

CHAPTER 5

CLEARING AND SETTLEMENT

GENERAL SECTION

5.1 CLEARING AND SETTLEMENT OF ON-MARKET TRANSACTION AND DIRECT BUSINESS CONTRACTS

- (a) Clearing Participants must clear and settle all On-Market Transactions and Direct Business Contracts through the Clearing House in accordance with these Rules.
- (b) [Deleted]
- (c) Delivery and settlement of On-Market Transactions and Direct Business Contracts shall be effected pursuant to these Rules, the Exchange Rules and the Depository Rules.

5.1A NOVATION OF ON-MARKET TRANSACTIONS

- (a) Immediately after acceptance of an On-Market transaction for clearing and settlement by the Clearing House, the On-Market Transaction is novated to the Clearing House and replaced with two Novated Contracts.
- (b) Upon novation of the On-Market Transaction to the Clearing House:
 - (i) the obligation of the buying Trading Clearing Participant to pay the purchase consideration to the selling Trading Clearing Participant is replaced by the obligation of the buying Trading Clearing Participant to pay the purchase consideration to the Clearing House;
 - (ii) the right of the buying Trading Clearing Participant to receive the Securities from the selling Trading Clearing Participant is replaced by the right of the buying Trading Clearing Participant to receive the Securities from the Clearing House via Book-entry;
 - (iii) the obligation of the selling Trading Clearing Participant to deliver the Securities to the buying Trading Clearing Participant is replaced by the obligation of the selling Trading Clearing Participant to deliver the Securities to the Clearing House via Book-entry; and
 - (iv) the right of the selling Trading Clearing Participant to receive the purchase consideration from the buying Trading Clearing Participant is replaced by the right of the selling Trading Clearing Participant to receive the purchase consideration from the Clearing House.
- (c) The obligation and rights under Novated Contracts:
 - (i) between the buying Trading Clearing Participant and the Clearing House; and
 - (ii) between the selling Trading Clearing Participant and the Clearing House,

are owed by and to parties as principals to each other notwithstanding that the buying and selling Trading Clearing Participants may have acted as agents for their respective clients in executing or clearing and settling the relevant On-Market Transaction.

- (d) Subject as otherwise provided in these Rules, the terms of the Novated Contracts shall be on the same terms as the relevant On-Market Transaction replaced by such Novated Contracts.

5.1B DELIVERY OF SECURITIES UNDER A NOVATED CONTRACT

- (a) The selling Clearing Participant must ensure that the Securities sold pursuant to a Novated Contract are available as Tradeable Balance in the relevant securities account of the selling Clearing Participant or its client by the time specified in the Exchange Rules. In order to fulfil its obligation to deliver the Securities to the Clearing House, the selling Clearing Participant irrevocably authorises the Clearing House to instruct the Central Depository to debit the Securities from the relevant securities account of the selling Clearing Participant or its client.
- (b) The Clearing House's right to receive Securities on any due settlement day from a selling Clearing Participant pursuant to a Novated Contract is satisfied by the debiting of such Securities from the relevant securities account of the selling Clearing Participant or its client before 10.00am on the due settlement day by the Central Depository, upon the instructions of the Clearing House.
- (c) The buying Clearing Participant irrevocably authorises the Clearing House to deliver the Securities purchased pursuant to a Novated Contract, by instructing the Central Depository to credit the Securities into the relevant securities account of the buying Clearing Participant or its client.
- (d) The Clearing House's obligation to deliver Securities to a buying Clearing Participant pursuant to a Novated Contract on any due settlement day is discharged by the crediting of such Securities to the relevant securities account of the buying Clearing Participant or its client by 10.00am on the due settlement day.

5.2 DEFAULT OR POTENTIAL DEFAULT IN DELIVERY

- (a) Subject to these Rules, where a Trading Clearing Participant, in respect of a Novated Contract, fails to deliver Securities to the Clearing House by the due settlement day and in the manner as prescribed under these Rules, the Clearing House may:
 - (i) in the case of Securities sold in board lots (as defined in the Exchange Rules) ("Board Lot Securities"), institute buying-in against the Trading Clearing Participant concerned in accordance with Rule 5.2A; or
 - (ii) resort to any other mode of making good the default in delivery by the Trading Clearing Participants pursuant to the relevant Exchange Rules or in any other manner as it considers appropriate in the circumstances.
- (b) Subject to these Rules, the Clearing House may take the action specified in Rule 5.2D in the event of a potential default in delivery of Securities in the circumstances as set out in Rule 5.2D.

