

Kenanga Futures Sdn Bhd

**ACCESSING MALAYSIAN PALM OIL
FUTURES PRODUCTS**

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Listed Derivatives

Kenanga Futures Sdn Bhd

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AGENDA

- 1) KF At A Glance
- 2) Hedging Your Price Exposure Using BMD Palm – Oil Related Products
- 3) Accessing Malaysian Listed Derivatives Market

Kenanga Futures Sdn Bhd At A Glance

Our Background

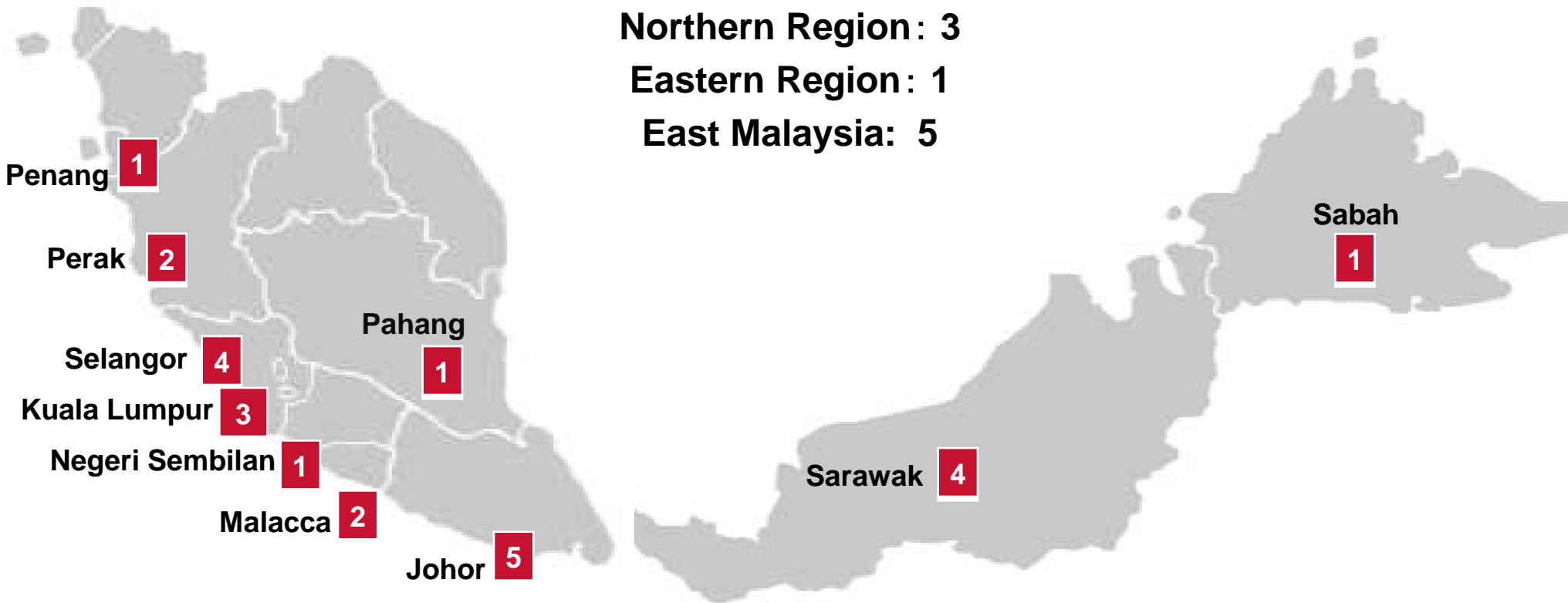


- Incorporated in August 1995
- A wholly owned subsidiary of Kenanga Investment Bank Berhad
- Licensed with Securities Commission Malaysia, a Trading Participant of Bursa Malaysia Derivatives Berhad and Clearing Participant of Bursa Malaysia Derivatives Clearing Berhad
- A registered firm with US CFTC, granted exemption relief pursuant to Commission Regulation 30.10

Our Branches

24 branches nationwide licensed to trade listed derivatives

Central Region: 8
Southern Region: 7
Northern Region: 3
Eastern Region: 1
East Malaysia: 5



Our Global Client Network

kenanga

Kenanga Futures Sdn Bhd



Domestic and International Recognition



**FOW
AWARDS
FOR ASIA
2015**

Emerging
Market Broker
of the Year

International Awards & Recognitions

- ♦ Voted by the judges of Futures and Options World (FOW) Awards for Asia 2015 as the **Emerging Market Broker of the Year 2015**. The award recognises the company for tangible innovation and growth contribution to the futures market that includes contract growth as well as revenue and profit growth.



