

CHAPTER 6

TRADING RULES

PART A AUTOMATED TRADING SYSTEM

**6.01 General**

- (1) All trading by Participants in Contracts which are traded on the Market must be effected through the ATS in the manner prescribed in these Rules, Directives or the Trading Procedures.
- (2) A Participant's connection to the ATS for the purpose of trading Contracts on the Market must be through an access point approved by the Exchange.
- (3) A Participant must, at all times, take all security measures to prevent unauthorised access to the ATS.
- (4) A Trading Participant must not, without the prior approval of the Exchange:
  - (a) establish or permit the establishment of any form of electronic system capable of routing orders directly from its Clients into the ATS; or
  - (b) connect to:
    - (i) the ATS or any part of the ATS, directly or indirectly any device, equipment or facilities for any purpose; or
    - (ii) any device, equipment or facilities which have not been approved by the Exchange to be connected to the ATS or any part of the ATS, any additional device, equipment or facilities.
- (5) All Records maintained by the Exchange in relation to any trade or any matter entered or reflected in the ATS will prevail as evidence of the truth of the matter over all other Records maintained by the Participant.
- (6) The Exchange may at any time issue Trading Procedures. All Participants must comply with the Trading Procedures.

**6.02 Acting as principal**

- (1) A Participant is deemed to act as principal for all orders and trades entered and executed in the ATS even if the orders or trades were entered for the accounts of their Clients, and the Exchange will not recognise the interest of any third party.
- (2) Nothing in Rule 6.02(1) affects the right of a Client to take any action or commence any proceedings against a Trading Participant.

**6.03 Systems Malfunction or Error**

- (1) A Participant and Registered Representative must not take advantage of a situation which arises as a result of a breakdown, malfunction or error in the ATS (committed by the Exchange or by other Participants) or in any other system, service or facility of the Exchange ("**Systems Malfunction or Error**").
- (2) A Participant who encounters a Systems Malfunction or Error must immediately notify the Exchange.

- (3) A Participant must take all necessary and appropriate actions to mitigate any potential losses arising from the Systems Malfunction or Error immediately after the Participant becomes aware or should have known that there is a Systems Malfunction or Error.
- (4) The Exchange may provide prior notification that there is a Systems Malfunction or Error and direction to the Participants of any action to be taken by the Participants arising from the Systems Malfunction or Error.

*[Refer to Directive No. 6.03-001]*

#### **6.04 Reporting of trade dispute**

A Participant must immediately report to the Exchange all trade disputes in respect of any trades in Contracts involving RM1,000,000 or more (whether the amount is a single or an aggregated amount). Such report must contain details of the trade dispute, the amount in question and the parties involved in the dispute.

#### **6.05 Novation of contract**

- (1) When an order is executed in accordance with this Chapter 6, a contract (“original contract”) will come into existence and the parties will be bound as principals.
- (2) If the buyer under an original contract is not the Clearing Participant who will be clearing the contract and the seller under that original contract is the Clearing Participant who will be clearing the contract:
  - (a) a new contract (“new contract”) will come into existence between the Clearing Participant who is clearing for the executing Participant as the buyer and the other Clearing Participant as the seller upon terms identical to those of the original contract; and
  - (b) the original contract will be extinguished.
- (3) If the seller under an original contract is not the Clearing Participant who will be clearing the contract and the buyer under that original contract is a Clearing Participant who will be clearing the contract:
  - (a) a new contract (“new contract”) will come into existence between the Clearing Participant who is clearing for the executing Participant as the seller and the other Clearing Participant as the buyer upon terms identical to those of the original contract; and
  - (b) the original contract will be extinguished.
- (4) If the buyer under an original contract is not the Clearing Participant who will be clearing the contract (“non-clearing buyer”) and the seller under that original contract is also not the Clearing Participant who will be clearing the contract (“non-clearing seller”):
  - (a) a new contract (“new contract”) will come into existence between the Clearing Participant who is clearing for the non-clearing buyer as the buyer and the Clearing Participant who is clearing for the non-clearing seller as the seller upon terms identical to those of the original contract; and
  - (b) the original contract will be extinguished.

**6.06 Registration of contract with the Clearing House**

The original contract or new contract (as the case may be) must be presented to the Clearing House for registration in accordance with the Clearing House Rules, by way of an electronic data transmission or any other mode determined by the Exchange.

