

**BURSA MALAYSIA SECURITIES CLEARING SDN BHD**

Date : 15 April 2019

No: ISSBNT 1/2019

- 1) **AMENDMENTS TO THE RULES OF BURSA MALAYSIA SECURITIES CLEARING SDN BHD (“BURSA CLEARING (S) RULES”)**
- 2) **AMENDMENTS TO THE ISLAMIC SECURITIES SELLING AND BUYING NEGOTIATED TRANSACTION (ISSBNT) OPERATIONAL GUIDELINES FOR APPROVED SUPPLIERS & APPROVED USERS**

**IN RELATION TO MIGRATION TO A T+2 SETTLEMENT CYCLE**

**INTRODUCTION**

In conjunction with the migration from a T+3 settlement cycle to a T+2 settlement cycle, ISSBNT Participants are advised of the amendments to the Bursa Clearing (S) Rules and the ISSBNT Operational Guidelines captioned above which are issued by Bursa Malaysia Securities Clearing Sdn Bhd (“Bursa Clearing (S)”), which shall take effect on 29 April 2019. The details of the amendments are as set out below.

**1. AMENDMENTS TO THE BURSA CLEARING (S) RULES**

Pursuant to section 9 of the Capital Markets and Services Act 2007, the Bursa Clearing (S) Rules have been amended to facilitate the T+2 settlement cycle.

The migration to T+2 settlement cycle was made after extensive review and discussion including with the industry whereby on 3 December 2018, Bursa Malaysia had published a consultation paper to the public seeking feedback on the migration to a T+2 settlement cycle and proposed amendments to the Bursa Clearing (S) Rules and the Rules of Bursa Malaysia Securities Berhad.

Following from the feedback received, Bursa Clearing (S) has amended the Bursa Clearing (S) Rules, the key amendments of which are detailed below as well as issued a conclusion paper setting out a summary of the respondents’ key feedback and Bursa Malaysia’s responses and conclusions on the same, which is available on Bursa Malaysia’s website at:

<http://www.bursamalaysia.com/market/regulation/rules/public-consultation/>.

The key amendments are as follows:

- (a) the buying-in without notice for failed trades for board lots will only be conducted on T+2 only, instead of the current 6 days period from T+3 to T+8;
- (b) removing the existing provision relating to the buying-in on the second and succeeding days following trade and the relevant daily increase in the bidding price consequential to the shortening buying-in without notice period;
- (c) reflecting the changes in financial settlement timing on T+2 as follows:

(i)	1st batch run on T+2	<ul style="list-style-type: none"> <li>• Net Buy Clearing Participant to Bursa Clearing (S)</li> <li>• Bursa Clearing (S) to Net Sell Clearing Participant</li> </ul>	10.00 am
(ii)	2nd batch run on T+2	<ul style="list-style-type: none"> <li>• Net Buy Clearing Participant to Bursa Clearing (S)</li> <li>• Bursa Clearing (S) to Net Sell Clearing Participant</li> </ul>	2.00 pm

- (d) removing references to Immediate Basis Contract as it is no longer relevant under the T+2 settlement cycle framework.

The amendments to the Bursa Clearing (S) Rules have been approved by the Securities Commission Malaysia. The detailed amendments to the Bursa Clearing (S) Rules are set out in Annexure 1 and are also available on Bursa Malaysia's website at: <http://www.bursamalaysia.com>.

## 2. AMENDMENTS TO ISSBNT OPERATIONAL GUIDELINES FOR APPROVED SUPPLIERS AND APPROVED USERS

Section 5 on "ISSBNT Extinguishment" of the ISSBNT Operational Guidelines For Approved Suppliers and Approved Users has been revised as set out in Annexure 2.

## 3. CONTACT PERSON

In the event of any queries in relation to this circular, please contact the following persons:

Name	Contact Details
On the Rules:	
Niven Nambiar Madavan	<a href="mailto:niven@bursamalaysia.com">niven@bursamalaysia.com</a> 03-2034 7317
On SBLNT Operational Guidelines:	
Kunalan Sivapragasam	<a href="mailto:kunalan@bursamalaysia.com">kunalan@bursamalaysia.com</a> 03-2034 7255
Noor Eryanti Othman	<a href="mailto:nooreryantiothman@bursamalaysia.com">nooreryantiothman@bursamalaysia.com</a> 03-2034 7723

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### Securities Clearing and Settlement