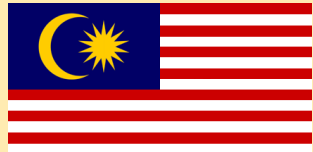
Domestic Awards & Recognitions

- ♦ The company has received multiple awards from Bursa Malaysia Derivatives Berhad where it retained its **top position** in the Malaysian listed derivatives space for **15 consecutive years**.



Our Product Offerings

Malaysia



United States



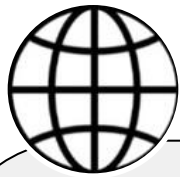
Bursa Malaysia Derivatives Berhad (BMD)



CME Group Inc. (CME)



Our Services



Execution Services

Electronic Execution (Direct Market Access)

- Pioneered DMA in 2008
- Connects clients globally to BMD markets via CME hubs
- Offers both direct and indirect connectivity
- Order Management System, KDF TradeActive™

Voice Execution

- Several modes of communication i.e. Bloomberg, telephone and e-mail
- Offer market insights and opinions
- Provide daily market reports and technical analysis
- Facilitation of NLTs and EFRPs



Clearing Services

- Facilitate fund movement and FX conversion in meeting margin requirement
- Responsive post-trade services including reallocation, give in, give up and member-to-member transfer
- Facilitate settlement for physically-settled futures contracts
- Customised reports
- Flexible accounts setup
- Multiple collateral options including:
 - ❑ 9 major currencies : USD, HKD, GBP, AUD, EURO, JPY, SGD, MYR, RMB
 - ❑ Non-cash instruments: Stocks, Malaysian Government Securities, Letters of Credit, Bank Guarantees

KDF TradeActive™

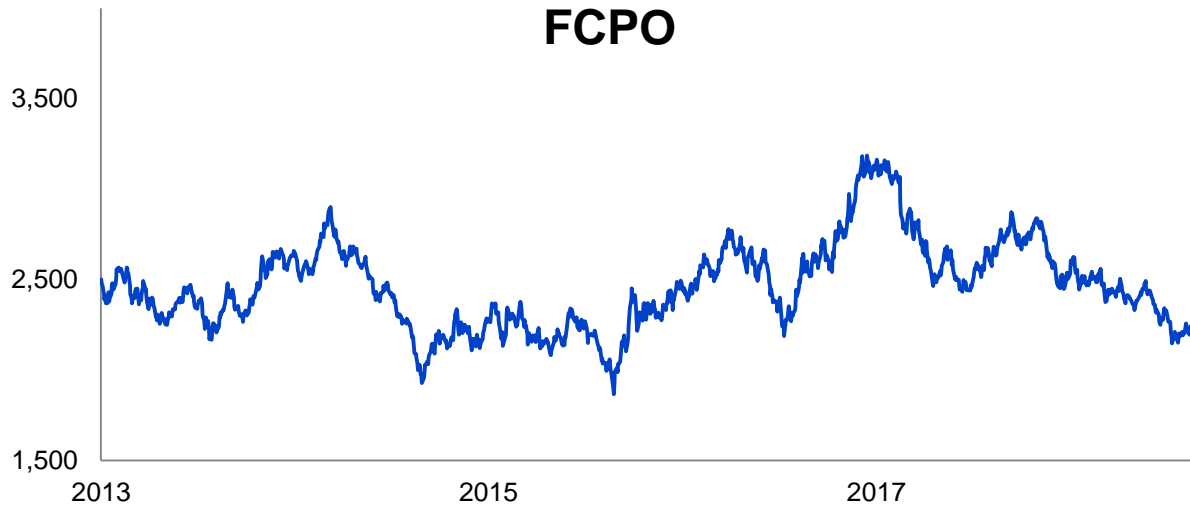
- KF's customised online trading platform for trading listed derivatives
- Available on both desktop and mobile devices
- Access both Bursa Malaysia Derivatives and CME Group products on a single platform
- Key features are:
 - i. Multi-factor authentication feature
 - ii. Multi-currency portfolio
 - iii. Real-time account balance summary;
 - iv. Real-time calculation of profit & loss and account margining;
 - v. Synthetic order type; and
 - vi. Real-time technical chart with indicators



