

**CHAPTER 1**

**DEFINITIONS AND RELATED PROVISIONS**

**PART A        DEFINITIONS AND INTERPRETATION**

**Rule 1.01        Definitions**

In these Rules, except where inconsistent with the subject or context:

<b>Terms</b>	<b>Meaning</b>
<b>1+1 Broker</b>	has the same meaning as in the Commission's Licensing Handbook
<b>Adjusted Net Capital</b>	the adjusted net capital as referred to in Chapter 8
<b>American Style Option</b>	an Option that may be exercised on any Business Day prior to and including its Expiration Date
<b>Appraisal</b>	the weighing, sampling and analysis of the Instrument underlying a Contract as contemplated in the Contract Specifications
<b>Associate Participant</b>	a Corporation, which has been admitted as an Associate Participant under Rule 3.02
<b>ATS</b>	the automated and computerised trading system established by the Exchange
<b>Bank</b>	a bank licensed under the Financial Services Act 2013
<b>Books</b>	has the same meaning as in the Capital Markets and Services Act
<b>Branch Office</b>	a permanent location, identified by a Trading Participant as its branch where it carries on its business of dealing in derivatives.
<b>Bursa Securities</b>	Bursa Malaysia Securities Berhad
<b>Business Day</b>	a day on which the Exchange is open for trading in Contracts, which may include a Surprise Holiday.
<b>Call Option</b>	<p>a Contract that is entered into on the Market under which a person acquires from another person an option or right, exercisable at or before a stated time -</p> <p>(a) to buy from that other person a stated quantity of a named Instrument at a price stated in, or to be determined in accordance with, the Contract;</p> <p>(b) to assume, at a stated price and within a stated period, a Long Position in relation to a named Futures Contract; or</p>

	(c) to be paid by that other party, at the time when the option or right is exercised, an amount of money to be determined by reference to a state of affairs that relates to fluctuations in the value or price of an Instrument or other property, or in the numerical level of an index, an interest rate or other factor
<b>Capital Adequacy Ratio</b>	“Capital Adequacy Ratio” as referred to in the Rules of Bursa Securities
<b>Capital Adequacy Requirements</b>	the capital adequacy requirements as referred to in the Rules of Bursa Securities
<b>Capital Markets and Services Act</b>	the Capital Markets and Services Act 2007
<b>Capital Markets Services Licence</b>	has the same meaning as in the Capital Markets and Services Act
<b>Capital Markets Services Representative’s Licence</b>	has the same meaning as in the Capital Markets and Services Act
<b>Central Bank</b>	the Central Bank of Malaysia established under the Central Bank of Malaysia Act 2009
<b>Clearing House</b>	Bursa Malaysia Derivatives Clearing Berhad or any other clearing house the Exchange specifies for the purpose of the clearing and settlement of Contracts
<b>Clearing House Rules</b>	in relation to a Clearing House, the rules of the Clearing House and any amendment that may be made
<b>Clearing Participant</b>	a participant of the Clearing House for the clearing, settlement and exercise of Contracts
<b>Client</b>	a person for whom a trading account is proposed to be opened or has been opened by a Trading Participant under these Rules
<b>Client Account</b>	an account of a Client maintained with a Trading Participant
<b>Clients’ Segregated Account</b>	a separate account for any money, security or document of title relating to any property received from Clients or accruing to Clients, maintained in accordance with Section 118 of the Capital Markets and Services Act
<b>Close Out</b>	to discharge the obligations of a person in the Long Position or Short Position under a Contract and includes the discharge of these obligations as a result of the matching up of the Contract with a Contract of the same kind under which the person has assumed an offsetting Short Position or offsetting Long Position, as the case may be