**6.07 Automatic transfer of Client contract**

If existing Contracts are transferred to another Trading Participant in accordance with these Rules, then any related Client contract must automatically be transferred to the same Trading Participant and the transferor Trading Participant must pay to the transferee Trading Participant any margin or cover held in respect of that Client contract. All closing transactions must be made through the same Trading Participant with whom the opening position is held. All Exercise Notices must be lodged with the same Trading Participant with whom the opening position is held.

**6.08 Trading Days, Trading Sessions and Trading Hours**

- (1) Trading in Contracts must be carried out in trading sessions, trading hours and trading phases as prescribed by the Exchange in the Trading Procedures.
- (2) The Exchange may decide to open for trading in Contracts on a Surprise Holiday.
- (3) If the Exchange is open for trading in Contracts on a Surprise Holiday, a Participant, its Registered Persons and any other person to whom these Rules and the Directives are directed must comply with and give effect to these Rules and the Directives on such day.

**6.09 Information on the Market States**

The Exchange may specify in the Trading Procedures when orders in respect of a Contract may be entered, modified and cancelled ("the Market States"). Participants must give effect to the Market States.

**6.10 Orders**

- (1) All orders entered into the ATS must contain such particulars or information as may be prescribed by the Exchange.
- (2) All order sizes of Contracts entered into the ATS must be as prescribed by the Exchange.
- (3) A Participant may modify or cancel any order entered into the ATS prior to the matching of the order, subject always to the right of the Exchange not to allow for such modification or cancellation in circumstances it deems fit. The Exchange may, in circumstances prescribed in these Rules, Directives or the Trading Procedures, cancel any order entered notwithstanding that the order has been matched or executed.
- (4) A Participant must not simultaneously enter orders to buy and sell a same Contract, at the same price, for and on behalf of the same Client.
- (5) Unless determined otherwise by the Exchange, a Participant must not enter into the ATS orders, pursuant to a pre-arrangement where the orders of a particular buyer are to be matched with the orders of a particular seller when entered into the ATS, whether the buyer or the seller is the Participant itself or a Client of the Participant.
- (6) The price of orders entered into the ATS must be based on the Tick size or multiples of the Tick size as specified in the Contract specifications in the Schedules to these Rules.

- (7) A Participant and Registered Person must enter orders into the ATS correctly and accurately, particularly in relation to the price and volume of the orders.
- (8) The Exchange may prescribe in the Trading Procedures the types of orders that may be entered by Participants into the ATS.

#### **6.11 Validity Condition and Execution Condition**

The Exchange may prescribe in the Trading Procedures the duration for which any orders entered into the system remain valid (“validity condition”) and the conditions for execution of any orders entered into the ATS (“execution condition”). The Participant must specify the validity condition and the execution condition when entering any order into the ATS.

#### **6.12 Strategy**

- (1) A strategy is a combination of a number of buy and/or sell orders of similar or different Contracts created within the framework of a single order.
- (2) The Exchange may prescribe in the Trading Procedures the criteria for defining a strategy, including but not limited to, the description of the type of strategy and the minimum and maximum number of the buy and/or sell orders of Contracts allowed to be combined within the framework of a single order, for the respective types of strategy.
- (3) Upon execution of a strategy, each of the buy and/or sell executed orders comprising the strategy and not the strategy itself must be registered with the Clearing House in accordance with the Clearing House Rules.

#### **6.13 Messages**

The Exchange may prescribe in the Trading Procedures, limits to the amount of Messages a Participant is able to submit into the ATS for the purposes of maintaining an orderly and fair Market.

#### **6.14 Order Matching**

- (1) All orders entered into the ATS and matched in accordance with the provisions stipulated in this Chapter 6 are deemed executed except in the following circumstances:
  - (a) Where the matching of the orders results in a breach of the price limits referred to in Rule 6.17; and
  - (b) in any other circumstances prescribed by the Exchange in any Directives.
- (2) The Exchange may prescribe in the Trading Procedures the matching algorithm based on which orders will be matched.

#### **6.15 Inviolability of Contracts**

Without prejudice to the powers of the Exchange under Rule 6.10(3) and Rules 6.17 to 6.22, all orders entered and executed through the ATS may not be cancelled and are binding on Participants.