**ANNEXURE 1**

**RULES OF BURSA MALAYSIA SECURITIES CLEARING SDN BHD  
("BURSA CLEARING (S) RULES")**

## RULES OF BURSA MALAYSIA SECURITIES CLEARING (“BMSC”)

## RULE AMENDMENTS IN RELATION TO THE T+2 SETTLEMENT CYCLE

RULE	EXISTING PROVISION	RULE	AMENDED PROVISION
Interpretation	<p>“Immediate Basis Contract”</p> <p>A contract where the date and time for delivery and settlement for the buying and selling of Securities traded on the stock market of the Exchange are as stipulated in Schedules 2 and 3 of the Exchange Rules.</p>	Interpretation	<p>“Immediate Basis Contract”</p> <p><del>[Deleted]</del></p>
5.2A(a)	<p>Where a selling Trading Clearing Participant (“selling TCP”), having sold Securities in board lots, fails to deliver the Securities by having the quantity of Securities sold as Tradeable Balance in the relevant securities account by the due settlement day, the Clearing House will instruct the Exchange to automatically buy-in against such selling TCP without notice, on the following day:</p> <p>(i) in respect of Ready Basis Contracts, on the third Market Day following the Contract Date; and</p> <p>(ii) in respect of Immediate Basis Contracts, on the second Market Day following the Contract Date.</p>	5.2A(a)	<p>Where a selling Trading Clearing Participant (“selling TCP”) <del>in respect of a Ready Basis Contract</del>, having sold Securities in board lots, fails to deliver the Securities by having the quantity of Securities sold as Tradeable Balance in the relevant securities account by the due settlement day, the Clearing House will instruct the Exchange to automatically buy-in against such selling TCP without notice, <del>on the following day:</del></p> <p><del>(i) in respect of Ready Basis Contracts, on the third</del><u>second</u> Market Day following the Contract Date; <del>and</del></p> <p><del>(ii) in respect of Immediate Basis Contracts, on the second Market Day following the Contract Date.</del></p>
5.2A(d)	<p>The Clearing House will instruct the Exchange to conduct the buying-in in accordance with such terms and conditions as may be specified by the Clearing House which include the following:</p> <p>(i) unless otherwise stated, the bidding price for buying-in of any Securities by the Exchange shall be ten (10) Ticks above the following prices, rounded up, where necessary, to the higher Tick:</p>	5.2A(d)	<p>No change</p> <p>(i) No change</p>

RULE	EXISTING PROVISION	RULE	AMENDED PROVISION
	<p>(aa) the Closing Price on the previous Market Day; or</p> <p>(bb) the Last Done Price for the previous trading session, of such Securities, whichever is the higher;</p>		
	<p>(ii) the bidding price for buying-in by the Exchange of any Securities officially quoted as "cum entitlement" shall be ten (10) Ticks above the last "cum entitlement" price or the Last Done Price, whichever is the higher, depending on the type of corporate action, from the date the Securities were quoted "ex entitlement" up to the close of business on the lodgement date;</p>		<p>(ii) No change</p>
	<p>(iii) if the Securities are not obtained on the first Market Day, the Exchange will continue the buying-in on the second and each succeeding Market Day and the bidding price shall be raised by at least five (5) Ticks every Market Day until the Securities are bought;</p>		<p>(iii) <del>[Deleted]</del></p>
	<p>(iv) the Clearing House may, if it deems necessary, suspend the daily increase in the bidding price or revise the bid so that the bidding price shall be not more than twenty-five percent (25%) above the Last Done Price or the last buying price bid of the previous Market Day, whichever is the higher;</p>		<p>(iv) <del>[Deleted]</del></p>
	<p>(v) a trading halt or suspension from trading on a counter imposed pursuant to the Exchange Rules or the Listing Requirements shall not affect the buying-in of the affected Securities;</p>		<p>(v) No change</p>
	<p>(vi) such other requirement as specified in the Exchange Rules or as the Clearing House may specify.</p>		<p>(vi) No change</p>

RULE	EXISTING PROVISION	RULE	AMENDED PROVISION
5.3(h)	<p>The scheduled financial settlement time referred to in this Rule 5.3 is:</p> <p>(i) For Ready Basis Contracts:</p> <p>(aa) in respect of payment by the net buying Clearing Participant to the Clearing House, not later than 10.00 a.m. on the third Market Day following the Contract Date; and</p> <p>(bb) in respect of payment by the Clearing House to the net selling Clearing Participant, not later than 10.00 a.m. on the third Market Day following the Contract Date.</p> <p>(ii) For Immediate Basis Contracts:</p> <p>(aa) in respect of payment by the net buying Clearing Participant to the Clearing House, not later than 10.00 a.m. on the second Market Day following the Contract Date; and</p> <p>(bb) in respect of payment by the Clearing House to the net selling Clearing Participant, not later than 10.00 a.m. on the second Market Day following the Contract Date.</p> <p>(iii) For buying-in contracts executed pursuant to Rule 5.2A(a):</p>	5.3(h)	<p>The scheduled financial settlement time referred to in this Rule 5.3 is:</p> <p>(i) For Ready Basis Contracts:</p> <p>(aa) <u>in relation to the first batch settlement-run as prescribed by the Clearing House,</u> in respect of payment by the net buying Clearing Participant to the Clearing House <u>or payment by the Clearing House to the net selling Clearing Participant,</u> not later than 10.00 a.m. on the <del>third</del>-second Market Day following the Contract Date; and</p> <p>(bb) <u>in relation to the second batch settlement-run as prescribed by the Clearing House,</u> in respect of payment by the <u>net buying Clearing Participant to the Clearing House or payment by the</u> Clearing House to the net selling Clearing Participant, not later than <del>10.00</del> a.m. on the <del>third</del>-second Market Day following the Contract Date.</p> <p>(ii) <del>[Deleted]</del></p> <p>(iii) No change</p>