<b>Commission</b>	the Securities Commission Malaysia established under the Securities Commission Malaysia Act 1993
<b>Commission's Licensing Handbook</b>	the licensing handbook the Commission issues pursuant to Section 377 of the Capital Markets and Services Act
<b>Companies Act</b>	the Companies Act 2016
<b>Compliance Officer</b>	a person who is appointed by a Trading Participant and is registered with the Exchange as a Compliance Officer under Part G of Chapter 3 of these Rules
<b>Contract</b>	a derivative as defined in the Capital Markets and Services Act which is traded on the Exchange or a Specified Exchange
<b>Contract Specifications</b>	the terms and conditions of a Contract prescribed by the Exchange and any amendment that may be made
<b>Corporation</b>	has the same meaning as in the Capital Markets and Services Act
<b>Crude Palm Oil</b>	crude palm oil with specifications set out in items 1.01, 1.02 and 1.05 of Schedule 1
<b>Crude Palm Kernel Oil</b>	crude palm kernel oil with specifications set out in item 1.03 of Schedule 1
<b>Daily Settlement Price</b>	the price of a Contract as may be determined by the Clearing House for the purposes of settlement to market in accordance with the Clearing House Rules
<b>Directives</b>	instructions, rulings, guidelines or Trading Procedures the Exchange issues (including any amendment made) by whatever name called for or in connection with any of the Rules including: <ul style="list-style-type: none"><li>(a) any decision, request or requirement the Exchange makes or imposes pursuant to any act or thing done under the Rules;</li><li>(b) any terms and conditions imposed pursuant to any act or thing done under the Rules; and</li><li>(c) any requirement the Exchange imposes for the proper operation and management of the Market and the Exchange's facilities</li></ul>
<b>Direct Market Access or DMA</b>	the process by which orders to buy or sell Contracts or any modifications and cancellations of the orders, are submitted for execution in the ATS by a Client, without any intervention or keying-in by a Registered Representative

<b>Discretionary Account</b>	An account for trades executed by a Trading Participant on behalf of a Client pursuant to an arrangement where the Client authorises the Trading Participant to trade on the Client's behalf on a discretionary basis
<b>Document</b>	has the same meaning as in the Capital Markets and Services Act
<b>European Style Option</b>	an Option that may be exercised only on its Expiration Date
<b>Exchange</b>	Bursa Malaysia Derivatives Berhad
<b>Exchange Holding Company</b>	Bursa Malaysia Berhad
<b>Exercise</b>	to invoke the rights granted to the buyer of an Option
<b>Exercise Notice</b>	a notification that the buyer of an Option wishes to exercise such Option
<b>Exercise Price</b>	the unit price that the buyer pays and the seller receives in the case of Call Options or the unit price the seller pays and the buyer receives in the case of Put Options, on Exercise of the relevant Option
<b>Expiration Date</b>	in respect of an Option, the day on which the Option expires and the contractual rights and obligations of buyer and seller are expressed to terminate respectively
<b>Final Closing Price</b>	in respect of a Stock Option contract, the price calculated by the Exchange on the Final Trading Day in accordance with the methodology prescribed in the Contract Specifications
<b>Final Settlement Day</b>	the Business Day by which all Open Positions are cash settled, or settled by delivery in accordance with the Clearing House Rules
<b>Final Trading Day</b>	the last Business Day designated for the trading of a Contract
<b>FOB</b>	delivery free on board in accordance with the terms prescribed by the Clearing House
<b>Futures Contract</b>	a derivative that is traded on the Exchange or a Specified Exchange which creates an obligation for physical delivery or acceptance of physical delivery of the underlying instrument of such derivative, the quantity and quality of which is determined by the Exchange or that Specified Exchange, at a fixed date in the future at a fixed price, and which may be cash settled in lieu of physical delivery

