

FREQUENTLY ASKED QUESTIONS (FAQs): FMG5 PHYSICAL DELIVERY SETTLEMENT

1. What is FMG5?

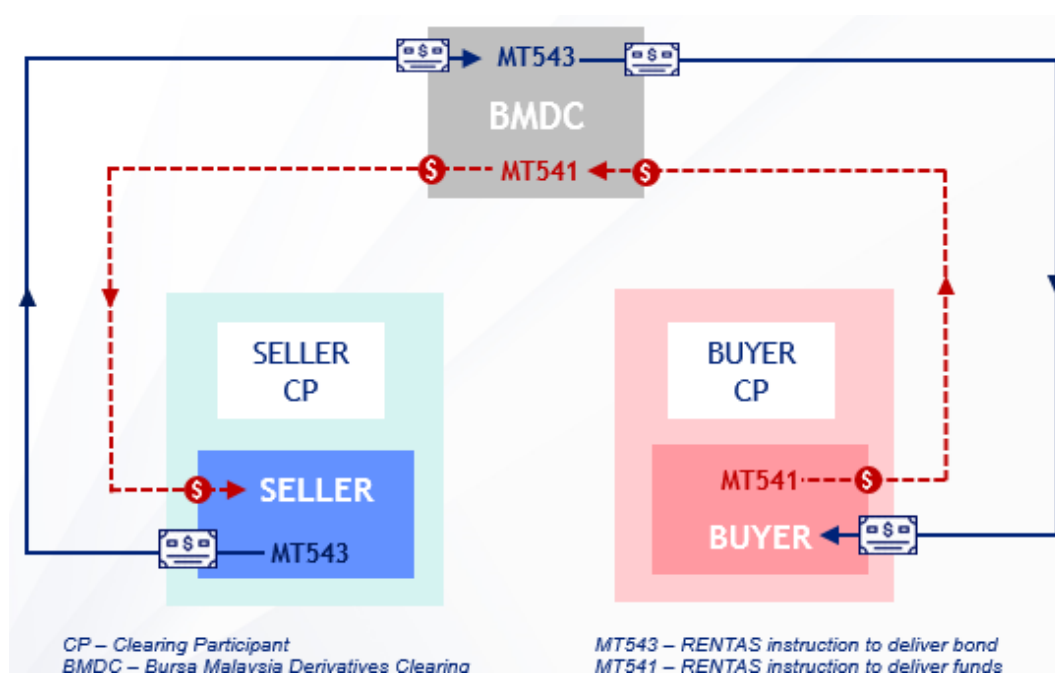
- 5-Year Malaysian Government Securities Futures (FMG5) is a standardised derivatives contract for the purchase and sale of Malaysian Government Securities (MGS) for future delivery. It is a physically settled contract where the seller has the right to make delivery of the eligible deliverable MGS in the delivery period and the buyer is obliged to accept the delivery if assigned.
- **Contract unit:** 5-Year MGS with a principal value of RM100,000.00.
- **Contract's coupon rate:** 6% per annum and payable semi-annually.

2. What are the changes to the FMG5 contract specifications?

Change in the settlement methodology from cash to physical delivery and the selection criteria for the basket of MGS eligible for delivery, as set out in item 4.03 of Schedule 4 of the Rules of Bursa Malaysia Derivatives Berhad (“BMD”).

