

# The Leading Price Discovery Centre for Lauric Oil

## FPKO

Crude Palm Kernel  
Oil Futures

Traded on  
Bursa Malaysia



# WHAT IS FPKO?

FPKO is a Ringgit Malaysia (MYR) denominated Crude Palm Kernel Oil Futures Contract traded on Bursa Malaysia Derivatives (BMD) designed to provide lauric oil industry players with hedging opportunities against the risk of adverse price movement in the lauric oil market.

BMD's Palm Complex offerings consolidate Malaysia's position as the leading price discovery center for palm oil traded globally.



## Features



### CONTRACT SIZE

Each FPKO Contract is equivalent to 25 metric tonnes



### SETTLEMENT METHOD

Physical delivery



### MATURITY DATE

15<sup>th</sup> day of the spot month

## What Is Ticker Code For FPKO Contract?

- ▶ CME Globex®  
*BMD\PKO\relevant Contract month code*  
Example: *BMD\PKO\MAR20*
- ▶ Bloomberg  
*KGA Comdty CT (Go)*

# WHY TRADE FPKO?



## Global Access

FPKO is traded electronically on CME GLOBEX®, a global electronic trading platform. Accessing CME Globex® is easy and allows individual and professional traders anywhere around the world to access all BMD products.



## Immediate Market Exposure

Global fund managers, commodity trading advisers and proprietary traders can gain exposure to the lauric oil market.



## Regulated Trading

Trade with confidence in a secure and transparent marketplace regulated by the Securities Commission Malaysia.



## Risk Management

FPKO can be used by the lauric oil industry players to hedge against the risk of unfavorable price movement in the physical market.



## Leveraged Trading

Gain leveraged exposure to the notional value of the underlying asset with a relatively small amount of capital (Initial Margin), magnifying the effect of a given change in price.

## PHYSICAL DELIVERY FLOW FOR SELLERS

## PHYSICAL DELIVERY FLOW FOR BUYERS

01



Seller to deliver CPKO together with traceability documents

02



**PTI<sup>1</sup> to check on the following:**

- Quantity of CPKO delivered
- FFA<sup>2</sup>, M&I<sup>3</sup>, IV<sup>4</sup> and Colour range values are fulfilled
- Traceability documents submitted by Seller

04



Seller to notify Clearing Participant on their intent to tender

03



PTI to issue e-NSR<sup>5</sup> if all requirements are fulfilled

05



Seller's Clearing Participant to notify Clearing House

06



Clearing House to allocate to Buyer's Clearing Participant

01



After allocation by Clearing House, Buyer makes full payment to Clearing Participant

02



Clearing Participant makes payment to Clearing House

04



Buyer to collect oil from PTI

03



Clearing House to provide the e-NSR to buyer via Clearing Participant

PTI to provide traceability documents of the oil to the buyer upon collection

*\*Traceability documents:*

- Parent Company of the Seller
- Kernel Crusher Name
- Kernel Crusher Plant Address
- Kernel Crusher Coordinate: Latitude and Longitude
- Quantity of CPKO received in MT

*PTI<sup>1</sup> - Port Tank Installation*

*FFA<sup>2</sup> - Free Fatty Acid*

*M&I<sup>3</sup> - Moisture and Impurities*

*IV<sup>4</sup> - Iodine Value*

*e-NSR<sup>5</sup> - e-Negotiable Storage Receipts*

# TRADING EXAMPLE (BEAR MARKET)

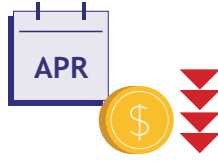
## SCENARIO:

CURRENT MONTH:  
JANUARY



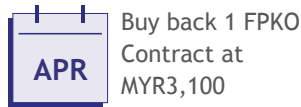
Production increase  
Expectation: CPKO price  
to decline in April

4 MONTHS LATER:  
APRIL



Decline in the price  
of CPKO

## HOW TO USE THE FPKO CONTRACT TO PROFIT FROM THE BEARISH MARKET:



MYR3,200



MYR3,100



**GROSS PROFIT:**  
MYR(3200 - 3100) 25MT = MYR2500

Referring to the high production of palm fruit this year, Ali anticipates there might be a decline in the price of Crude Palm Kernel Oil.