<b>Group</b>	means the Trading Participant's direct or ultimate holding Corporation or any of its related corporations
<b>Guidelines on Investment Banks</b>	the Guidelines on Investment Banks jointly issued by Central Bank and the Commission
<b>Head of Dealing</b>	a person appointed by a Trading Participant under Rule 3.30(1)
<b>Home Derivatives Exchange</b>	a derivatives exchange in a jurisdiction outside of Malaysia as prescribed in Rule 3.10(2)(c)
<b>Home Regulator</b>	a foreign authority or any other person which exercises corresponding functions as the Commission under the Securities Laws and meets the prescribed criteria in Rule 3.10(2)(a)
<b>IOSCO MMOU</b>	the International Organisation of Securities Commissions Multilateral Memorandum of Understanding
<b>Instrument</b>	<ul style="list-style-type: none"><li>(a) any securities, currencies or any underlying asset of a Contract which is capable of being transferred;</li><li>(b) any index or group indices; and</li><li>(c) in the case of an Option, includes a Futures Contract</li></ul>
<b>Investment Bank</b>	an Investment Bank as referred to under the Guidelines on Investment Banks and which is approved as a Trading Participant
<b>Kuala Lumpur Interbank Offer Rate/KLIBOR</b>	an interest rate derived from the activities of borrowing and lending Ringgit Malaysia in the professional inter-bank market
<b>Listed Corporation</b>	<i>[Deleted]</i>
<b>Local Participant</b>	a person who is admitted as a Local Participant under Rule 3.02
<b>Long Position</b>	in relation to: <ul style="list-style-type: none"><li>(a) a Futures Contract which is settled by delivery, means the position of a person who is under an obligation to accept delivery of the Instrument underlying the Futures Contract;</li><li>(b) a Futures Contract which is cash settled, means the position of a person who:<ul style="list-style-type: none"><li>(i) is under an obligation to pay the difference in the amount if the final settlement value of the Futures Contract is less than the value of the</li></ul></li></ul>

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Futures Contract at the time it was transacted; and

- (ii) has a right to receive the difference in the amount if the final settlement value of the Futures Contract is greater than the value of the Futures Contract at the time it was transacted; or

- (c) an Option means the position of the holder of the Option

**MGS**

Malaysian Government Securities, as issued by the Malaysian government

**Margin Call**

a call by a Trading Participant from its Client(s) for cash or collateral to meet the Client(s)' obligations pursuant to trading in Contracts

**Market**

the market operated by the Exchange for trading in Contracts

**Marketing Representative**

means a person who acts as an introducer, undertakes marketing of the services and provides client support services for:

- (a) a Capital Markets Services Licence holder and is registered with the said Capital Markets Services Licence holder under the Guidelines for Marketing Representative issued by the Commission; or
- (b) a Remote Trading Participant as authorised or permitted by the Home Regulator or Home Derivatives Exchange, pursuant to the relevant laws or regulatory requirements of the Remote Trading Participant's home jurisdiction.

**Messages**

entries submitted into the ATS relating to trading functions as permitted by the Exchange such as orders, amendments or cancellation of orders

**Negotiable Storage Receipt**

a document issued by the Port Installation Owner pursuant to the Contract Specifications of a Contract

**Non-Clearing Participant**

a Participant, which is not a participant of the Clearing House

**Non-Reviewable Range**

the range of prices as specified in the Trading Procedures for the purposes of Rule 6.18

**Off-Balance Sheet**

includes:

- (a) uncalled amounts on securities, options, other contingent liabilities and capital commitments (whether secured or not);

	(b) all assets pledged as security, forward purchase or sale contracts;
	(c) securities, derivatives and other commitments that contractually oblige a Trading Participant to perform certain actions that are transacted outside the ATS
<b>Open Position</b>	the position of a party under a Contract whose rights or obligations have not expired or been discharged or where the rights and/or obligations under that Contract are yet to be fulfilled
<b>Option</b>	refers to an option that is traded on the Exchange or Specified Exchange and includes a Call Option and a Put Option
<b>outsourced functions</b>	means back office, internal audit, risk management, compliance functions and any other function that may be determined by the Commission, or in the case of a Remote Trading Participant, any other function that may be determined by the Exchange
<b>Participant</b>	unless otherwise specified, a participant of the Exchange for the time being falling within any of the classes of participants set out in Rule 3.01
<b>Participating Organisation</b>	has the same meaning as is assigned to that expression in the Rules of Bursa Securities
<b>Port Tank Installations</b>	the port tank installations approved by the Exchange as points of delivery for the Instrument underlying the Contract that is Tendered in fulfilment of the Contracts
<b>Port Tank Installation Owner</b>	a Corporation in possession of a Port Tank Installation and its servants
<b>Proprietary Account</b>	a trading account opened by a Participant for the Participant's own trades.
<b>Premium</b>	an account maintained by a Trading Participant for the purpose of recording its own Contracts, assets and profits and losses resulting from those Contracts
<b>Principal Office</b>	the principal place of business approved by the Exchange under the Trading Participant's registration process in Rule 3.02
<b>Put Option</b>	a Contract that is entered into on the Market under which a person acquires from another person an option or right, exercisable at or before a stated time -  (a) to sell to another person a stated quantity of a named Instrument at a price stated in, or to be determined in accordance with, the Contract;