5.2A BUYING-IN

- (a) Where a selling Trading Clearing Participant ("selling TCP") in respect of a Ready Basis Contract, 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 second Market Day following the Contract Date.
- (b) No withdrawal of buying-in will be permitted unless the Clearing House determines otherwise in accordance with these Rules.
- (c) The Clearing House may initiate a withdrawal from buying-in in any circumstance the Clearing House deems fit and in such a case, the Clearing House will instruct the Exchange to withdraw the buying-in.
- (d) 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:
 - (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:
 - (aa) the Closing Price on the previous Market Day; or
 - (bb) the Last Done Price for the previous trading session,of such Securities, whichever is the higher;
 - (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;
 - (iii) [Deleted];
 - (iv) [Deleted];
 - (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;
 - (vi) such other requirement as specified in the Exchange Rules or as the Clearing House may specify.
- (e) Delivery on buying-in will be effected by way of Book-entry on the date of the buying-in contract itself.

5.2B DEFAULT IN DELIVERY OF SECURITIES SOLD IN BOARD LOTS

- (a) Where the Clearing House has advised the Exchange to institute a buying-in against a Trading Clearing Participant, the Clearing House may advise the Exchange to withdraw the buying-in if:
 - (i) the Securities are not bought-in in accordance with these Rules and the Exchange Rules within such period as may be stipulated by the Clearing House; or
 - (ii) in such other circumstances as the Clearing House deems fit.

- (b) A contract for Board Lot Securities to which the withdrawal of the buying-in referred to in Rule 5.2B(a) relates shall then be settled by the selling Trading Clearing Participant paying in cash and the buying Trading Clearing Participant receiving a Cash Settlement Amount stipulated by the Clearing House in lieu of delivery of the Board Lot Securities.
- (c) If the buying Trading Clearing Participant onward sells any part of the Board Lot Securities and is unable to deliver the Securities sold, the buying Trading Clearing Participant may be required to pay such Cash Settlement Amount as the Clearing House may stipulate for the total number of Securities sold.
- (d) The ultimate buying Trading Clearing Participant of the Board Lot Securities referred to in Rule 5.2B(c) shall receive a Cash Settlement Amount in lieu of delivery of the Securities. For the purpose of this Rule, the “ultimate buying Trading Clearing Participant” means the last buying Trading Clearing Participant who has yet to receive the Board Lot Securities and who has not onward sold any part of the Board Lot Securities.

5.2C DEFAULT IN DELIVERY OF SECURITIES SOLD IN ODD LOTS

Where a Trading Clearing Participant, having sold Securities in odd lot (as defined in the Exchange Rules) (“Odd Lot Securities”) in respect of a Novated Contract, fails to deliver the Odd Lot Securities to the Clearing House by the due settlement day and in the manner as prescribed under these Rules, the said contract for Odd Lot Securities shall be settled by the selling Trading Clearing Participant paying in cash and the buying Trading Clearing Participant receiving a Cash Settlement Amount stipulated by the Clearing House in lieu of delivery of the Odd Lot Securities.

5.2D POTENTIAL DEFAULT IN DELIVERY OF SECURITIES

Notwithstanding anything in these Rules, the Clearing House may settle such contracts in Securities as may be prescribed by the Clearing House (“Relevant Contract”) by requiring the selling Trading Clearing Participant to pay in cash and the buying Trading Clearing Participant to receive a Cash Settlement Amount stipulated by the Clearing House in lieu of delivery of Securities if:

- (a) the Trading Clearing Participant, having entered into the Relevant Contract, makes a request to the Clearing House in such manner as may be prescribed by the Clearing House, for such Contract to be settled in the manner specified above; and
- (b) the Clearing House is satisfied that the Trading Clearing Participant would be unable to deliver the Securities for the Relevant Contract by the due settlement day or in the manner as prescribed under these Rules.

5.2E CASH SETTLEMENT AMOUNT

The Cash Settlement Amount may include such fee or charge as the Clearing House thinks fit, and calculated and paid in the manner the Clearing House specifies from time to time in the Clearing House’s directives.