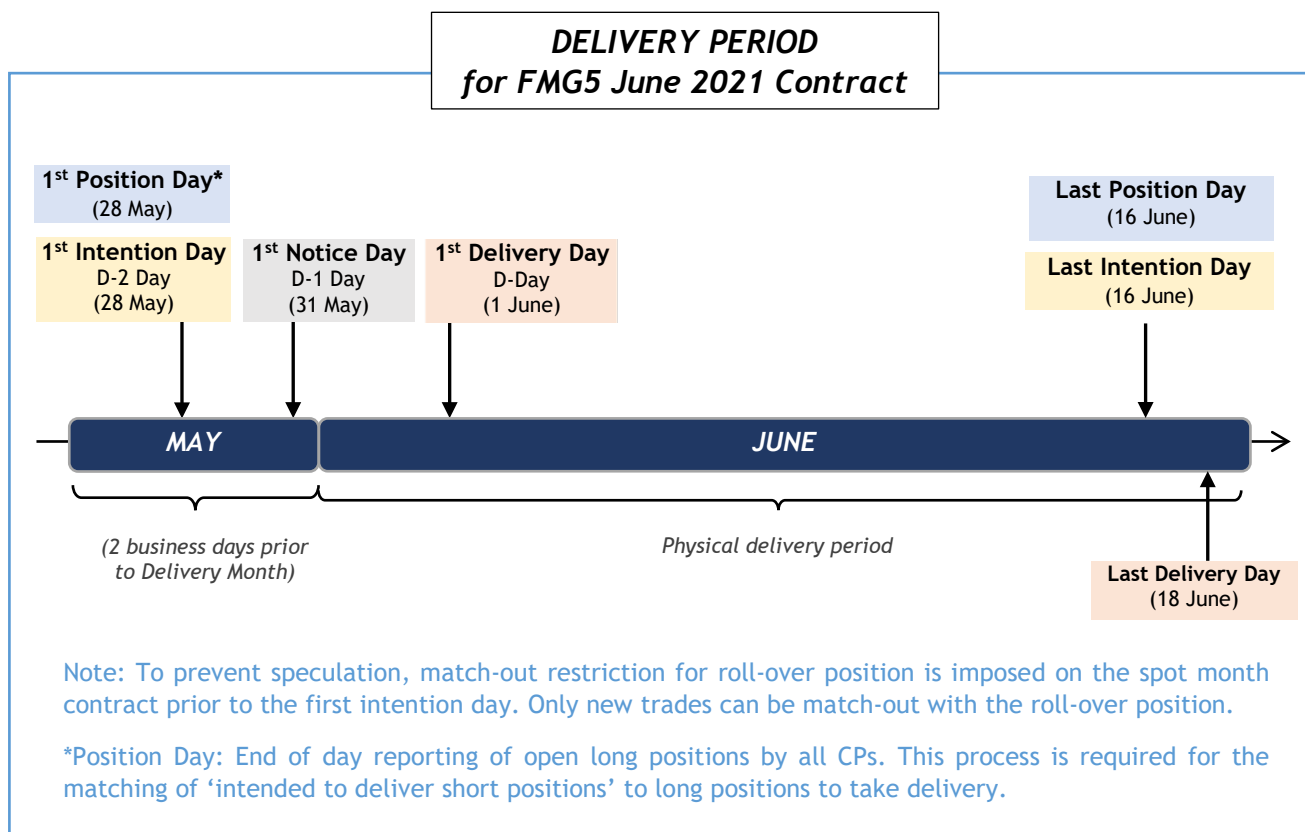
3. What is the process of delivery?

The FMG5 physical delivery model closely mirrors the transfer of MGS in the over-the-counter (OTC) market with key alterations being Bursa Malaysia Derivatives Clearing Berhad’s (BMDC) role as the “passthrough” to facilitate the exchange of the MGS and cash payment. The following diagram illustrates the flow of MGS and payment between Buyer and Seller through BMDC via a Delivery Versus Payment (DVP) model enabled by RENTAS’s Securities Linked Settlement (SLS) functionality.

