

## CME U.S. Dollar (USD) Cash-Settled Crude Palm Oil Futures (CPO) Frequently Asked Questions

---

### TABLE OF CONTENTS

<b>CONTRACT SPECIFICATIONS</b> .....	<b>1</b>
<b>SETTLEMENTS</b> .....	<b>2</b>
<b>MARKET PARTICIPANTS</b> .....	<b>3</b>
<b>DELIVERY</b> .....	<b>4</b>
<b>RESOURCES</b> .....	<b>4</b>

---

### CONTRACT SPECIFICATIONS

**1. What is the relationship between CME Group and Bursa Malaysia Derivatives Berhad (BMDB)?**

Bursa Malaysia signed a strategic partnership agreement with CME Group on 17 September 2009 to grow the Malaysian derivatives market based on three collaborative aspects: equity participation, licensing of the Bursa Malaysia Derivatives Berhad crude palm oil futures (FCPO) settlement price and the provision of CME Globex services.

**2. What is the underlying instrument for the Crude Palm Oil Futures contract?**

Bursa Malaysia Derivatives Berhad (BMDB) Crude Palm Oil Futures (FCPO). The contract specifications for the FCPO contract are found at:  
[http://www.bursamalaysia.com/website/bm/products\\_and\\_services/derivative\\_resources/derivatives-fcpo.html](http://www.bursamalaysia.com/website/bm/products_and_services/derivative_resources/derivatives-fcpo.html)

**3. What is the trading unit for the contract?**

25 metric tons.

**4. How is the contract priced?**

The CPO contract is priced in U.S. dollars and cents per metric ton with a minimum tick size of \$0.25.

**5. What are the price limits for CPO? Is the expansion of the price limits simultaneous with BMDB?**

The price limits for CPO are 10 percent above or below the previous day's settlement price. If price limits expand in the BMDB FCPO contract, the price limits will expand in the CPO contract as well.

**6. What are the trading hours?**

5:00 p.m. Sunday through 4:00 p.m. Friday, Chicago Time, with daily trading halts from 4:00 p.m. to 5:00 p.m.

**7. Is there a pre-open? When does it open and for how long?**

Yes there is a pre-open. On Sunday the pre-open is from 4:15 p.m. to 5:00 p.m. Chicago time. From Monday to Thursday it is from 4:50 p.m. to 5:00 p.m. Chicago time.

**8. Is there a pre-close? When does it begin and for how long?**

There is no pre-close. However, there is a market halt from 4:00 p.m. to 5:00 p.m. Chicago time, Monday to Thursday.

**9. Are trades executed at 1:30 p.m. Chicago time for today or tomorrow's trade?**

All trades executed through 4:00 p.m. will be considered today's trade.

**10. Are block trades allowed? What are the limits?**

Yes. Block trading will be allowed through ClearPort. The minimum block trade is set at 10 contracts.

**11. Why are the speculative positions limits are so small compared to BMDB speculative position limits?**

When new contracts are launched there are certain requirements that Exchanges must follow under the Commodity Exchange Act. One of the requirements is that non-spot individual month or all months combined speculative position limits for cash settled contracts be no more than 1,000 contracts. Once the market proves to have sustainable open interest the Exchange can request an increase for the speculative position limits. Also, firms using the contract as a hedging instrument can request a hedge exemption which would allow the firm to exceed these limits as long as it is a bona fide hedge.

**12. How do I apply for a hedge exemption?**

First, download Form 204 from the Commodity Futures Trading Commission ("CFTC") website. Follow the directions on the form for submitting it to the CFTC, and then contact the CME Group Market Regulation Department for instructions on submitting the form to the Exchange. Form 204 can be found on the CFTC's website at the following website:

<http://www.cftc.gov/Forms/index.htm>

**13. What trading platform are CPO futures traded on?**

CPO futures are traded exclusively on CME Globex, the CME Group electronic trading platform.

**14. What is the ticker symbol?**

CPO

**15. What are the vendor codes for CPO on Bloomberg, Reuters, Next View and Telequote?**

Reuters: <0#CPO:>

Bloomberg: PLOA Comdty

Next View: #CPO.CM

**16. Where can I get live price quotes and are they free?**

A live book is available through CME Group data suite for a limited time.

[www.cmegroup.com/datasuite](http://www.cmegroup.com/datasuite)

## SETTLEMENT

**17. How is the daily settlement price calculated?**

The daily settlement price will be calculated as a volume weighted average price (VWAP) during a five-minute time frame from 1:10 pm to 1:15 pm U.S. Central Time each trading day. If a settlement price cannot be determined during that time the VWAP will be expanded to a fifteen

minute time frame from 1:00 pm to 1:15 pm. If at that point a settlement price still cannot be determined the midpoint of the bid and the ask will be used as the daily settlement.

