HOW IS A FUTURES CONTRACT SETTLED?

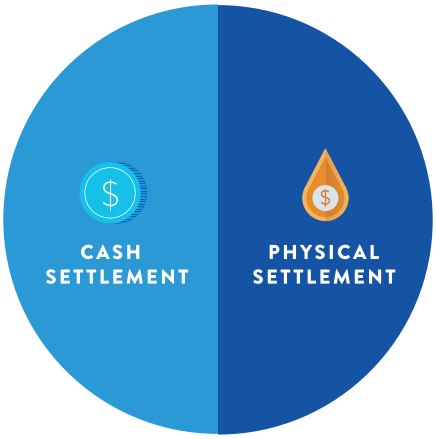
SETTLEMENT OF FUTURES CONTRACT

DERIVATIVES CONTRACTS CAN ONLY BE SETTLED EITHER VIA CASH OR PHYSICAL DELIVERY. YOU CAN CLOSE OUT YOUR POSITION ANYTIME BEFORE THE CONTRACT EXPIRES OR HOLD THE CONTRACT UNTIL EXPIRES. PLEASE CHECK THE DETAILS OF THE FUTURES CONTRACT ON BURSA MALAYSIA WEBSITE.

WHAT IS CASH SETTLEMENT

Cash settlement is a settlement method used in certain futures contracts where you don't have to make or take delivery of the underlying asset at the expiration of the futures contract. Instead, your account is either debited or credited with cash.

Cash settlement is for futures contracts that have non-physical underlying assets. For example, index futures such as FKLI & FM70 are cash settled.



WHAT IS PHYSICAL SETTLEMENT

Physical settlement method where you have to make or take delivery of the underlying asset at the expiration of the futures contract. Typically physical delivery is specified in futures contract where the underlying asset is a physical commodity. For example, Crude Palm Oil Futures (FCPO) are physically settled. Many traders would close out their futures position prior to the delivery date to realize their profits or loses. These are typically speculators who are in for the money and have no intention of taking actual delivery.

WHEN DOES THE CONTRACT EXPIRE?

DELIVERY MONTH — Month stipulated in the contract for cash settlement or physical settlement.

SPOT MONTH — Futures contract month closest to expiration.

EXP. DAY **DERIVATIVES EXPIRATIONS DAY**

Before the expiration day, traders will need to decide what to do, either to close out position or roll over the contract.

DERIVATIVES EXPIRATIONS DAY

	JAN	FEB	MAR	APR	MAY	JUN
FCPO	15th	15th	15th	15th	15th	14th
FKLI	31st	28th	29th	30th	31st	28th
	JUL	AUG	SEP	OCT	NOV	DEC
FCPO	15th	15th	13th	15th	15th	13th
FKLI	31st	30th	30th	31st	29st	31st

The complete trading calendar for all derivatives product can be found at: www.bursamalaysia.com

WHO MONITORS AND ENSURES THE PHYSICAL SETTLEMENT IS CONDUCTED DELIGENTLY?

Bursa Malaysia Derivatives Clearing Berhad.

NOTES

- Usually FCPO contract will usually expire on the 15th of the month.
- Different contracts have different expiry dates.

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