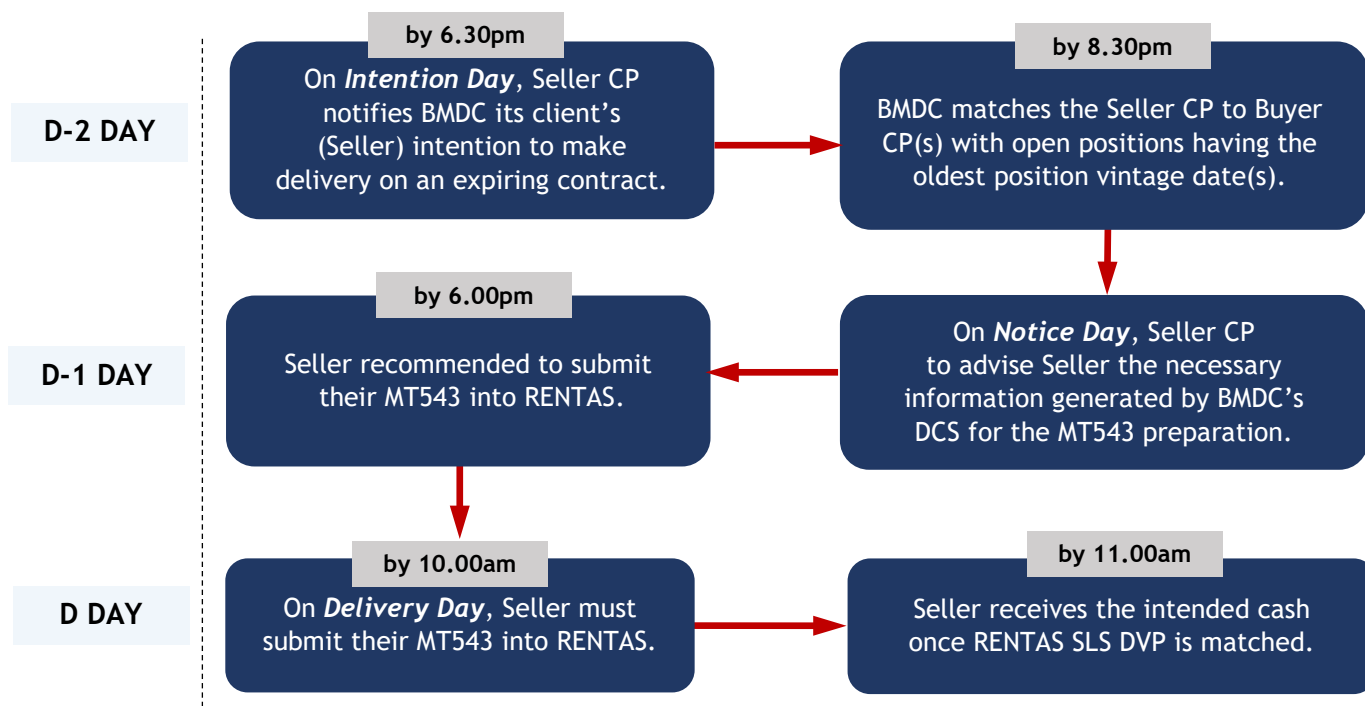


4. When is the Delivery Period?

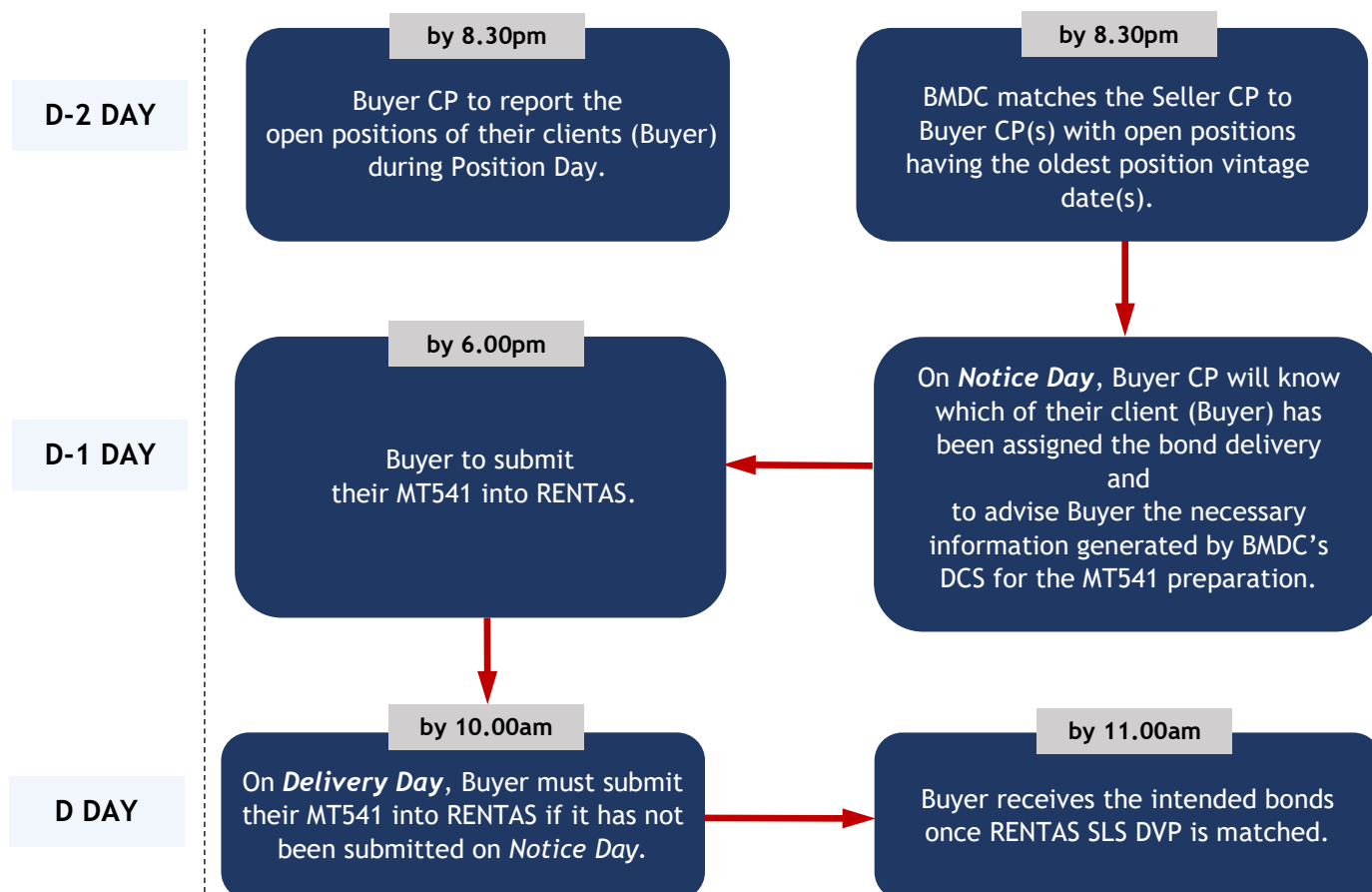
The delivery period starts from the first business day of the quarterly month for delivery to the second Business Day after the Final Trading Day. The Final Trading Day shall fall on 3rd Wednesday of the contract month or the 1st Business Day immediately following the 3rd Wednesday if the 3rd Wednesday of the contract month is not a Business Day.



5. What is the new physical delivery flow for the Seller?



6. What is the new physical delivery flow for the Buyer?



7. What are the eligible MGS for delivery for the FMG5 contract?

- a) Subject to sub-clause (c) below, the eligible deliverable MGS shall comprise the following:

Bond Type	Minimum Issuance Size	Term to Maturity
Benchmark 5-year MGS*	Not applicable	-
Non-benchmark MGS	RM5 billion	4 to 6 years on the first calendar day of the contract month for delivery

*<http://bondinfo.bnm.gov.my/portal/server.pt?open=514&objID=41920&parentname=CommunityPage&parentid=2&mode=2>

- b) The eligible deliverable MGS will be announced on the 10th day of the quarterly month (i.e. March, June, September, December) preceding the contract month of that Contract or the next Business Day immediately following the 10th day if the 10th day is not Business Day.



c) No new MGS will be included to the list of eligible bonds after the announcement of eligible MGS for the spot quarterly month Contract has been made.

