

**ANNEXURE D**  
**PROPOSED AMENDMENTS TO THE RULES OF BURSA MALAYSIA SECURITIES CLEARING SDN BHD**  
**In Relation to Exchange Traded Bonds**



EXISTING PROVISIONS		AMENDED PROVISIONS	RATIONALE
<b>Rule 8.5</b>	<b>PURPOSES OF SECURITIES BORROWING</b>	<b>PURPOSES OF SECURITIES BORROWING</b>	
	<p>(a) An Approved SBLNT Borrower may borrow Eligible Securities only for any one of the following purposes subject to such requirements as may be prescribed by the Clearing House:</p> <p>(i) to facilitate the settlement of a regulated short sale in Eligible Securities executed in accordance with the Exchange Rules;</p>	<p>(a) An Approved SBLNT Borrower may borrow Eligible Securities only for any one of the following purposes subject to such requirements as may be prescribed by the Clearing House:</p> <p>(i) to facilitate the settlement of a regulated short sale in Eligible Securities executed in accordance with the Exchange Rules;</p> <p><u>(ii) to facilitate the settlement of a sale of Eligible Securities where there are no Securities or insufficient Securities in the securities account of the seller as will enable the seller to meet its delivery obligations to the purchaser (in accordance with the Exchange Rules relating to delivery and settlement) as a result of a mistake howsoever made when executing the sale provided always that the mistake was made in good faith and discovered only after the sale has</u></p>	<p>To allow a seller to borrow ETBs under the SBLNT framework to settle a possible settlement failure.</p> <p>As an extension to this proposal, Bursa Clearing (S) is proposing to allow this purpose for borrowing to apply to all Eligible Securities and not just to ETBs.</p> <p>It should be noted that this purpose for borrowing is already allowed under the Bursa SBL Transaction framework [see Rule 7.6(a)(ii)].</p> <p>This proposal is in line with international standards i.e. Recommendation 5 of the International Organisation of Securities Commission (“IOSCO”) Committee on Payment and Settlement Systems (November 2001) which states that securities lending and borrowing should be encouraged as a method for expediting the settlement of securities transactions and that</p>

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	<p>(ii) in relation to Eligible Securities that are ETF units or the Constituent Securities (the ETF Units, the Constituent Securities or any one of the Constituent Securities shall hereinafter be collectively referred to as “the ETF Related Securities”), to facilitate the settlement of a sale in the ETF Related Securities where the following requirements are complied with:</p> <p>(aa) the sale was executed by the Approved SBLNT Borrower in its capacity as a Market Maker for that particular ETF Related Securities or executed by the Approved SBLNT Borrower for its client who is a Market Maker for that particular ETF Related Securities; and</p> <p>(bb) the Approved SBLNT Borrower executed the sale as part of its Permitted Short Selling activities or as part of the Permitted Short Selling activities of the Approved SBLNT</p>	<p><u>been executed:</u></p> <p>(iii) in relation to Eligible Securities that are ETF units or the Constituent Securities (the ETF Units, the Constituent Securities or any one of the Constituent Securities shall hereinafter be collectively referred to as “the ETF Related Securities”), to facilitate the settlement of a sale in the ETF Related Securities where the following requirements are complied with:</p> <p>(aa) the sale was executed by the Approved SBLNT Borrower in its capacity as a Market Maker for that particular ETF Related Securities or executed by the Approved SBLNT Borrower for its client who is a Market Maker for that particular ETF Related Securities; and</p> <p>(bb) the Approved SBLNT Borrower executed the sale as part of its Permitted Short Selling activities or as part of the Permitted Short Selling activities of the Approved SBLNT</p>	<p>barriers that inhibit the practice of lending securities for this purpose should be removed. It was further recommended that even in jurisdictions that restrict securities lending because of other public policy concerns, authorities should consider permitting lending to reduce settlement failures.</p> <p>Also, Recommendation 7 of the G30 of the G30 Global Clearing and Settlement: Final Monitoring Report (2006) states that the relevant authorities should permit securities borrowing and lending as a method of expediting the settlement of securities transactions.</p>

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	<p>Borrower's client in accordance with the rules on Permitted Short Selling as contained in the Exchange Rules;</p> <p>(iii) to onward lend the Loaned Securities provided that the participants in the onward lending transaction comply with these Rules and the Clearing House's requirements in relation to Bursa SBL Transaction or SBL Negotiated Transactions (as applicable), including being approved as a Lender or Lending Participant or an Approved SBLNT Lender (as applicable); or</p> <p>(iv) for such other purposes as may be determined by the Clearing House in consultation with the Commission.</p> <p>(b) For the purpose of this sub-rule (a), unless the context otherwise requires –</p> <p>(i) "Constituent Securities" shall have the meaning as is assigned to that expression in the Exchange Rules;</p> <p>(ii) "ETF" means exchange traded fund as defined in the</p>	<p>Borrower's client in accordance with the rules on Permitted Short Selling as contained in the Exchange Rules;</p> <p>(iv<del>ii</del>) to onward lend the Loaned Securities provided that the participants in the onward lending transaction comply with these Rules and the Clearing House's requirements in relation to Bursa SBL Transaction or SBL Negotiated Transactions (as applicable), including being approved as a Lender or Lending Participant or an Approved SBLNT Lender (as applicable); or</p> <p>(iv) for such other purposes as may be determined by the Clearing House in consultation with the Commission.</p> <p>(b) For the purpose of this sub-rule (a), unless the context otherwise requires –</p> <p>(i) "Constituent Securities" shall have the meaning as is assigned to that expression in the Exchange Rules;</p> <p>(ii) "ETF" means exchange traded fund as defined in the</p>	

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	<p>Commission's Guidelines on Exchange Traded Funds;</p> <p>(iii) "Market Maker" shall have the meaning as is assigned to that expression in the Exchange Rules;</p> <p>(iv) "Permitted Short Selling" shall have the meaning as is assigned to that expression in the Exchange Rules; and</p> <p>(v) "regulated short sale" shall have the same meaning as is assigned to that expression in the Exchange Rules.</p>	<p>Commission's Guidelines on Exchange Traded Funds;</p> <p>(iii) "Market Maker" shall have the meaning as is assigned to that expression in the Exchange Rules;</p> <p>(iv) "Permitted Short Selling" shall have the meaning as is assigned to that expression in the Exchange Rules; and</p> <p>(v) "regulated short sale" shall have the same meaning as is assigned to that expression in the Exchange Rules.</p>	

[End of Proposed Rule Amendments]