5.3 FINANCIAL SETTLEMENT BETWEEN CLEARING PARTICIPANT AND THE CLEARING HOUSE

- (a)
 - (i) Financial settlement of Securities shall be on a “net basis”, and in the currency as determined by the Clearing House from time to time.
 - (ii) For the purposes of Rule 5.3(a)(i) “net basis” means a process whereby monetary obligations of Clearing Participants are pooled and off-set with each other, resulting in one final position for each Clearing Participant.
- (b) Each Clearing Participant shall have such designated account with such designated clearing bank for the purpose of the financial settlement services as determined by the Clearing House from time to time.
- (c) Financial settlement of amounts due from a Clearing Participant to the Clearing House under Rule 5.3(f) shall be paid by the Clearing Participant to the Clearing House not later than the Scheduled Financial Settlement Time. The payment will be irrevocable upon the crediting of the Clearing House’s bank account.
- (d)
 - (i) Remittances and deposits paid by Clearing Participants to the Clearing House shall be in immediately available funds.
 - (ii) For the purposes of Rule 5.3(d)(i), the expression “in immediately available funds” includes payments by way of fund transfers to an account from time to time specified by the Clearing House or any other instrument which can be cleared within the same day and the Clearing House is able to obtain value on the same day.
- (e) All the following amounts in connection with the financial settlement of Securities shall, on every Market Day, be netted in accordance with Rule 5.3(a)(i):
 - (i) amount payable by a Clearing Participant to the Clearing House; and
 - (ii) amount receivable by a Clearing Participant from the Clearing House.
- (f) By the Scheduled Financial Settlement Time, the Clearing House shall inform every Clearing Participant of the net amount payable by the Clearing House to the Clearing Participant or the net amount receivable by the Clearing House from the Clearing Participant, being the difference between:
 - (i) the amount due to the Clearing Participant in respect of Securities delivered by the Clearing Participant to the Clearing House; and
 - (ii) the amount due from the Clearing Participant in respect of Securities received by the Clearing Participant from the Clearing House.
- (g) Financial settlement of amounts due from the Clearing House to the Clearing Participant pursuant to Rule 5.3(f) shall be effected by the Clearing House by the Scheduled Financial Settlement Time by way of remittances of funds through banks to the clearing bank accounts of the respective Clearing Participants. The payment will be irrevocable upon the crediting of the Clearing Participant’s clearing bank accounts,
- (h) The scheduled financial settlement time referred to in this Rule 5.3 is:
 - (i) For Ready Basis Contracts:
 - (aa) in relation to the first batch settlement-run as prescribed by the Clearing House, in respect of payment by the net buying Clearing Participant to the Clearing House or 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; and

- (bb) in relation to the second batch settlement-run as prescribed by the Clearing House, in respect of payment by the net buying Clearing Participant to the Clearing House or payment by the Clearing House to the net selling Clearing Participant, not later than 2.00 p.m. on the second Market Day following the Contract Date.
- (ii) [Deleted]
- (iii) For buying-in contracts executed pursuant to Rule 5.2A(a):
 - (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
 - (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.

5.4 DEFAULT IN FINANCIAL SETTLEMENT

Default in financial settlement by the Trading Clearing Participant shall be subjected to the Default Rules under Chapter 4.

5.5 CLAIMS ON ENTITLEMENTS AND RIGHTS

- (a) The following claims in relation to a Novated Contract may be prescribed by the Clearing House from time to time:
 - (i) Claims on dividends, bonus issue, rights issue and other entitlements arising from failure to deliver Securities; or
 - (ii) Claims on rights arising from failure to deliver such rights as referred to in the Exchange Rules.
- (b) The claiming Trading Clearing Participant must submit the claims to the Clearing House in the manner prescribed under the Operational Procedures.

5.6 SECURITIES NOT GOOD FOR DELIVERY

- (a) Securities not good for delivery occurs when a transfer of ownership could not subsequently be registered by the registrar of the Company whose Securities are quoted on the official list of the Exchange.
- (b) The Clearing House may at its entire discretion prescribe directives on all matters relating to Securities not good for delivery.

5.7 RESERVATION OF TITLE

- (a) Until such time as the Clearing House is satisfied that it has received payment in full with respect to any Securities delivered by the Clearing House in settlement of a Novated Contract to, or in accordance with the instructions of, the relevant Trading Clearing Participant under the Novated Contract on any due settlement day, unless

otherwise specifically agreed in writing by the Clearing House, title and property in such Securities shall not pass on delivery to the Clearing Participant or to any recipient thereof in accordance with the Clearing Participant's instructions.

- (b) For the avoidance of doubt, title and property in any Securities which have been delivered in settlement of the Novated Contract and which have not been paid for by the Trading Clearing Participant due to receive the same, shall only pass when the Trading Clearing Participant or the recipient thereof on the Trading Clearing Participant's instructions, is expressly permitted by the Clearing House to utilise them, but at any time before then, the Clearing House shall be free to use or apply such Securities to limit its liability, resulting from such Trading Clearing Participant's failure to make payment to the Clearing House, in such manner as the Clearing House considers appropriate. In the event that the Trading Clearing Participant purports to transfer such Securities from its securities account at the Central Depository prior to good payment to the Clearing House, no title shall pass to the recipient of such Securities following the transfer

5.8 DIRECT BUSINESS CONTRACTS

- (a) All Direct Business Contracts shall be governed by Rule 5.8(a).
- (i) The clearing and settlement of Direct Business Contracts shall be effected through the Clearing House in accordance with these Rules and the Operational Procedures and will require input by the Trading Clearing Participant in respect of such contracts into the Direct Business Comparison System.
- (ii) The input by the Trading Clearing Participant will be subject to matching in accordance with the procedural requirements of the Direct Business Comparison System and when matched, the relevant Direct Business Contracts will, unless rejected by the Clearing House, be accepted for clearing and settlement.
- (iii) Upon acceptance for clearing and settlement, the Clearing House shall direct the Central Depository to deposit the Securities into the Clearing House Direct Business Account pursuant to Rule 5.8(b) or Section A of Chapter 5.
- (iv) In consideration of the role and obligation of the Clearing House under these Rules, the provision of Rule 1.4 (b) in respect of clearing fees shall be applicable.
- (v) For purposes of Rule 5.8(a), the following expressions shall have the meaning set out opposite to them respectively:

