

Bursa Malaysia Derivatives Berhad

Date : 21 May 2014

Trading Participant Circular : 8/2014

REVIEW OF THE RULES OF BURSA MALAYSIA DERIVATIVES BERHAD ("RULES OF BURSA DERIVATIVES") RELATING TO CONTRACTS, POSITION LIMITS AND SPECIFIED EXCHANGES

1. INTRODUCTION

1.1 Bursa Malaysia Derivatives Bhd ("the Exchange") has undertaken a review and amendment of the following areas in the Rules of Bursa Derivatives:

- (a) Contracts;
- (b) the Open Positions which may be held or controlled by a person in any Contract ("Position Limits") and other limits; and
- (c) the derivatives markets outside Malaysia in which a Participant may trade ("Specified Exchanges")

("the Rule Amendments").

1.2 The Rule Amendments are aimed at enhancing efficiency through, amongst others, the removal of duplications and the streamlining of provisions, where possible, and thereby promoting market development.

1.3 Further, pursuant to the Rule Amendments, the following directives have been issued:

- (a) the Directive No. 613-001 on Position Limits and Exercise Limits ("Directive No. 613-001"); and
- (b) the Directive No. 711-001 on the List of Specified Exchanges ("Directive No. 711-001").

1.4 The Rule Amendments and new directives are further explained below in paragraphs 2 to 3.

2. RULE AMENDMENTS

2.1 The rules in relation to Contracts, Position Limits and other limits, and Specified Exchanges have been reorganized, streamlined and simplified, where possible. The salient amendments to the Rules of Bursa Derivatives are set out below.

Amendments relating to Contracts

2.2 The rules relating to Contracts have been reorganized in the following manner:

- (a) all general requirements relating to Contracts have been consolidated and stated in a single chapter. The amendments are found in Rules 800 to 1900 (deleted) and Rule 2000 (new); and
- (b) the detailed Contract Specifications for the Contracts have been grouped in 4 main schedules, namely schedules relating to agriculture Contracts, interest rate Contracts, equity Contracts and metal Contracts. The amendments are found in Schedules 5 to 8, 11 to 13A, 17 to 21 and 23 (deleted) and Schedules 24 to 27 (new).

Amendments relating to Position Limits

- 2.3 While the general provision on the power of the Exchange to impose Position Limits and the limits on the number of Options that can be exercised by a person (“Exercise Limits”) remains unchanged, the detailed provisions relating to Position and Exercise Limits for Participants and Market Makers (including provisions on exemptions) have been removed from the Rules of Bursa Derivatives and set out separately in a directive. The amendments are found in Schedule 3 (deleted) and Directive No. 613-001 (new).

Amendments relating to Specified Exchanges

- 2.4 The list of Specified Exchanges and approved classes of contracts in which a Participant can trade have been removed from the Rules of Bursa Derivatives and set out separately in a directive. The amendments are found in Appendix C (deleted) and Directive No. 711-001 (new).
- 2.5 A table that maps the locations of the rules prior to the Rule Amendments to the new locations in the reorganized rules is set out in **Annexure 1** for ease of reference.
- 2.6 The detailed amendments to the Rules of Bursa Derivatives are set out in **Annexure 2**. These amendments have been approved by the Securities Commission.

3. NEW DIRECTIVES

- 3.1 Following the removal of detailed provisions relating to Position and Exercise Limits and the list of Specified Exchanges from the Rules of Bursa Derivatives as explained above at paragraphs 2.3 and 2.4, directives have been issued as set out below.

Directive relating to Position Limits

- 3.2 Directive No. 613-001 has been issued pursuant to Rule 613.1 of the Rules of Bursa Derivatives to set out the detailed provisions on Position Limits and Exercise Limits and other requirements relating to the limits (eg. exemptions).

Directive relating to Specified Exchanges

- 3.3 Directive No. 711-001 has been issued pursuant to Rule 711.1(a)(ii) of the Rules of Bursa Derivatives to set out the list of Specified Exchanges. It has also been clarified in the directive that except for contracts prohibited by the Malaysian regulatory authorities, all contracts of a Specified Exchange in

Appendix 1 of the directive are of an approved class of Contracts as defined in Section 105(3)(b) of the Capital Markets and Services Act 2007.

- 3.2 Directives Nos. 613-001 and 711-001 are attached here respectively as **Annexures 3 and 4**.

4. TRADING MANUAL AMENDMENTS

The Trading Manual has also been amended consequential to the Rule Amendments. Kindly refer to the updated version of the Trading Manual attached to Trading Participant Circular No. 9/2014 for the relevant changes.

5. EFFECTIVE DATE

- 5.1 The Rule Amendments and the new Directives set out above in paragraphs 2 to 3 take effect on **16 June 2014 (“Effective Date”)**.
- 5.2 All rules, directives or circulars in force which make references to or contain provisions relating to the above matters shall have effect from the Effective Date as if such reference or provisions relate to the amended provisions aforesaid.

6. CONTACT PERSONS

In the event of any queries in relation to the above matter, kindly contact the following persons:

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