8. What are the approved currencies that I can deposit as initial margin?

- Malaysian Ringgit (RM)
- US Dollar (USD)
- British Pound (GBP)
- Euro (EUR)
- Hong Kong Dollar (HKD)
- Japanese Yen (JPY)
- Chinese Renminbi (RMB)
- Singapore Dollar (SGD)
- Australian Dollar (AUD)

9. Where can I view FMG5 contract prices?

CME Globex, Bloomberg and Refinitiv

Alternatively, you are advised to contact your Futures' Broker on how to access the MGS Futures prices.

10. What is the ticker code for FMG5 contract?

CME Globex®

BMD\FMG5\relevant contract month code

Example: BMD\FMG5\DEC20

Refinitiv

<FMG5> + <Month Code> + <Year Code>

Example:<FMG5Z0> DEC 2020 contract

Chain RIC: <0#FMG5:>

Bloomberg:

MGA Comdty CT <Go>

11. Is FMG5 contract EFP/EFRP-eligible?

Yes, FMG5 contract is EFP/EFRP-eligible.

➤ [View Eligible Related Positions for Exchange for Related Position](#)

12. What are the fees for FMG5 contract?

Per contract per side		
Exchange Fee (RM)	Clearing Fee (RM)	Tender Fee (RM)
0.50	0.50	0.50



13. What are the margin requirements for FMG5 contract?

Margin requirements can be viewed at Bursa Malaysia website.

- [View margin requirement](#)

14. What will happen if either the Seller fails to deliver the underlying MGS or Buyer fails to make payment in respect of FMG5 Contract in RENTAS?

Clause 68.7 of Payments Network Malaysia Sdn Bhd's (PayNet) Operational Procedures for Securities Services provides that the management of failed settlement of FMG5 Contract will be referred to BMDC. Hence, in the event of failed settlement on RENTAS, BMDC will apply the default framework under the Rules of BMDC to address the liability of the failing party via its Clearing Participant.

Under the Rules of BMDC, BMDC may liquidate the FMG5 Contract by cash settlement, at a price determined by BMD or BMDC. The Clearing Participant of the failed client will be liable to make good the differential compensation to be paid to BMDC for onward payment to the Clearing Participant of the non-failing client based on the market price difference of the selected eligible MGS and the settlement price of its spot contract. Differential compensation will be calculated by end of day of the failed settlement day and is payable on the next business day. If computation of differential compensation leads to a surplus to the failed client, no compensation shall be required to be paid to the non-failing client. The failed client shall also receive no compensation due to the act of failed settlement.

(<https://paynet.my/references/2020/OP-SS-V3.6-KNet.pdf> and https://www.bursamalaysia.com/regulation/derivatives/rules_of_bursa_malaysia_derivatives_clearing)

15. Are there any other means of failed settlement?

Yes, if the Seller fails to notify BMDC of its intention to tender for delivery by 6.00 p.m. on the Final Trading Day of an expiring spot contract, BMDC shall deem this as failed settlement immediately. Differential compensation shall be calculated in a similar manner to Question (14) above.



DISCLAIMER

These FAQs have been provided by Bursa Malaysia Derivatives Berhad for general reference purposes only. Although care has been taken to ensure the accuracy of the information/data within this FAQs, there is no warranty or representation expressed or implied by Bursa Malaysia Derivatives Berhad as to the accuracy or completeness of the materials herein, therefore applicable laws, regulations and current Exchange and Clearing House rules should be consulted.

FUTURES AND OPTIONS TRADING INVOLVES RISK. THEREFORE, KNOW THE RISKS BEFORE YOU TRADE.

The Business Rules of Bursa Malaysia Derivatives Berhad supersedes all matters pertaining to derivatives contracts. Please ensure that an updated version of the Current Business Rules of Bursa Malaysia Derivatives Berhad is referred to for trading and contract specifications as such specifications may change from time to time.

Please contact your futures broker or Bursa Malaysia Derivatives Berhad concerning current contract specifications.

The text of this publication, or any part thereof, may not be reproduced or transmitted in any form or by any means, electronic or mechanical, including photocopying, recording, storage in an information retrieval system, or otherwise, without the prior written consent of Bursa Malaysia Derivatives Berhad.

All rights reserved.