**6.16 Trade Confirmation**

*[Deleted]*

**6.17 Price Limits**

- (1) The Exchange may stipulate in these Rules, Directives or the Trading Procedures the maximum price (“upper limit”) and the minimum price (“lower limit”) at which an order in respect of a Contract may be entered.
- (2) An order for a Contract must not be entered above the upper limit or below the lower limit.
- (3) Where a matching of an order in the ATS results in a breach of the upper limit or lower limit, the Exchange will cancel the trade.
- (4) The Exchange may change the upper limit and the lower limit of a Contract.

**6.18 Cancellation of a Trade or Price Adjustment**

- (1) The Exchange may adjust trade prices or cancel trades where it believes such action is necessary in the interest of an orderly and fair Market.
- (2) Notwithstanding any other provisions of this Rule, the Exchange may review a trade executed on the Market on its own or upon the request of a Trading Participant.
- (3) A request for a review of a trade by a Trading Participant must be made within the time prescribed by the Exchange.
- (4) For the avoidance of doubt, any request for review of a trade must be made by a Trading Participant even if the order for the trade were entered by a Direct Market Access Client or a Participant who is not a Trading Participant.
- (5) The Exchange will notify the Market of any trade that is under review.
- (6) If the price of the trade under review is determined to be within the Non-Reviewable Range, the trade will stand.
- (7) If the price of the trade under review is determined to be outside the Non-Reviewable Range, the price of the trade may either be adjusted in accordance with the formula set out in the Trading Procedures or cancelled as the Exchange sees fit.
- (8) Before the Exchange cancels a trade or adjusts the price of the trade pursuant to Rule 6.18(7), the Trading Participants to the trade may, with the approval of the Exchange, mutually agree to adjust the price of the trade or cancel the trade.
- (9) The cancellation or price adjustment of a trade resulting from a mistake by a Participant does not preclude the Exchange from taking action against the Participant and/or Registered Persons for the breach of Rule 6.10(7).

**6.19 Error Maker Liability**

- (1) A Trading Participant whose order was responsible for a trade adjustment or cancellation under Rule 6.18 (“the Error Maker”) is liable for claims of actual losses incurred by other Trading Participants whose trade prices were adjusted or cancelled as a result of the above order. However, a Trading Participant who makes a claim is not entitled to compensation for losses incurred as a result of any failure to take reasonable actions to mitigate the loss. The procedure for making a claim against the Error Maker is set out in the Trading Procedures.

- (2) To the extent that liability is denied by the Error Maker, the Trading Participant making the claim may settle the dispute in accordance with Part F of Chapter 4.
- (3) For the avoidance of doubt:
  - (a) a Trading Participant may not make any claim in relation to the cancellation or price adjustment of a trade under Part F of Chapter 4 unless the Trading Participant had submitted a claim under Rule 6.19(1) and the said claim had been denied in part or in totality by the Error Maker; and
  - (b) any claim in relation to the cancellation or price adjustment of a trade must be made by or through a Trading Participant notwithstanding that the order may have been entered by a Direct Market Access Client or a Participant who is not a Trading Participant.

#### **6.20 Cancellation of a Traded Price**

The Exchange may upon notification to the Commission, in the circumstances prescribed in the Rules, Directives or Trading Procedures, cancel a traded price, which has the effect of cancelling all trades at that price in the specified time interval.

#### **6.21 Force Majeure**

- (1) If delivery or acceptance of an Instrument underlying a Contract, or any precondition or requirement for such delivery or acceptance, is prevented by strike, fire, accident, act of governmental authority or agency (locally or abroad), act of God, or other emergency, the seller or buyer or the Participant acting on their behalf, must immediately notify the Exchange.
- (2) On receipt of such notification, the Exchange may take any steps or actions as may be necessary.

#### **6.22 Suspension of Trading in a Contract**

- (1) Trading of any Contract on the Market will be halted or suspended whenever the Exchange deems such action appropriate in the interests of maintaining an orderly and fair Market. Among the factors that may be considered by the Exchange are that:
  - (a) trading in the Instrument underlying the Contract has been halted or suspended in the Underlying Market;
  - (b) the opening of trading in the Instrument in the Underlying Market has been delayed because of unusual circumstances; or
  - (c) the Exchange has been advised that the issuer of the underlying Instrument is about to make an important announcement affecting such issuer.
- (2) Trading in any Contract that has been the subject of a suspension under Rule 6.22(1)(a) may be resumed upon the Exchange's determination that the conditions which led to the suspension are no longer present, or that the interests of maintaining an orderly and fair Market are best served by a resumption of trading.