RULE	EXISTING PROVISION	RULE	AMENDED PROVISION
	<p>(aa) in respect of payment by the defaulting Clearing Participant to the Clearing House, not later than 10.00 a.m. on the next Market Day following the date of the buying-in contract; and</p> <p>(bb) in respect of payment by the Clearing House to the selling Clearing Participant, not later than 10.00 a.m. on the next Market Day following the date of the buying-in contract.</p>		

[End of Rule Amendments]

**ANNEXURE 2**

**ISLAMIC SECURITIES SELLING AND BUYING NEGOTIATED TRANSACTION (ISSBNT)  
OPERATIONAL GUIDELINES FOR APPROVED SUPPLIERS AND APPROVED USERS**



SECURITIES CLEARING & SETTLEMENT

**ISLAMIC SECURITIES SELLING AND BUYING  
NEGOTIATED TRANSACTION  
("ISSBNT")**

**OPERATIONAL GUIDELINES  
FOR  
APPROVED SUPPLIERS &  
APPROVED USERS**

(BMSC/CD/ISSBNT/004)  
29 April 2019

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**SCS ISSBNT OPERATIONAL GUIDELINES FOR APPROVED SUPPLIERS & APPROVED USERS**

Section: 5. ISSBNT EXTINGUISHMENT

**5.1 Execution of Leg 2**

- 5.1.1 The Approved Supplier and Approved User will have to agree on a date for Leg 2 of ISSBNT to take place.
- 5.1.2 Where the ISSBNT Securities are bought to facilitate the settlement of Potential Trade Failure (PTF), such ISSBNT Securities must be returned in full no later than 6 market days after the date of the execution of the potential failed trade (i.e. T+6).
- 5.1.3 Approved Supplier and Approved User must do the following:
  - a. Approved User to instruct its User Representative to Initiate the Leg 2; and
  - b. Approved Supplier to instruct its Supplier Representative to Accept the Leg 2.
- 5.1.4 Once both instructions are matched and confirmed by BMSC’s ISSBNT System, securities transfer will be immediate from the Approved User’s CDS account to Approved Supplier’s CDS account.

*Note:*

*It is advisable (if item 5.2 does not apply) for an Approved Supplier to confirm the delivery of the recalled/Leg 2 securities from Approved User, prior to selling the securities. If the Approved User purchases the securities from the market to fulfil the recall, there will be a mismatch in the settlement timing.*

*The Approved Supplier will have to deliver the securities for the sale made by T+1 4:30pm but the delivery of securities from Approved User will only take effect on T+2. In this situation the Approved Supplier will be subject to the Buying-in rules and the relevant penalty applies.*

*The following table gives an illustration of this mismatch in timings:*

	<b>T</b>	<b>T+1</b>	<b>T+2</b>
<b>Approved Supplier</b>	① Sells ISSBNT Securities	<i>Need to deliver ISSBNT securities for settlement (cut off by 4.30pm)</i>	⑦ Receive Recalled ISSBNT Securities after the settlement delivery deadline
	② Recalls Transaction		
<b>Approved User</b>	③ Receive Recall Notice	⑤ Received securities during settlement (after midnight)	⑥ Executes Leg 2 of the ISSBNT Securities to Approved Supplier
	④ Purchase Securities to execute Leg 2		

*Please refer to **Appendix 6** which illustrates the ISSBNT Extinguishment/Leg 2 process.*

**5.2 Withholding From Buying-in**

5.2.1 This facility is provided to an Approved Supplier to facilitate the withholding of their sell trade from buying-in due to the mismatch in settlement time when the transaction is sold and recalled on the same day. The manner in which the Approved Supplier (seller) is required to notify BMSC of the relevant details in connection with the sale and the recalled securities is through the Supplier Representative initiating the withholding from buying-in process and confirming the same.

*Note: The mismatch of timing is illustrated in Section 5.1*

5.2.2 In order to withhold from buying-in, an Approved Supplier will have to furnish their respective Supplier Representative with the following details:

- ISSBNT ID from where a recall has been made against the Approved User;
- Contact Date of the sell trade;
- Selling CDS account number from where the sell trade was transacted; and
- Quantity requested to withhold from buying-in.

5.2.3 The withholding from buying-in facility will only be effective for one (1) business day only (T+2).

*Note: A buying-in will be instituted against the Approved Supplier if the outstanding sell trade is not delivered within the Scheduled Delivery Time as set out under Exchange Rules. Please refer to the table below for an illustration of the allowable withholding from buying-in timing.*

*The following table gives an illustration of the process of withholding from buying-in timing:*

	T	T+1	T+2	T+3
<b>Approved Supplier (AS)</b>	<p>① Sells ISSBNT Securities</p> <hr/> <p>② Recalls Transaction</p>	<p>③ Supplier Representative to Initiate and Confirm the Withholding From Buying-in request  (8:30 am to 5:00pm)</p>	<p>④ Withholding from buying-in effected</p>	<p>⑤ Approved Supplier will be subjected to buying-in if ISSBNT recalled securities is unsuccessfully delivered</p>