“Direct Business Comparison System”	a comparison system to facilitate Clearing Participants to clear and settle Securities in respect of Direct Business Contracts.
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“Clearing House Direct Business Account”	an account to facilitate the placement of Securities pending payment.
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- (b) Except in relation to Direct Business Contracts cleared and settled through ISS under Section A of Chapter 5, clearing and settlement of all Direct Business Contracts shall be additionally governed by Rule 5.8(b) as follows:-

- (i) Upon receipt of the Securities (“Delivered Securities”) and payment for the said Securities, the Clearing House shall instruct the Central Depository to credit the said Securities into the securities account of the buying Trading Clearing Participant or the buying Trading Clearing Participant’s client and pay the proceeds for the Delivered Securities to the selling Trading Clearing Participant.
 - (ii) In the event the selling Trading Clearing Participant makes partial delivery of the Securities under a Direct Business Contract to the Clearing House and provided that the buying Trading Clearing Participant makes payment on a pro-rated basis for the Delivered Securities in the manner prescribed under the Operational Procedures, the Clearing House shall instruct the Central Depository to credit the Delivered Securities into the securities account of the buying Trading Clearing Participant or the buying Trading Clearing Participant’s client and pay the proceeds received from the buying Trading Clearing Participant to the selling Trading Clearing Participant.
 - (iii) Without prejudice to the rights and liabilities as between the Clearing Participants concerned and also the right of the Exchange to take action under the Exchange Rules, the Direct Business Contract or the portion of the Direct Business Contract that remains unsettled shall not be subject to automatic buy-in but shall be withdrawn from clearing and settlement by the Clearing House in accordance with the Rules and Operational Procedures.
 - (iv) In the event of a failure by the buying Trading Clearing Participant to settle the full amount for the Delivered Securities —
 - (aa) the Clearing House shall return all the Delivered Securities in the manner prescribed under the Operational Procedures to the selling Trading Clearing Participant’s securities account; and
 - (bb) the Direct Business Contract shall be withdrawn from clearing and settlement by the Clearing House in accordance with the Rules and Operational Procedures.
 - (v) The Clearing House shall not be responsible for any failure by the Trading Clearing Participant to settle any part of Direct Business Contracts to which the Trading Clearing Participant is a party.
 - (vi) The Clearing House may in consultation with the Commission apply any other mode or requirements, not specifically mentioned herein, in respect of the clearing and settlement of Direct Business Contracts, as the Clearing House deems appropriate in the respective circumstances.
- (c) [Deleted]

5.9 MARGIN

- (a) The Clearing House may determine a Trading Clearing Participant’s Margin using a risk based algorithm or such other method as may be determined by the Clearing House.
- (b) A Trading Clearing Participant must provide the required amount of acceptable Collateral in accordance with the directions of the Clearing House to meet its Margin including any additional Margin required by the Clearing House.
- (c) The Clearing House may at any time require additional Margin to be satisfied by a Trading Clearing Participant immediately or within a specified time, if in the opinion of

the Clearing House, the additional Margin is necessary or desirable as additional security against the non-performance of obligations by such Trading Clearing Participant under these Rules having regard to the changes in market price, price volatility or trading activity.

- (d) A Trading Clearing Participant's Margin is additional to and independent of any other sums payable to the Clearing House by the Trading Clearing Participant and for the avoidance of any doubt, may be utilised by the Clearing House in such manner as may be specified in these Rules.
- (e) The Clearing House may, at any time and in its absolute discretion, cease to require all or any of the Trading Clearing Participants to provide Margin.

5.10 COLLATERAL - GENERAL

- (a) The Clearing House may from time to time prescribe the form of monies and assets acceptable by the Clearing House as Collateral.
- (b) A Trading Clearing Participant must provide to the Clearing House the Collateral in such manner and on such conditions as may be prescribed by the Clearing House.
- (c) The Clearing House may invest, manage and use such Collateral including excess Collateral in such manner as the Clearing House deems expedient.
- (d) A Trading Clearing Participant must not provide to the Clearing House, monies and assets of the Trading Clearing Participant's client for the purpose of meeting the Trading Clearing Participant's Margin.
- (e) The Clearing House has no obligation or responsibility to preserve, protect, collect or realise a Trading Clearing Participant's Collateral, and under no circumstance will the Clearing House be liable for any loss or diminution in value or depreciation in or in connection with the Collateral maintained pursuant to these Rules.
- (f) The Clearing House may deposit any Collateral accepted by the Clearing House with the appropriate custodian(s) designated by the Clearing House for safekeeping.
- (g) A Trading Clearing Participant who maintains Collateral with the Clearing House must indemnify and hold the Clearing House harmless from any loss, damage, costs, charges and expenses of whatsoever nature and howsoever arising ("Loss") suffered or incurred by the Clearing House to any designated custodian which may result from or arise with respect to:
 - (i) any act, delay or omission in connection with the Collateral (whether by such Trading Clearing Participant or the Clearing House) deposited with such designated custodian; or
 - (ii) any contract or agreement between the Clearing House and any designated custodian, or any representation, warranty or undertaking given by the Clearing House to any designated custodian, in relation to or otherwise in connection with Collateral deposited with such designated custodian,

