success of POC2012.

On this note, I wish all participants a fruitful and enjoyable conference. Finally, I wish you all a pleasant stay in Kuala Lumpur.