Frequently Asked Question (FAQ)

What is Futures Trading?

Futures Trading involves buying and selling a standardised contract that represents an underlying asset, such as an index or commodity at a predetermined price for delivery at a future date. Traders use Futures for both hedging and speculation.

What is Margin?

Margin is the initial deposit required to open a Futures position. It serves as a performance bond to ensure you can cover potential losses.

What is Margin Call?

Margin Calls occur when your account's equity fall below the required maintenance margin. When a Margin Call is issued, you should either add funds or reduce your position to meet the minimum margin requirements.

What is Leverage?

Leverage allows you to control a large contract value with a relatively small margin. It amplifies both potential profits and potential losses. Therefore, it is important to use it responsibly.

What does 'Roll Over' a position mean?

Roll Over means closing a position in the expiring contract month and simultaneously opening a new position in a later contact month to maintain market exposure.

What happens if I do not close my position before expiry? What happens if I hold a Futures contract until it expired?

If you do not close your Futures position before the contract expires, the exchange will automatically settle it depending on the type of contract:

- **Physical Delivery Contracts (e.g. FCPO)**
  - The contract is meant for actual delivery of the physical commodity.
  - You will be obligated to **take delivery (if long)** or **make delivery (if short)** of the underlying asset.
  - This can involve significant costs and logistics, so most traders prefer to close positions before expiry.

- **Cash-Settled Contacts**
  - You position will be automatically settled in cash based on the final settlement price on expiry day.
  - Your profit and loss will be credited or debited accordingly in your trading account.

Can I profit when the market goes down?

Yes. Futures allow you to take both long (buy) and short (sell) positions, providing opportunities in both rising and falling markets.

What does 'Long' and 'Short' mean in Futures Trading?

- **Long Position (BUY)**
  - You buy a Futures contract because you expect the price to go up.
  - You profit if the Futures price rises.
  - You incur a loss if the market price declines.

- **Short Position (SELL)**
  - You sell a Futures contract because you expect the price to go down.
  - You profit if the Futures price falls.
  - You incur a loss if the market price increases.

What are the Futures market trading hours?

Trading hours vary by product. For Bursa Malaysia Derivatives:

Futures Products	Trading hours
FKLI	**Morning Session:** 8.45 a.m. – 12.45 p.m. **Afternoon Session:** 2.30 p.m. – 5.15 p.m. **After-hours (T+1) Trading Session (Monday to Thursday):** 9.00 p.m. – 02.30 a.m.
FCPO	**Morning Session:** 10.30 a.m. – 12.30 p.m. **Afternoon Session:** 2.30 p.m. – 6.00 p.m. **After-hours (T+1) Trading Session (Monday to Thursday):** 9.00 p.m. – 11.00 p.m.

What is the size of a Futures contract?

Each Futures product has a standardised contract specification. For examples,

- FKLI: FBM KLCI index x RM50
- FCPO: 25 metric tonnes of crude palm oil per contract

Full contract specification can refer to Bursa Malaysia Derivatives Website (Company Profile)

FKLI : FTSE Bursa Malaysia KLCI Futures (FKLI)

FCPO : Crude Palm Oil Futures (FCPO)

Are Futures contracts considered a risky investment?

Yes, Futures generally considered high-risk financial instruments. They involve leverage, which means you can control a large position with a relatively small amount of capital. While this can amplify profits, it also magnifies losses.

What is Stop Loss?

A stop loss is a predetermined price level set to limit potential losses if the market moves against your position.

Why Stop Loss is important?

- A stop loss helps control risk by defining the maximum loss you are willing to accept on a trade.
- It prevents emotional or impulsive decisions during periods of market volatility.
- It helps protect your capital against unexpected market fluctuations.
- It encourages discipline by helping you adhere to your trading plan.

What is the difference between Futures and Stocks?

Feature	Futures	Stocks
Definition	A standardised contract to buy or sell an asset at a predetermined price on a future date.	A stock represents a share of ownership in a company.
Ownership	No ownership (unless physically settled).	Yes, you own shares of the company.
Leverage	High leverage through margin trading.	Usually no leverage unless using margin trading.
Expiry	Has a fixed expiry date.	No expiry.
Risk	Losses can exceed the margin deposited.	Losses are limited to the invested capital.
Settlement	Can be physically delivered or cash-settled.	Settled by transferring shares.

Is futures trading suitable for beginners, and how can I start?

Yes. Our beginner-friendly programmes are designed to help you understand futures trading step by step. You will learn the fundamentals, risk management, and how to use our trading platform effectively.

To start trading:

1. Open a futures trading account with us.
2. Deposit the initial margin.
3. Begin trading through our platform.

For more details, contact us at **03-9235 3223** or email to **amfuturesdealing@ambankgroup.com**.