provided that this indemnity does not cover any Loss or liability of the Clearing House attributable or referable to the Clearing House or any person acting for the Clearing House acting otherwise than in good faith in the performance or purported performance of the Clearing House's or such person's duty.

5.11 COLLATERAL - INTEREST AND FEES

- (a) Interest or other sums accruing to cash Collateral will be appropriated by the Clearing House to the Trading Clearing Participant's Collateral as may be determined by the Clearing House.
- (b) A Trading Clearing Participant must pay to the Clearing House such administrative fees and charges as may be prescribed by the Clearing House in connection with the Collateral accepted by the Clearing House.
- (c) The Clearing House may deduct the administrative fees and charges from the interest on the Collateral payable by the Clearing House to the Trading Clearing Participant pursuant to this Rule.

5.12 COLLATERAL – EXCESS COLLATERAL

A Trading Clearing Participant has the option to provide the Clearing House Collateral in excess of the Trading Clearing Participant's Margin and the Clearing House may use such excess to meet future Margin required from the Trading Clearing Participant.

5.13 COLLATERAL - VALUATION

- (a) The Clearing House will at its sole discretion determine the value to be attributed to the Collateral provided to the Clearing House.
- (b) Without limiting the generality of Rule 5.13(a), the Clearing House may give zero value to any Collateral provided by a Trading Clearing Participant for the purposes of satisfying its obligations under these Rules if such Collateral is found in any way to be unacceptable by the Clearing House.

5.14 COLLATERAL - MEMORANDUM OF DEPOSIT

- (a) A Trading Clearing Participant must within the time specified by the Clearing House, execute and deliver a memorandum of deposit in the form and on terms prescribed by the Clearing House, setting out the terms under which the Collateral in the form of Securities is provided to, and held by the Clearing House.
- (b) The Trading Clearing Participant must comply with the terms of the memorandum of deposit and any breach of such memorandum of deposit will constitute a breach of this Rule.

5.15 COLLATERAL - RETURN OF COLLATERAL

- (a) The Clearing House may return the Collateral or any part of it to the Trading Clearing Participant upon the Trading Clearing Participant's application if the obligations under these Rules for which such Collateral have been provided for have been met or where the Trading Clearing Participant provides alternative Collateral.
- (b) The Clearing House may at any time return the Collateral or any part of it to the Trading Clearing Participant as the Clearing House deems appropriate including in the event the Clearing House determines under Rule 5.9(e) to cease to require a Trading Clearing Participant to provide Margin.

5.16 GENERAL LIEN AND RIGHT OF SET-OFF

- (a) Without prejudice and in addition to any other right or remedy which the Clearing House may have under these Rules, contract, law or equity, the Clearing House shall have a lien on the following:
- (i) all Collateral provided to the Clearing House;
 - (ii) all Securities which constitute the property or assets of such Trading Clearing Participant (notwithstanding that the Clearing House may not have physical possession of such Securities); and
 - (iii) any other monies and assets of the Trading Clearing Participant which may be or become available to the Clearing House.
- (b) Without prejudice to the generality of Rule 5.16(a) and notwithstanding anything in these Rules, in addition to any other right or remedy which the Clearing House may have under these Rules, contract, law or equity, the Clearing House may at any time consolidate any or all amounts payable to or receivable from a Trading Clearing Participant, and set-off or transfer or apply any property of the Trading Clearing Participant which is subject to lien towards satisfaction of any liabilities of the Trading Clearing Participant to the Clearing House, whether or not:
- (i) such property of the Trading Clearing Participant and liabilities are denominated in the same currency; and
 - (ii) such liabilities are due, owing or incurred, or joint or several.