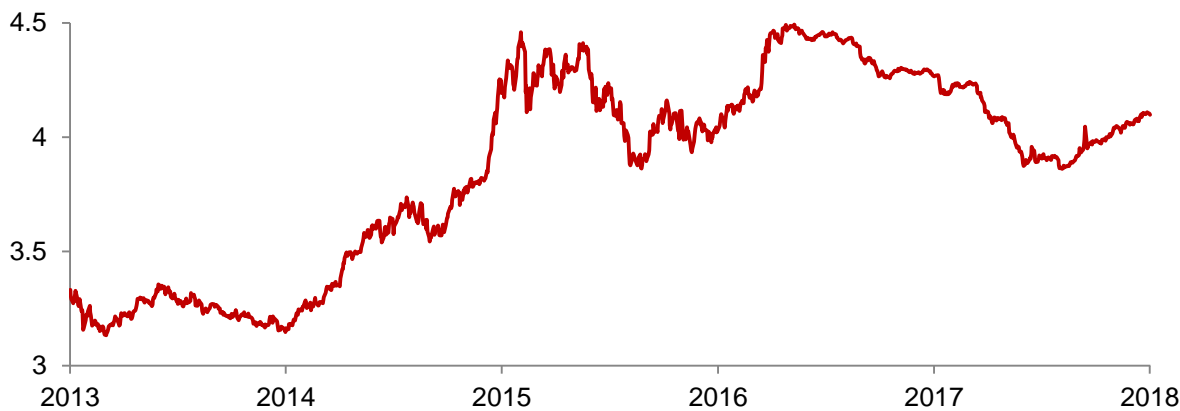
Hedging Your Price Exposure Using BMD Palm – Oil Related Products

Why You Should Hedge Now?