	(b) to assume at a stated price and within a stated period, a Short Position in relation to a named Futures Contract; or
	(c) to be paid by that other party, at the time when the option or right is exercised, an amount of money to be determined by reference to a state of affairs that relates to fluctuations in the value or price of an Instrument or other property, or in the numerical level of an index, an interest rate or other factor
<b>Record</b>	has the same meaning as in the Capital Markets and Services Act
<b>Refined, Bleached and Deodorized Palm Olein or RBD Palm Olein</b>	refined, bleached and deodorized palm olein with specifications set out in item 1.04 of Schedule 1
<b>Register</b>	The list or roll that the Exchange keeps of Participants, Registered Person(s) and such other persons determined by the Exchange
<b>Registered Person</b>	a person specified under Rule 3.20 who is registered with the Exchange
<b>Registered Representative</b>	a person who is appointed by a Trading Participant and is registered with the Exchange as a Registered Representative under Part H of Chapter 3 of the Rules
<b>Related Corporation</b>	has the same meaning as in the Companies Act
<b>Relevant Person</b>	a Participant's Registered Person, director, agent and employee
<b>Remote Trading Participant</b>	a Trading Participant which qualified for admission under Rule 3.10(2)
<b>Risk Weighted Capital Ratio</b>	has the same meaning as in the Guidelines on Investment Banks
<b>Rules</b>	the Rules of Bursa Malaysia Derivatives Berhad and any amendment that may be made
<b>Rules of Bursa Securities</b>	the Rules of Bursa Malaysia Securities Berhad, and any amendment that may be made
<b>RR Security Deposit</b>	any cash, letter of credit, securities or other form of security acceptable to the Trading Participant deposited with the Trading Participant:  (a) to secure the Registered Representative's obligations to the Trading Participant under the agreement setting out the Trading Participant's arrangement with the Registered Representative; or



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	(b) as security for the repayment of all monies that are or may be owing by the Registered Representative or the Registered Representative's Client to the Trading Participant arising from or in connection with transactions in Contracts.
<b>Scrip Covered</b>	means in respect of a Call Option for a Stock Option Contract, that the seller's obligation is secured in accordance with these Rules by shares
<b>Securities Laws</b>	as defined in the Securities Commission Malaysia Act 1993
<b>Serial Months</b>	any calendar month other than the quarterly cycle months of March, June, September and December
<b>service provider</b>	means an entity within the group or an external entity to which the Trading Participant has outsourced the outsourced functions and includes any subsequent service provider(s) to whom the initial service provider or any subsequent service provider has further contracted the outsourced functions
<b>Short Position</b>	in relation to:  (a) a Futures Contract which is settled by delivery, means the position of a person who is under an obligation to make delivery of the Instrument underlying the Futures Contract;  (b) a Futures Contract which is cash settled, means the position of a person who:  (i) is under an obligation to pay the difference in the amount if the final settlement value of the Futures Contract is greater than the value of the Futures Contract at the time it was transacted; and  (ii) has a right to receive the difference in the amount if the final settlement value of the Futures Contract is less than the value of the Futures Contract at the time it was transacted; or  (c) an Option, means the position of the writer of the Option
<b>Single Stock Futures Contract</b>	a Futures Contract where the underlying Instrument is securities traded on any Underlying Market
<b>Special Scheme Broker</b>	has the same meaning as in the Commission's Licensing Handbook