To make profit out of the bearish market, he can use the FPKO Contract in the following manner:

Palm Kernel Oil Futures (FPKO) is traded at MYR3,200

FPKO is  
expected to FALL

STEP 1

Sell one FPKO  
Contract at  
MYR3,200

Assuming  
FPKO declines to  
MYR3,100

STEP 2

Buy one FPKO  
Contract at  
MYR3,100

Gross profit on  
FPKO: MYR2500  
(MYR100 x 25)

He can also use the same strategy (short-selling) for any other indications of a bearish market.

*Note:*

1. Initial Margin is to be deposited with a Futures Broker prior to trading.
2. Open position is subject to daily mark-to-market which may require additional margin to be deposited.
3. Transaction costs have been excluded in this example.

# TRADING EXAMPLE (BULL MARKET)

## SCENARIO:

CURRENT MONTH:  
SEPTEMBER



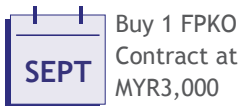
Expectation: Increase in the price of other edible oils e.g Coconut Oil will also impact CPKO prices

4 MONTHS LATER:  
DECEMBER



Increase in the price of CPKO

## HOW TO USE THE FPKO CONTRACT TO PROFIT FROM THE BULLISH MARKET:



**GROSS PROFIT:**  
MYR(3200 - 3000) 25MT = MYR5000

Faris observes that the increase in the price of Coconut Oil has always been reflected in the rise of the Crude Palm Kernel Oil. He expects there might be an increase in price for Crude Palm Kernel Oil.

To make profit out of the bullish market, he can use the FPKO Contract in the following manner:

Palm Kernel Oil Futures (FPKO) is traded at MYR3,000

FPKO is expected to RISE

STEP 1  
Buy one FPKO Contract at MYR3,000

Assuming FPKO rises to MYR3,200

STEP 2  
Sell one FPKO Contract at MYR3,200

Gross Profit on FPKO: MYR5000 (MYR200 x 25)

He can also use the same strategy (short-selling) for any other indications of a bullish market.

### Note:

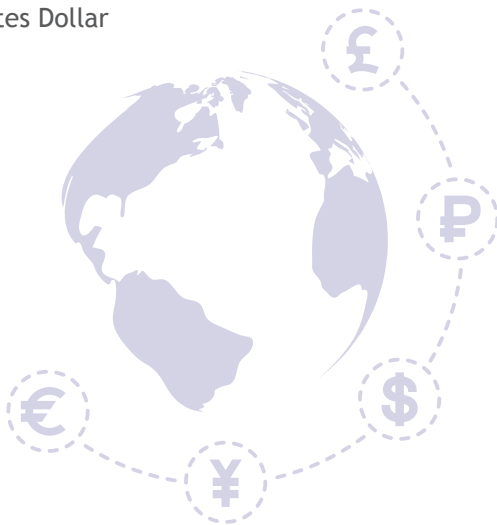
1. Initial Margin is to be deposited with a Futures Broker prior to trading.
2. Open position is subject to daily mark-to-market which may require additional margin to be deposited.
3. Transaction costs have been excluded in this example.

## WHAT ARE THE MARGIN REQUIREMENTS FOR FPKO & THE APPROVED FOREIGN CURRENCIES?

The minimum Initial Margins for FPKO levied by the clearing house are revised from time to time depending on the volatility of the market. Initial Margins are increased in response to higher price volatility, and vice versa. Refer to Clearing Circulars for the latest Initial Margin rates. Futures Brokers may require a higher Initial Margin deposit from their clients, depending on their risk management policies.

**The list of approved foreign currencies accepted as initial margin for FPKO Contract is as follow:**

1. Australian Dollar
2. Euro
3. Hong Kong Dollar
4. Japanese Yen
5. Pound Sterling
6. Renminbi
7. Singapore Dollar
8. United States Dollar



Open a Futures Trading Account with one of the licensed Futures Brokers of Bursa Malaysia Derivatives to get started.

Please refer to our list of Trading Participants at [www.bursamalaysia.com](http://www.bursamalaysia.com)

For more information and latest updates:  
Visit Bursa Malaysia website



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