FCPO

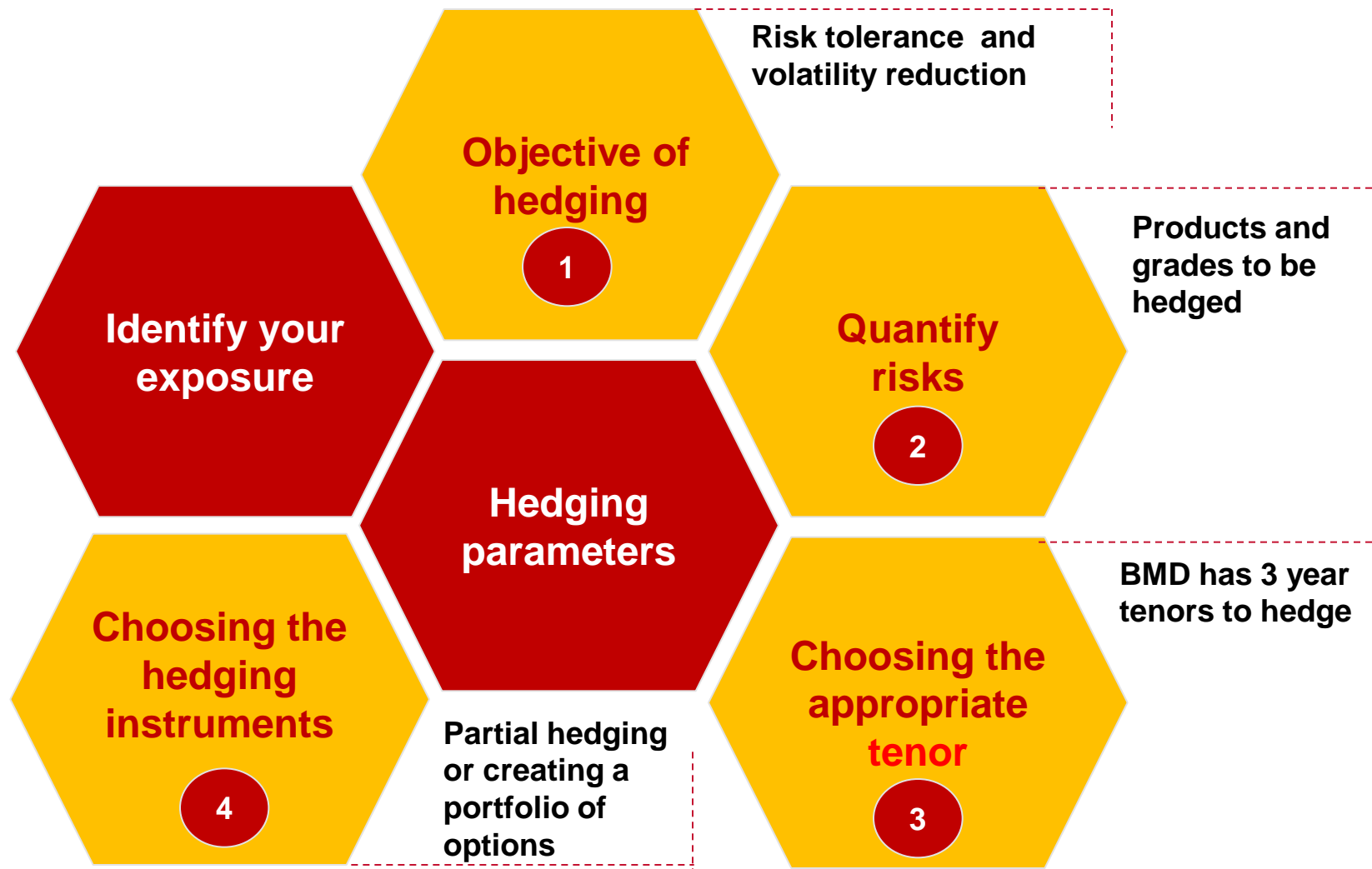


USD/MYR

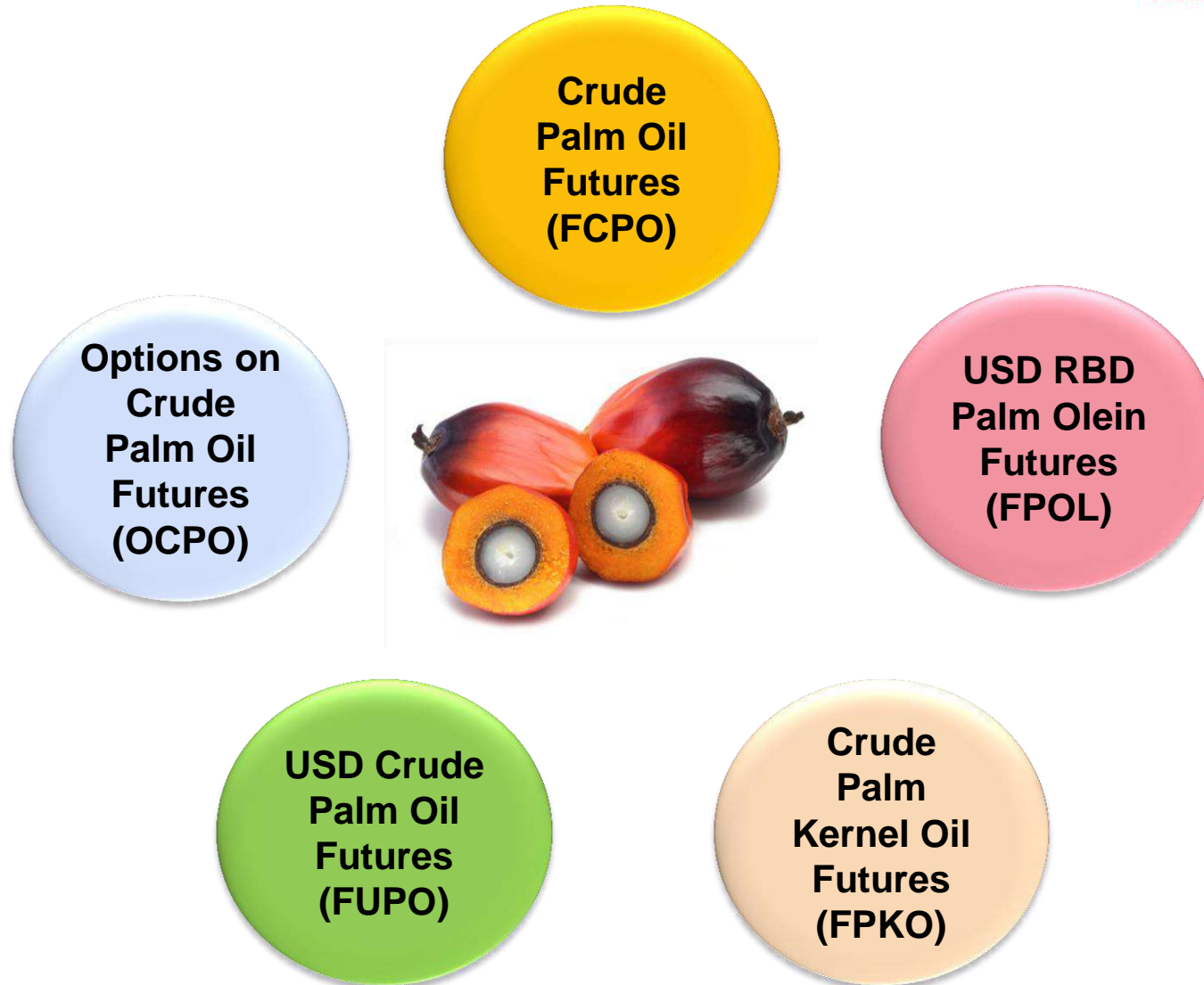


- Whether you are a producer or user of palm oil-related products, you are **exposed to price volatility and uncertainties.**
- **Lack of stability and predictability** in both FCPO prices and currency movements in recent years has **impacted the profit margin of companies**
- **Heightened concerns** arisen from the emerging trade barriers, trade policies, supply & demand among others will continue to bring greater uncertainty into the market
- To manage your price risk exposure and protect your profit, **HEDGE!**

Risk Management Framework



BMD Palm Oil-related Derivatives



BMD Crude Palm Oil Futures (FCPO)

- ❖ BMD's flagship product and also the global benchmark for crude palm oil market since 1980
- ❖ Futures volume traded exceeds 15 times of Malaysian CPO production in 2017
- ❖ Key features:
 - **Global ease of access**, traded electronically on CME Globex
 - **Transparent prices**, offering clear comparison for cross-hedging activities
 - **Futures position secured by BMD clearing house**
 - **Physical delivery of crude palm oil** at registered Port Tank Installations
 - **Inclusion of traceability** of tendered CPO up to Palm Oil Mill, aligned with the requirements and processes of MPSO.
 - **Hedge up to 3 years forward** , providing users a more effective hedging instrument and increase the permutation for spread

Hedging Your Malaysian Ringgit Exposure

Under the Malaysian Central Bank's Foreign Exchange Administration Rules, a non-bank non-resident market participant registered with the Bank:

- is allowed to **enter into forward contracts with a licensed onshore bank or an appointed overseas office**
- **up to the net open position (NOP)** of its ringgit-denominated **FCPO and OCPO contracts** undertaken on Bursa Malaysia Derivatives Berhad
- for the purpose of **managing its ringgit exposure** arising from the FCPO or OCPO contracts