#### **6.23 Performance Rendered Impossible**

If the Clearing House in consultation with the Exchange determines that the performance under a Contract or delivery of Instruments has become impossible through the suspension of trading

in the Instrument on the Underlying Market or for any reason that may be deemed appropriate by the Clearing House in consultation with the Exchange, the Contract may be cash settled according to a settlement price which will be determined according to the procedures agreed upon by both the Exchange and the Clearing House.

**6.24 Duty to Report Unusual Activities**

Where, in the opinion of a Participant, there is unusual activity, transaction, or price change or there are other unusual market conditions or circumstances which are, with respect to any Contract, detrimental to the maintenance of an orderly and fair Market, the Participant must promptly make a report to the Exchange.

**6.25 Trading on other Exchanges**

(1) A Participant must not trade in Contracts on another exchange, whether through a broker or participant of that other exchange, or otherwise, unless:

- (a) the other exchange has been approved to operate a derivatives market in accordance with the Capital Markets and Services Act (“Other Exchange”);
- (b) the other exchange has been prescribed as a Specified Exchange by the Exchange in relation to any or all of the approved classes of standardized derivatives as defined in Section 105(3)(b) of the Capital Markets and Services Act; or

*[Refer to Directive No. 6.25(1)-001]*

(c) the Participant is a participant of the Other Exchange and/or Specified Exchange, and a prior notification in writing has been given to the Exchange.

(2) A Trading Participant must comply with the terms and/or conditions as may be prescribed by the Exchange when trading in Contracts on the Other Exchange or Specified Exchange.

(3) Rules 6.25(1) and (2) do not apply to a Remote Trading Participant.

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**PART B DIRECT MARKET ACCESS**

**6.26 Definition**

For the purpose of this Part B of Chapter 6, “DMA Order” means a Direct Market Access order.

**6.27 General**

(1) A Trading Participant may provide Direct Market Access if:

- (a) the Direct Market Access complies with the requirements prescribed by the Exchange; and

*[Refer to Best Practice No. 6-001]*

- (b) the Direct Market Access is only provided to persons who comply with the requirements stated in Rule 6.29.

(2) For the avoidance of doubt, in addition to the provisions in this Part B of Chapter 6, all other provisions in the Rules, Directives and the Trading Procedures will also apply to Participants and Registered Persons when providing Direct Market Access.

**6.28 Automated Risk Filters**

A Trading Participant must have appropriate automated risk filters or have made the necessary arrangements for appropriate automated risk filters to check or screen a DMA Order before the DMA Order is executed in the ATS, for the purpose of ensuring that the DMA Order does not affect the orderliness and fair functioning of the Market.

**6.29 Clients**

(1) A Trading Participant must only make Direct Market Access available to a Client and a person authorised by the Client to act on behalf of the Client, who has knowledge of:

- (a) the process of entering DMA Orders;
- (b) the requirements in these Rules, Directives and Trading Procedures in relation to trading on the Market; and
- (c) the relevant laws pertaining to trading on the Market.

(2) A Trading Participant must execute a written agreement with the Client to whom the Trading Participant intends to provide Direct Market Access which addresses:

- (a) the duties, obligations and rights of the Trading Participant and Client in relation to the Direct Market Access; and
- (b) the Client’s compliance with these Rules, Directives and Trading Procedures.

(3) A Trading Participant must ensure that before a Client is given Direct Market Access under Part B of Chapter 6, it has obtained a confirmation from the Client that the Client’s Contracts which are traded on the Market will be cleared by the Trading Participant in its capacity as a Clearing Participant, or that the Client has entered into an arrangement with another Clearing Participant for the clearing of the Client’s trades.



**6.30 DMA Orders**

- (1) A Trading Participant is deemed to be the principal in relation to all trades effected through Direct Market Access and the Exchange will not recognise the interest of any third party.
- (2) All DMA Orders are deemed as orders submitted for execution in the ATS by a Registered Representative on behalf of a Client.