<b>Specified Exchange</b>	has the same meaning as in the Capital Markets and Services Act
<b>Stock Index Futures Contract</b>	a cash settled Contract where the underlying stock index is an Instrument or a basket of shares of an Underlying Market
<b>Stock Option Contract</b>	an Option where the underlying share is a block of shares of a company listed on an Underlying Market
<b>Surprise Holiday</b>	A day that is declared as a public holiday in the Federal Territory of Kuala Lumpur that has not been gazetted as a public holiday at the beginning of the calendar year.
<b>Tender</b>	the exchange of documents through the Clearing House in fulfilment of a Contract of future delivery of the Instrument underlying a Contract
<b>The Kuala Lumpur Wholesale Money Market</b>	a market located in Kuala Lumpur and supervised by Central Bank where institutions trade money market instruments
<b>Tick</b>	the 'minimum price fluctuation', as specified in the Contract specifications in the Schedules to these Rules
<b>Trading Participant</b>	a Corporation that carries on the business of dealing in derivatives and is admitted as a Trading Participant under Rule 3.02, and includes a Remote Trading Participant.
<b>Trading Procedures</b>	the procedures, processes and all other matters issued, in whatsoever form and manner by the Exchange, in relation to the trading of Contracts and include any amendments that may be made
<b>Underlying Market</b>	(a) in relation to a Stock Index Futures Contract, the market from which prices and other relevant information are taken for the computation of the underlying stock index; and  (b) in relation to any other Contract, the market in which the underlying Instrument is traded
<b>Universal Broker</b>	Universal Broker as defined in the Rules of Bursa Securities

## **1.02 Interpretation**

- (1) Unless the context requires otherwise, terms or expressions defined in the following Acts, when used in these Rules have the same meaning as in the following Acts:
- (a) Capital Markets and Services Act;

- (b) Securities Commission Malaysia Act 1993; or
  - (c) Companies Act.
- (1A) Unless the context requires otherwise, references in the Rules and Directives and definitions in the Acts stated in Rule 1.02(1) which refer to a Capital Markets Services License holder will apply, with the necessary modifications, to a Remote Trading Participant, even though the Remote Trading Participant is not a Capital Markets Services License holder.
- (2) Apart from the above, certain other terms and expressions have also been defined in the respective Chapters. Such definitions only apply with respect to the respective Chapters in which they are contained and the Directives issued pursuant to the Rules in the respective Chapters.
- (3) The terms and expressions defined in Rule 1.01 are also applicable to any Directive or best practice, unless otherwise defined in the Directive or best practice.
- (4) A reference to a statute is to that statute so modified, re-enacted or consolidated and includes regulations, rules or other statutory instruments made under that statute.
- (5) The singular includes the plural and vice versa.
- (6) Words importing one gender include the other gender.
- (7) Headings and sub-headings are inserted for convenience or reference only and do not affect the interpretation and construction of the rule.
- (8) If a word or phrase is defined in these Rules, any other grammatical form in respect of such word or phrase has a corresponding meaning.
- (9) A reference to a rule, chapter, schedule or appendix is to the relevant rule, chapter, schedule and appendix to these Rules.
- (10) A reference to a person includes a firm, partnership and Corporation.
- (11) A reference to writing includes any mode of representing or reproducing letters, figures or marks in a visible form.
- (12) A reference to "RM", "MYR" or "Ringgit Malaysia" is to the Malaysian currency.
- (13) A reference to a day or month is to a calendar day or calendar month.
- (14) A reference to a time of day is a reference to Malaysian time.
- (15) A reference to "suspend" or "suspension" in relation to the trading of Contracts, where the context permits, includes "forbidden", "interrupted", "reserved", "suspended" or "frozen".

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**PART B          APPLICATION AND EFFECT OF THESE RULES**

**1.03    Purpose**

These Rules are intended to ensure a fair and open market on the Exchange and to provide protection to the public in its contact with the Exchange, its Participants and Registered Representatives. In the observance of these Rules and in areas or circumstances not explicitly covered by any Rule, all persons trading on the Exchange must guide themselves not only by the letter but also the spirit of these Rules as reflected in the following principles:

- (a) the observance of high standards of integrity and fair dealing;
- (b) acting with due care, skill and diligence;
- (c) organising and controlling one's affairs in a responsible manner and according to defined procedures; and
- (d) dealing with the Exchange and the Commission in an open and co-operative manner and keeping each body promptly informed of anything which might reasonably be expected to be disclosed to it.

