

WHAT IS MARGINING & HOW DOES IT WORK ?



The term "margin" refers to two levels of minimum margin - Initial and Maintenance Margins. Initial Margin is a deposit required before you start trading, whilst Maintenance Margin is the minimum level you need in your trading account to continue holding your futures positions.

Before you start trading, your broker will collect Initial Margin, which is a form of collateral or performance bond that is returned to you once you have closed out all your open positions (net of transaction fees, losses and/or any amounts owing to your broker).

Generally, the Initial Margin determined by Bursa Malaysia Risk & Compliance is between 10% and 25% of the underlying contract value, but your broker may require more than the minimum margins set by the Exchange to reduce the frequency of margin calls. Initial margin may be deposited in the form of MYR or other currencies.

MARK TO MARKET

Mark to market or revaluation will be conducted at the end of each business day based on settlement prices determined by Bursa Malaysia Derivatives Clearing (BMDC), and your account will be credited (profit) or debited (loss) accordingly.

If your position generates a loss that is greater than the Maintenance Margin level, you will be asked to top up your trading account within a stipulated time, failure of which may result in forced liquidation.



On the other hand, if your position results in a profit, you may be allowed to withdraw excess funds up to the Maintenance Margin level from your trading account.

EXAMPLE OF MARGIN RATE:

DATE: 12 February 2019

CLEARING CIRCULAR: 3/2019

BURSA MALAYSIA DERIVATIVES CLEARING BERHAD

COMBINED COMMODITY	SPAN Price Scan Range (RM)	SPAN Volatility Scan Range (%)	Spot Month Charge (RM)	Spot Month Spread (RM/pair)	Back Month Spread (RM/pair)	Short Option Minimum (RM)
CPO	4000	5	500	-	1200	50
PKO	4000	-	500	-	1200	-
KLI	4000	5	-	500	450	50
M70	900	-	-	200	100	-



WHERE CAN I FIND THE MARGIN RATE?

YOU MAY REFER TO THE LINK BELOW FOR THE LATEST MARGIN RATE:

<http://www.bursamalaysia.com/market/derivatives/trading/circulars/>

*CLICK ON CHANGE IN PERFORMANCE BOND / MARGIN RATE



Please note that the initial margin determined by Bursa Malaysia Risk and Compliance will be changed periodically depending on market conditions

NOTES

MARGIN CALL

- A Margin call happens when a broker demands a trader to deposit additional money or securities so that the margin account is brought up to the minimum maintenance margin. This will occur when the account value falls below the broker's required minimum value.

MARK TO MARKET (MTM)

- MTM involves recording the price of a security to reflect the current market value of a futures position.



Disclaimer:

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