SCHEDULE 5-1

**TICK SIZE IN RELATION TO BUYING-IN
[Definition of “Tick” and Rule 5.2A(d)]**

(i) Tick Sizes for Securities Quoted in RM

Price of Securities <u>(RM)</u>	Tick Size <u>(Sen)</u>
Less than 1.00	0.5
Between 1.00 to 2.99	1
Between 3.00 to 4.99	2
Between 5.00 to 9.99	5
Between 10.00 to 24.99	10
Between 25.00 to 99.99	25
100.00 and above	50

(ii) Tick Sizes for Securities Quoted in USD, EUR, AUD and SGD

Price of Securities <u>(Dollar)</u>	Tick Size <u>(Cent)</u>
Less than 1.00	0.5
Between 1.00 to 2.99	1
Between 3.00 to 4.99	2
Between 5.00 to 9.99	5
Between 10.00 to 24.99	10
Between 25.00 to 99.99	25
100.00 and above	50

(iii) Tick Sizes for Securities Quoted in GBP

Price of Securities <u>(Pound)</u>	Tick Size <u>(Pence)</u>
Less than 1.00	0.5
Between 1.00 to 2.99	1
Between 3.00 to 4.99	2
Between 5.00 to 9.99	5
Between 10.00 to 24.99	10
Between 25.00 to 99.99	25
100.00 and above	50

CHAPTER 5

SECTION A

INSTITUTIONAL SETTLEMENT SERVICE/ISS

A5.1 CONDITION PRECEDENT FOR USE OF ISS

Use of the ISS is conditional upon the Clearing Participants agreeing in writing, in the prescribed form, to be bound by and observe the Rules, Operational Procedures, directives and other regulations of the Clearing House for the time being in force, any decision or directives of the Clearing House and the obligations imposed on the Clearing Participant upon admission, the continuing obligations, including without limitation, to uphold the highest standards of competence and integrity, as the case may be.

For avoidance of doubt, this Chapter shall apply to all ISS Transaction resulting either from Novated Contract or Direct Business Contract.

A5.2 ELIGIBLE TRANSACTIONS

- (a) The Clearing House shall only accept an ISS Transaction for clearing and settlement under the ISS, if such transaction is in respect of Securities that are listed on the Exchange and deposited with the Central Depository.
- (b) The Clearing House shall only accept an ISS Instruction and ISS Confirmation and/or ISS Affirmation in relation to an ISS Transaction for clearing and settlement under the ISS if:
 - (i) such ISS Transaction results directly from or in a Market Contract; and
 - (ii) such ISS Transaction relates to the same Securities of the relevant Market Contract and the quantity of the ISS Transaction shall:
 - (aa) for a Novated Contract, not exceed the quantity of such contract; or
 - (bb) for a Direct Business Contract, not exceed the quantity of such contract; and
 - (iii) the ISS Transaction, is to be settled on the same due settlement day as the Market Contract to which it relates.

A5.3 CLEARANCE OF BUY AND SELL TRANSACTIONS

- (a) The clearance of any ISS Transaction to be settled under the ISS shall only be effected if the transacting Trading Clearing Participant and the other relevant parties to the ISS Transaction input an ISS Instruction, ISS Confirmation or ISS Affirmation, as the case may be, containing the Relevant Details as specified by the Clearing House in accordance with the Operational Procedures
- (b) Input of an ISS Instruction and corresponding ISS Confirmation or ISS Affirmation, as the case may be, by the relevant parties to an ISS Transaction, or any other

instruction(s) relating to an ISS Transaction shall be in accordance with the Operational Procedures.

- (c) An ISS Transaction shall be subject to matching in accordance with the procedures laid down by the Clearing House based on the input of the ISS Instruction and the corresponding ISS Confirmation and/or ISS Affirmation, as the case may be.
 - (ca) At any time prior to matching of the Relevant Details, the relevant Clearing Participant may delete or 'revert' an ISS Instruction, ISS Confirmation or ISS Affirmation, as the case may be, in the manner as prescribed in the Operational Procedures.
 - (cb) At any time after matching of the Relevant Details but prior to settlement of the said ISS Transaction under the ISS, the said ISS Transaction may be cancelled by the relevant Clearing Participants in the manner as prescribed in the Operational Procedures.
 - (cc) Upon matching of the Relevant Details, the said ISS Transaction shall, unless rejected by the Clearing House or where the said ISS Transaction is cancelled by the relevant Clearing Participants in the manner as prescribed in the Operational Procedures, be subject to settlement under the ISS in accordance with the Rules and Operational Procedures.
- (d) Any ISS Transaction, which remains unmatched by such time as specified in the Operational Procedures shall be automatically withdrawn from the system by the Clearing House and shall not be cleared and settled under the ISS.
- (e) For the avoidance of doubt, the Clearing House shall accept responsibility for the clearance and settlement of an ISS Transaction for Novated Contracts subject to the following:
 - (i) Where the ISS Transaction results from a Sell Transaction, the Clearing House shall accept the responsibility for settlement of the ISS Transaction, if the Clearing Participant, who is due to deliver, delivers the relevant quantity of Securities to the designated securities account on the due settlement day, as prescribed by the Clearing House. Where any partial delivery is effected, the Clearing House' responsibility for settlement shall only relate to such partial delivery of Securities made by the Clearing Participant.
 - (ii) Where the ISS Transaction results from a Buy Transaction, the Clearing House shall accept responsibility for settlement of the ISS Transaction if the Securities have been delivered to the designated securities account of the Clearing Participant, who is due to receive, on the due settlement day. Where only partial delivery is effected to the recipient Clearing Participant, the recipient Clearing Participant concerned shall effect money payment to the Clearing House on the due settlement day on a pro-rated basis. The Clearing House' responsibility to effect settlement, where partial delivery is effected, shall relate only to such partial delivery of Securities to the relevant Clearing Participant.
 - (iii) The Clearing House shall not accept responsibility in any way for any failure or partial failure of a Clearing Participant to settle an ISS Transaction relating to a Buy Transaction, if such failure or a partial failure results from the failure or partial failure of a Novated Contract or the failure of the recipient Clearing Participant to effect payment for Securities delivered to it on the due settlement day.
 - (iv) [Deleted]