**1.04    Application of Directives and the Law**

These Rules must be read together with:

- (a) the Directives;
- (b) subject to Rule 3.06(3), the Securities Laws; and
- (c) any other laws or requirements of any relevant authority applicable to Participants or Registered Persons.

**1.05    Binding effect of Rules**

These Rules are binding on Participants and Registered Persons in the manner set out in:

- (a) section 355(2) of the Capital Markets and Services Act; and
- (b) Rule 1.06.

**1.06    Covenants to observe Rules**

These Rules have the effect of a contract between:

- (a) the Exchange and Participants under which each Participant covenants with the Exchange to observe these Rules and the Directives and to perform the obligations that these Rules and the Directives purport to impose on the Participant in the manner set out by these Rules and the Directives; and
- (b) the Exchange and Registered Persons under which each Registered Person covenants with the Exchange to observe these Rules and the Directives and to perform the obligations that these Rules and the Directives purport to impose on the Registered Person, in the manner provided by these Rules and the Directives.

**1.07 Contracts governed by these Rules**

All Contracts made or entered into on the Exchange will be governed by these Rules.

**1.08 Investment Banks**

If a provision in these Rules is expressed to be inapplicable to an Investment Bank or a Registered Person of an Investment Bank, the relevant requirements in the Guidelines on Investment Banks and any other requirement the Central Bank specifies on the matter will apply instead.

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**PART C      NOTICES**

**1.09 Notices**

- (1) The Exchange will send all notices required to be sent under these Rules in writing:
  - (a) to the address or facsimile number (or both) of the addressee contained in the records of the Exchange; or
  - (b) using any other mode of giving notice the Exchange thinks fit, including electronic mail, other electronic means and advertisement in newspapers.
- (2) A notice given under these Rules is deemed received:
  - (a) if delivered by hand, at the time of delivery;
  - (b) if sent by post within Peninsula Malaysia, on the 3<sup>rd</sup> Business Day after posting;
  - (c) if sent by air mail to Sabah, Sarawak or outside Malaysia, on the 5<sup>th</sup> Business Day after posting;
  - (d) if sent by courier, on the 2<sup>nd</sup> Business Day after despatch;
  - (e) if sent by facsimile or other electronic media, at the time of transmission; and
  - (f) if published by any public media, at the time of publication.
- (3) All notices to the Exchange must be made in writing unless stated otherwise.

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**PART D                      PERSONAL DATA NOTICE**

**1.10    Personal Data Notice**

- (1) Any person who provides or has provided personal data to the Exchange or the Exchange Holding Company pursuant to or in connection with these Rules should read and be aware of the relevant notification in relation to the Personal Data Protection Act 2010 (“PDPA”) available at the Exchange Holding Company’s website at [www.bursamalaysia.com](http://www.bursamalaysia.com) (“Personal Data Notice”).
- (2) Where the personal data provided is of another individual (“data subject”), the person providing such data must have notified the data subject in writing of the Personal Data Notice before providing the personal data unless:
  - (a) section 41 of the PDPA applies; or
  - (b) the Exchange otherwise specifies in connection with the PDPA.
- (3) For the purposes of this Rule 1.10, ‘personal data’ has the same meaning given in section 4 of the PDPA.

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**PART E            CONFIDENTIALITY**

**1.11 Confidentiality of Findings**

If a finding or result of any inspection or investigation, or testimony or documentation in connection with a disciplinary proceeding or appeal under these Rules is disclosed to a Participant or Relevant Person by the Exchange or any other person, the Participant and Relevant Person must keep the findings and results of such inspection or investigation, or testimony or documentation in connection with a disciplinary hearing or appeal confidential and must not disclose the findings or results to any person except:

- (a) the Commission, any authorised officer of the Commission or any investigating governmental authority or agency; or
- (b) where necessary, for the procurement of legal or expert advice in relation to the inspection, investigation, disciplinary proceeding or appeal, provided that the disclosure is restricted to the relevant persons and strictest confidentiality is maintained.

[End of Chapter 1]