**18. How is the final settlement price calculated?**

Final settlement will be in cash based on the average settlement price of the corresponding FCPO contract during the last five trading days of the CPO contract, which is two months prior to the delivery month for the FCPO contract. The FCPO settlement price will be converted to USD and rounded to the nearest \$0.25 using the Association of Banks in Singapore's 11:00 am (Singapore time) MYR spot price. See the chart below for illustration of the settlement procedures: (Final Settlement Procedure (FSP) & Daily Settlement Procedure (DSP))

**EXAMPLE: HYPOTHETICAL JULY 2010 EXPIRATION**

Date	5/10/2010	5/11/2010	5/12/2010	5/13/2010	5/14/2010
Days to Expiration	4	3	2	1	LTD
<b>FCPO Settle (MYR/MT)</b>	<b>2529</b>	<b>2505</b>	<b>2507</b>	<b>2472</b>	<b>2456</b>
<b>USD/MYR</b>	<b>3.21912</b>	<b>3.23056</b>	<b>3.20945</b>	<b>3.20455</b>	<b>3.20128</b>
<b>CPO Settle (USD/MT)</b>	<b>785</b>	<b>775</b>	<b>781</b>	<b>771</b>	<b>767</b>
<b>Final Settlement Price (USD/MT)</b>					<b>775.8</b>

**19. Why is the CPO contract being settled two months prior to expiration?**

Since the final settlement price for the CPO contract is derived from the settlement prices for the BMDB FCPO contract during the final five trading days, it was necessary to specify the expiration of the CPO contract during a period when there is sufficient liquidity in the FCPO contract. Volume and open interest in the underlying FCPO contract typically reaches its maximum level three months prior to expiration, with positions and trading in the final two months consisting primarily of market participants who intend to participate in the physical delivery process for the FCPO contract. Therefore, it was determined to specify the expiration of the CPO contract three months prior to the expiration of the underlying FCPO contract to ensure there is sufficient liquidity to support the cash settlement process.

**20. Do you allow trade at settle (TAS)?**

No. TAS is not available for this product.

**MARKET PARTICIPANTS**

**21. Who are the participants in this market?**

Anyone with exposure to palm oil. This includes major food manufacturers, producers and processors of palm oil, international trading/merchandising firms, and bio-fuel companies. With palm oil being the world's most consumed edible oil, it is handled by numerous companies

around the world, and these firms can utilize the CPO contract to manage their price risk exposure on the same platform (CME Globex) that the CBOT Soybean Oil futures and options contracts are traded.

**22. How can food manufacturers use this contract?**

Food processors can hedge ingredient prices for product that will be purchased at a later date. This allows them to better forecast ingredient expenses and processing margins.

**DELIVERY**

**23. Will I be able to take physical delivery of crude palm oil in satisfaction of CPO futures?**

No. All contracts left open on last trading day will be cash settled to the final settlement price.

**24. When is the delivery period?**

There won't be a delivery period. Instead there will be a final settlement period during which time the final settlement price will be determined. The final settlement period is the last five trading days of the contract. Each day during this period, the BMDB FCPO settlement price for the corresponding business day will be converted to USD using the Association of Banks in Singapore's 11:00 a.m. (Singapore time) MYR spot price and this will be the daily settlement price for the CPO contract. These daily settlement prices during the final five trading days for the CPO contract will be averaged to calculate the final settlement price.

**RESOURCES**

**25. Where can I find the margins for the CPO futures contract?**

Visit [www.cmegroup.com/margins](http://www.cmegroup.com/margins) and click on "CME Agricultural Futures."

**26. How can I get advisory notices and/or updates relating to CPO?**

You can visit CME Group subscription center at [www.cmegroup.com/subscribe](http://www.cmegroup.com/subscribe). You can sign up to receive Commodity Updates (which will include any news and updated information on CPO), as well as various CME Group Advisory notices.

**27. How can I learn more about trading CPO?**

To learn more about trading CPO, visit [www.cmegroup.com/palmoil](http://www.cmegroup.com/palmoil).

Futures trading is not suitable for all investors, and involves the risk of loss. Futures are a leveraged investment, and because only a percentage of a contract's value is required to trade, it is possible to lose more than the amount of money deposited for a futures position. Therefore, traders should only use funds that they can afford to lose without affecting their lifestyles. And only a portion of those funds should be devoted to any one trade because they cannot expect to profit on every trade. All references to options refer to options on futures.

CME Group is a trademark of CME Group Inc. The Globe Logo, CME, and Chicago Mercantile Exchange are trademarks of Chicago Mercantile Exchange Inc. CBOT and the Chicago Board of Trade are trademarks of the Board of Trade of the City of Chicago, Inc. NYMEX is a registered trademark of New York Mercantile Exchange, Inc. All other trademarks are the property of their respective owners.

The information within this brochure has been compiled by CME Group for general purposes only. CME Group assumes no responsibility for any errors or omissions. Additionally, all examples in this brochure are hypothetical situations, used for explanation purposes only, and should not be considered investment advice or the results of actual market experience. This information does not constitute a solicitation of the purchase or sale of any futures or options. All matters pertaining to rules and specifications herein are made subject to and are superseded by official CME, CBOT and NYMEX rules. Current rules should be consulted in all cases concerning contract specifications.

Copyright © 2010 CME Group. All rights reserved.