- (f) For the avoidance of doubt, the clearance and settlement of an ISS Transaction which results from a Direct Business Contract shall be subject to the following:
- (i) Where the ISS Transaction results from a Sell Transaction, the Clearing House shall proceed with settlement of the ISS Transaction in accordance with Rule 5.8 if the Clearing Participant who is due to deliver Securities, delivers the relevant quantity of the Securities to the designated securities account in the manner prescribed under the Operational Procedures on the due settlement day. Where partial delivery is effected, the Clearing House shall proceed with the settlement only in relation to the partial delivery of Securities.
 - (ii) Where the ISS Transaction results from a Buy Transaction, the Clearing House shall proceed with settlement of the ISS Transaction in accordance with Rule 5.8 in relation to the Delivered Securities. Where only partial delivery is effected, the Clearing Participant who is due to receive the Delivered Securities may effect money payment to the Clearing House on a pro-rated basis in accordance with the Operational Procedures on the due settlement day. Where full payment is made for the Delivered Securities, the Clearing House shall proceed with settlement of the ISS Transaction in accordance with Rule 5.8. In the event of failure to settle the full amount due for the Delivered Securities, Rule 5.8(b)(iii) shall apply.
 - (iii) The Clearing House shall not be responsible in any way for any failure or partial failure of a Clearing Participant to settle an ISS Transaction due to the failure of the Clearing Participant to make delivery or effect the necessary payment, as the case may be.
 - (iv) [Deleted]

A5.4 INSTRUCTIONS BY THE CLEARING PARTICIPANT

- (a) All ISS Instruction, ISS Confirmation and Affirmation and other communications by Clearing Participant utilising the ISS shall be given in such manner and form as may be prescribed by the Clearing House from time to time.
- (b) The Clearing House shall be entitled to accept and rely on any ISS Instruction, ISS Confirmation and ISS Affirmation and other communication from a Clearing Participant given or purported to be given to the Clearing House by or on behalf of a Clearing Participant with respect to the ISS, whether or not in strict compliance with the prescribed manner or form or any applicable limitation of authority, which is understood or believed by the Clearing House, in good faith, to have been given to the Clearing House by or on behalf of such a Clearing Participant.
- (c) The Clearing House shall have no obligations to act on any ISS Instruction, ISS Confirmation or ISS Affirmation or other communication given or purported to be given by or on behalf of a Clearing Participant, if:
 - (i) such ISS Instruction, ISS Confirmation or ISS Affirmation and other communication does not, in the determination of the Clearing House, contain sufficient details for the Clearing House to act upon it; or
 - (ii) such ISS instruction, ISS Confirmation or ISS Affirmation and other communication is illegal by reason of any law of Malaysia or under any directive issued by or under the authority of the Government of Malaysia.
- (d) Notwithstanding anything to the contrary contained in the Rules, the Clearing House shall not be bound to effect any settlement of any ISS Transaction, or take any other action under the ISS upon any ISS Instruction, ISS Confirmation, ISS Affirmation or

other communication of a Clearing Participant, if such ISS Instruction, ISS Confirmation or ISS Affirmation and other communication would violate any applicable law, decree, court order, regulation or order of any government or other competent authority, or if the Clearing House determines, in its absolute discretion, that it would not be in the interest of the Clearing House or the Clearing Participants to do so.

A5.5 CLEARING PARTICIPANT TO ACT AS PRINCIPAL

- (a) In so far as the rights and liabilities between the Clearing House and each Clearing Participant are concerned, a Clearing Participant using any of the services provided by the Clearing House including without limitation the ISS, shall be treated as acting as principal and not as agent, trustee or other capacity for a third party and shall be liable to the Clearing House as such.
- (b) In rendering its services, the Clearing House shall be under no obligation to recognise any rights or interest which any person or Client may have, except that of a Clearing Participant, in relation to all matters relating to any of the services or facilities provided by the Clearing House (including without limitation the ISS) and the operations thereof by the Clearing House.