**6.31 Action by the Exchange**

- (1) The Exchange may take any of the actions enumerated in Rule 6.31(2) summarily against any Trading Participants or Registered Persons if:
  - (a) there is a breach or likelihood of a breach of any provision in Part B of Chapter 6; or
  - (b) the Direct Market Access may lead or is likely to lead to the commission of any offence under the Capital Markets and Services Act.
- (2) Pursuant to Rule 6.31(1), the following actions may be taken by the Exchange summarily against any Trading Participants or Registered Persons:
  - (a) directing a Trading Participant to suspend or cease Direct Market Access provided to its Clients and the persons authorised by the Clients;
  - (b) imposing restrictions or conditions on the Direct Market Access provided by a Trading Participant to any or all of its Clients and the persons authorised by the Clients.

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**PART C EXCHANGE FOR RELATED POSITIONS**

**6.32 Definition**

- (1) An exchange for related position (“EFRP”) is an off-market transaction and consists of 2 separate but related transactions made between 2 parties in which:
  - (a) one party is a seller of a Contract and the buyer of a related position; and
  - (b) the other party is a buyer of the Contract and the seller of the same related position.
- (2) The purchase and sale of the Contract must be simultaneous with the sale and purchase of the related position.
- (3) The related position must involve the Instrument underlying the Contract, or such other asset, commodity or instrument that has a reasonable degree of price correlation to the Instrument underlying the Contract as may be prescribed by the Exchange.

**6.33 Requirements**

- (1) An EFRP may be permitted by the Exchange if:
  - (a) the seller of the related position referred to in Rule 6.32(1)(b) has possession of the related position;
  - (b) the transaction is made at a price that is within the price range as may be prescribed by the Exchange or as approved by the Exchange in consultation with the Clearing House;
  - (c) the quantity covered by the related position must be the same or approximately equivalent to the quantity covered by the Contract;
  - (d) a Participant satisfies the Exchange that the transaction is bona fide; and
  - (e) the transaction is submitted by the Participant to the Exchange within the time and in accordance with the procedures as may be prescribed by the Exchange.
- (2) The Exchange may reject an EFRP which does not comply with Part C or E of Chapter 6 of these Rules, or such other provisions in the Rules, Directives or Trading Procedures, where applicable.

**6.34 Registration**

- (1) An EFRP permitted under these Rules must be presented to the Clearing House for registration in accordance with the Clearing House Rules.
- (2) The Exchange is authorised to provide any information and documents received from the Participant pursuant to Rule 6.33(1)(e) to the Clearing House, as the Clearing House may require.

**6.35 Retention of Records**

A Participant must maintain a record of the EFRP and identify and mark all orders, records and memoranda. The Participant must furnish any such records and documentation to the Exchange as the Exchange may request.

**6.36 Prohibition On Amendments Or Cancellation**

A transaction that has been registered by the Clearing House in accordance with the Clearing House Rules pursuant to Rule 6.34(1) is firm and binding on the Participant and no amendment or cancellation of the same is allowed.

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**PART D      NEGOTIATED LARGE TRADES**

**6.37      Requirements**

- (1) A Negotiated Large Trade (“NLT”) is an off-market transaction and may be permitted by the Exchange if:
  - (a) the transaction is in respect of a Contract designated by the Exchange for NLT transactions;
  - (b) the transaction is for a quantity at or exceeding the minimum volume threshold as may be prescribed by the Exchange;
  - (c) the transaction is made at a price that is within the price range as may be prescribed by the Exchange; and
  - (d) the transaction is submitted by the Trading Participant to the Exchange within the time and in accordance with the procedures as may be prescribed by the Exchange.
- (2) The Exchange may reject a NLT transaction which does not comply with Part D or E of Chapter 6 of these Rules, or such other provisions in the Rules, Directives or Trading Procedures, where applicable.

**6.38      Registration**

- (1) A NLT transaction permitted under these Rules must be presented to the Clearing House for registration in accordance with the Clearing House Rules.
- (2) The Exchange is authorised to provide any information and documents received from the Trading Participant pursuant to Rule 6.37(1)(d) to the Clearing House, as the Clearing House may require.