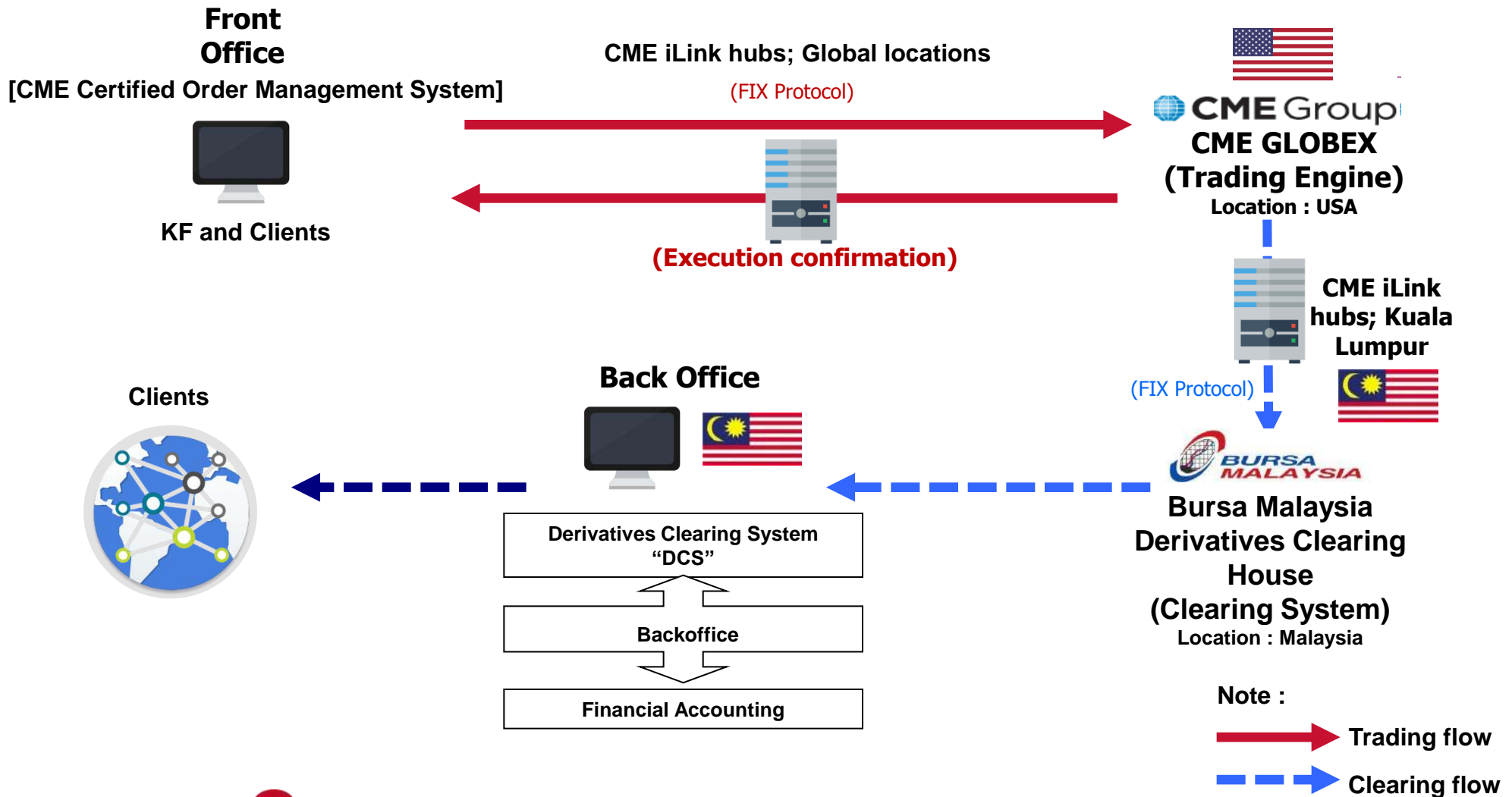
USD Denominated RBD Palm Olein Futures Contract (FPOL)

- ❖ FPOL is a Free on Board (FOB) physically delivered US Dollar (“USD”) denominated Refined, Bleached and Deodorised (RBD) Palm Olein Futures contract
- ❖ Being a refined palm product, FPOL specifically provides palm refiners and end users of palm olein an alternative to hedge
- ❖ For refiners, they can lock in their refining margins on paper between CPO and Palm Olein
- ❖ Key features:
 - **Global ease of access**, traded electronically on CME Globex
 - **Transparent prices**, offering clear comparison for cross-hedging activities
 - **Futures position secured by BMD clearing house**
 - **Physical delivery following FOB procedure** at Port Klang and Pasir Gudang
 - **Hedge up to 2 years forward** , providing users a more effective hedging instrument and increase the permutation for spread

Accessing Malaysian Listed Derivatives Market

Accessing Bursa Malaysia Derivatives

Trading Cycle: Trading and Clearing Flow



Main Takeaways

- Due to increasing global uncertainties, palm oil prices are more susceptible to...
FLUCTUATIONS and VOLATILITY
- With the increasing volatility in price of palm oil, there is a greater need to...
Manage Your Price Risk Exposure and Protect Your Profit Margin
- One of the most popular avenue to manage your price risk exposure is to...
HEDGE!
- The benchmark palm oil futures contract is Bursa Malaysia Derivatives'...
CRUDE PALM OIL FUTURES CONTRACT (FCPO)
- To access this contract, connect via your preferred Malaysian futures broker...
KENANGA FUTURES SDN BHD!





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Prepared by Kenanga Futures Sdn Bhd, a trading participant of Bursa Malaysia Derivatives Berhad and a Clearing Participant of Bursa Malaysia Derivatives Clearing Berhad