A5.6 ISS TRANSACTION SETTLEMENT PROCESS

- (a) The Clearing House shall provide settlement services to Clearing Participants in relation to ISS Transactions accepted by the Clearing House for settlement through the ISS.
- (b) Settlement of ISS Transactions under the ISS by the Clearing House, shall be effected on per transaction basis, between the Clearing Participants inputting the ISS Instruction, ISS Confirmation or ISS Affirmation as the case may be.
- (c) The right to receive and the obligation to deliver Securities arising out of any ISS Transaction accepted for settlement through the ISS shall be settled by Book-entry credit and debit made to the designated securities accounts of the relevant Clearing Participants by the Central Depository in accordance to instructions submitted by the Clearing House to the Central Depository.

A5.7 SEQUENCE OF SETTLEMENT/DELIVERIES

- (a) The sequence of settlement of ISS Transactions in the same Securities on the due settlement day shall be in accordance with the Operational Procedures.
- (b) The Clearing House shall, in relation to the settlement of ISS Transactions relating to the same Clearing Participant, give priority first to the settlement of obligations to deliver Securities (Sell Transaction) and thereafter the right to receive Securities (Buy Transaction), unless otherwise specified by the Clearing House.
- (c) A Clearing Participant, with obligation to deliver Securities (Sell Transaction) in settlement of ISS Transaction, shall be required to have the required quantity of Securities in its designated securities accounts by such day as specified in the Operational Procedures, unless otherwise specified by the Clearing House.
- (d) A Clearing Participant shall not be permitted to rely on the receipt of Securities where it is due to receive Securities in settlement of an ISS Transaction (Buy Transaction) on the same settlement day to effect delivery of Securities where it has an obligation

to deliver Securities in settlement with respect to another ISS Transaction (Sell Transaction), unless otherwise permitted by the Clearing House.

A5.8 UNSETTLED ISS TRANSACTION

- (a) Without prejudice to the rights and liabilities as between the Clearing Participants concerned, any ISS Transaction resulting from Novated Contract, accepted for settlement by the Clearing House under ISS which remains unsettled or is partially settled on the due settlement day may be subject to automatic buy-in by the Clearing House in accordance with the Rules.
- (b) Without prejudice to the rights and liabilities as between the Clearing Participants concerned and also the right of the Exchange to take action under the Exchange Rules, the ISS Transaction resulting from a Direct Business Contract or portion of the ISS Transaction resulting from a Direct Business Contract that remains unsettled shall not be subject to automatic buy-in but shall be withdrawn from clearing and settlement by the Clearing House in accordance with the Rules and Operational Procedures.

A5.9 FUND SETTLEMENT FOR ISS TRANSACTION

- (a) An ISS Transaction shall be settled on the due settlement day, on a delivery versus payment basis.
- (b) To effect settlement of an ISS Transaction, where the Clearing House is due to make payment to a Clearing Participant, the Clearing House shall issue instructions to the designated settlement banks to effect payment to the respective Clearing Participant. Payments between the Clearing House and Clearing Participants with respect to the settlement of ISS Transactions shall be effected in such manner as detailed in the Operational Procedures.
- (c) With respect to ISS Transaction (Buy Transaction) which is accepted for settlement under the ISS, the Clearing House shall not effect payment to the relevant Clearing Participant, who is due to receive payment from the Clearing House until the relevant counterparty Clearing Participant who is due to make payment to the Clearing House with respect to such ISS Transaction effects good payment to the Clearing House. If such Clearing Participant fails to make payment to the Clearing House such ISS Transaction shall be designated an unsettled ISS Transaction and the Clearing House shall have no obligation to make payment to the relevant counterparty Clearing Participant who is due to receive payment from the Clearing House with respect to such ISS Transaction.
- (d) Unless otherwise specified by the Clearing House, the money payment obligations of any Clearing Participant with respect to its ISS Transactions which have settled may be netted by the Clearing House, and payment of such net payment amount by or to the Clearing House by a Clearing Participant shall be effected in accordance with Rule A5.9(b).

A5.10 [Deleted]

A5.11 LIABILITY FOR MARKET CONTRACTS

- (a) Without prejudice to any rights and liabilities that the Clearing Participant may have against each other, a Clearing Participant who is a party to the ISS Transaction but not a party to the Novated Contract shall be under no liability for any failure of a

Trading Clearing Participant to settle a Novated Contract that results from a Buy Transaction or Sell Transaction, as the case may be.

- (b) The Trading Clearing Participant who is a party to the Novated Contract which fails to settle due to its inability to deliver Securities or funds, as the case may be, in settlement thereof shall be liable to the Clearing House with respect thereto.
- (c) In the case of Direct Business Contracts, failure of delivery of securities or financial settlement or both is a matter to be settled between the parties concerned and the Clearing House shall not in any way be held responsible.

A5.12 ALTERNATIVE CLEARING AND SETTLEMENT ARRANGEMENTS

Notwithstanding any other provisions in this Chapter, the Clearing House may in consultation with the Commission apply any alternative mode or requirements not specifically mentioned herein for the clearing and settlement of Direct Business Contract under ISS, as deemed appropriate in the circumstances.