**6.39      Retention of Records**

A Trading Participant must maintain a record of the NLT transaction and identify and mark all orders, records and memoranda. The Trading Participant must furnish any such records and documentation to the Exchange as the Exchange may request.

**6.40      Prohibition On Amendments Or Cancellation**

A NLT transaction that has been registered by the Clearing House pursuant to Rule 6.38(1) is firm and binding on the Trading Participant and no amendment or cancellation of the same is allowed.

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**PART E OFF-MARKET TRANSACTIONS**

**6.41 Prohibition on Off-Market Transactions**

Except as provided in Rule 6.42 or otherwise prescribed by the Exchange, a contract or transaction effected by a Participant otherwise than in the normal course of trading on the Market is prohibited.

**6.42 Exceptions**

The prohibition in Rule 6.41 does not apply to the following transactions:

- (a) any EFRP made pursuant to Part C of Chapter 6; and
- (b) any NLT made pursuant to Part D of Chapter 6.

**6.43 Deemed As Principal**

- (1) A Participant is deemed as a principal to a transaction made pursuant to Part C or D of Chapter 6 and neither the Exchange nor the Clearing House is obliged to recognise the interest of any third party.
- (2) Nothing in Rule 6.43(1) affects the rights of a Client to take any action or commence any proceedings against a Participant.

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**PART F POSITION AND EXERCISE LIMITS**

**6.44 Position and exercise limits**

- (1) The Exchange may, in consultation with the Clearing House, determine the limits on the Open Positions which may be held or controlled by any Client or a Participant in any Contract ("position limits") or the number of Options that can be exercised by any Client or a Participant ("exercise limits").
- (2) A Participant must ensure that a Client or Participant complies with the position limits and exercise limits which are applicable to the Client or Participant.
- (3) The Exchange may, in consultation with the Clearing House, grant such exemption, modification or variation in relation to the position limits or exercise limits, subject to such terms and conditions prescribed by the Exchange.

*[Refer to Directive No. 6.44-001]*

**6.45 Control of another person**

For the purposes of determining whether a person is in 'control' of another person under Rule 6.44, the following apply:

- (a) a person is deemed to have control of another person:
  - (i) where the first person, or any related Corporation or Corporations, of the first person, directly or indirectly by any means whatever, holds or beneficially owns 15% or more of the issued or paid up capital or of the voting power of the other person or of a third person which has control (in terms of this definition) of that other person; or
  - (ii) where a partner or director of the first person or of any related Corporation, of the first person is also a partner or director of the other person; or
  - (iii) where by reason of any contract, agreement or arrangement of any nature, whether legally enforceable or not, the first person effectively controls the management, or 15% or more of the voting power, of the other person, or is entitled to nominate or appoint one or more directors of the other person.
- (b) notwithstanding Rule 6.45(a) above, a person will not be deemed to be in control of another person's Open Positions if both persons:
  - (i) do not have knowledge of one another's trading decisions;
  - (ii) trade pursuant to separately developed and independent trading strategies;
  - (iii) have and enforce written procedures which preclude each from having knowledge of, gaining access to, or receiving data concerning, the trades of the other. Such procedures must include document routing and other procedures or security arrangements which would maintain the independence of their activities; and
  - (iv) do not share personnel in control of the respective trading decisions.

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**6.46 Reporting**

- (1) The Exchange may establish reporting levels on the Open Positions held by any Client or a Participant and may require daily (or other periodic) reports from Trading Participants or Associate Participants on the amount of Open Positions held by any Client or any Participant. The Exchange may require reports even if the amount of Open Positions held is below the reporting levels currently prescribed by the Exchange.
- (2) A Trading Participant or Associate Participant must promptly report to the Exchange any instance in which the Trading Participant or Associate Participant has reason to believe that it has exceeded or a Client or another Participant, acting alone or in concert with others, has exceeded or is attempting to exceed any limits established pursuant to Rule 6.44.

**6.47 Prohibition to accept orders**

- (1) A Trading Participant accepting orders for opening transactions must inform Clients of the applicable position limits and exercise limits.
- (2) A Trading Participant must not accept orders from any Client if the Trading Participant has reason to believe that the Client, acting alone or in concert with others, has exceeded or is attempting to exceed the applicable position limits and exercise limits.

[End of Chapter 6]