

**Amendments to the Rules of Bursa Derivatives  
In relation to the Decoupling of Clearing Participantship  
from Trading Participantship**

**RULES OF BURSA MALAYSIA DERIVATIVES BHD.**

**RULE 200      DEFINITIONS AND  
INTERPRETATION**

*[Note: Only the definition for the expression “Clearing Participant” from this rule is reproduced as the amendments relate only to this expression.]*

**Rule 201      Definitions**

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

“**Clearing Participant**” means ~~a Trading Participant or an Associate Participant who is~~ a participant of the Clearing House for the clearing, settlement and exercise of Contracts;

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**RULE 300 PARTICIPANTSHIP**

*[Note: Only some rules in Rule 300 are reproduced as the amendments relate only to these rules.]*

**Rule 301.7**

~~All Participants shall be required to be a Clearing Participant or to enter into an arrangement with a Clearing Participant for the clearing of any of their Contracts which are traded on the Exchange. In the case of an Investment Bank, the Investment Bank shall be required to be a Clearing Participant.~~

~~A Participant must not trade or allow trading on the Exchange by its Clients unless it:~~

- ~~(a) is a Clearing Participant able to clear Contracts arising from such trades;~~
- ~~(b) has entered into an arrangement with a Clearing Participant to clear the Contracts; or~~
- ~~(c) has obtained a confirmation from a Client that the Client has entered into an arrangement with a Clearing Participant for the clearing of any of the Client's Contracts which are traded on the Exchange.~~

**Rule 303 Trading Participant - Eligibility**

Trading Participants shall be companies duly incorporated under the Companies Act 1965 with a minimum issued and paid-up capital of RM5 million or any other such amount which may be determined by the Exchange from time to time in consultation with the Commission and shall comply with any other financial requirements specified under the Capital Markets and Services Act and all guidelines issued by the Commission. To be eligible for participantship, the applicant to be a Trading Participant must satisfy all the requirements and criteria for participantship, which the Exchange may from time to time determine. ~~Subject to Rule 301.7,~~ Trading Participants may be Clearing Participants or Non-Clearing Participants.

Trading Participants shall also be a holder of a valid Capital Markets Services Licence to carry on the business of regulated activity of dealing in derivatives and have satisfied or will satisfy upon registration, the terms and conditions of, or imposed by the Commission related to, such licence.

**Rule 304 Trading Participant - Rights**

**Rule 304.1**

A Trading Participant shall (subject to Rule 304.3) have the following rights in respect of the trading facilities provided by the Exchange:

- (a) the right to trade for itself in the Market, in such manner as the Exchange may from time to time direct;

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- (b) the right to trade on behalf of Clients and to charge a commission on all business transacted by it on behalf of these Clients at such rate or rates as the Exchange may from time to time consider appropriate;
- (c) if the Trading Participant is also a Clearing Participant, the right to be a Nominating Participant for the purpose of clearing for Non-Clearing Participants; and
- (d) all other rights conferred on Trading Participants by these Rules in respect of trading in Contracts transacted in the Market.

**Rule 305.4**

- (a) Registration of trading participantship ~~shallis~~ not ~~be~~ effective until:
  - (i) the applicant has complied with this Rule 305, has obtained the Capital Markets Services Licence to carry on the business of regulated activity of dealing in derivatives; and
  - (ii) the applicant is also or has been granted approval in principle by the Clearing House to be a Clearing Participant or, ~~with the exception of an Investment Bank~~, has entered into arrangements satisfactory to the Exchange with a Clearing Participant for the clearing, settlement and exercise of the applicant's Contracts which are traded on the Exchange.
- (b) The Exchange may require that an applicant furnish it with evidence which prove that the requirements set out Rule 305.4(1) and (ii) have been complied with.

**Rule 311B Trading Participant - Termination of Participantship**

**Rule 311B.1**

The Exchange may, decide in its absolute discretion to terminate the participantship of a Trading Participant in the event of any or all of the following namely, upon any order being made for the winding up of the Trading Participant or the appointment to the Trading Participant of a receiver, statutory manager, provisional liquidator or upon the failure of the Trading Participant to comply with these Rules or upon revocation of its ~~License~~Capital Markets Services Licence to carry on the business of dealing in derivatives by the Commission pursuant to the Capital Markets and Services Act.

**Rule 311B.2**

The Exchange will, by notice in writing inform the Trading Participant of the termination and such termination shall take effect from the date specified in the notice.

**Rule 311C.2**

A Universal Broker, Eligible Non-Universal Broker, Special Scheme Broker and/or Investment Bank not having subsidiary which holds a Capital Markets Services Licence to carry on the

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business of dealing in derivatives but intending to carry out dealing in derivatives ~~shall~~must fulfil the following:-

- (a) ~~become~~apply to be registered as a Trading Participant ~~of the Exchange and a Clearing Participant as defined in~~ accordance with these Rules; and
- (b) apply for a Capital Markets Services Licence to carry on the business of dealing in derivatives; and
- (c) its representatives ~~shall~~must pass the relevant examinations approved by the Exchange in consultation with the Commission, ~~hold~~ a Capital Markets Services Representative's Licence for the regulated activity of dealing in derivatives and registered as a Registered Representative within the definition of these Rules.

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**RULE 400      ADMINISTRATION**

*[Note: Only some rules in Rule 400 are reproduced as the amendments relate only to these rules.]*

**Rule 401.4**

The integrity of the Exchange shall be maintained through the enforcement of these Rules and the adoption of high professional standards and ethics in the management of the Exchange. In performing such duties and other duties prescribed by the Capital Markets and Services Act, the Articles and these Rules, the Exchange shall be empowered to:-

- (a) require any Participant to attend a meeting at any time and give such information as may be in their possession relating to any matter under investigation by the Exchange or any of the committees established under these Rules and every Participant shall ensure that all such requirements are met promptly and complied with and that the information asked for is made available promptly;
- (aa) make new policies and rules for the order and good governance of the Participants and in this regard have the relevant powers to add, vary, repeal, enforce or waive any of these Rules;
- (b) require any Participant to furnish any particulars and to produce for inspection all books, letters, telegrams, facsimiles, telex, computer print-outs or copies thereof, and any other documents or information in its possession as may be required by the Exchange or any of its committees and such Participant shall without delay ensure that such particulars are furnished and other material as aforesaid is produced accordingly;
- (bb) issue directives, rulings or guidelines for the purpose of or in conjunction with any of these Rules;
- (c) investigate the accounts and affairs of any Participant whenever in its opinion such action appears warranted;
- (d) *[This sub-rule has been deleted]*
- (e) *[This sub-rule has been deleted]*
- (f) Subject to Rule 401A, interpret conclusively any provision of these Rules and the validity of any act or things done pursuant thereto in the event of any dispute or difference over such Rules;
- (g) Subject to Rule 401A, exercise all such powers as may be necessary to enforce and implement these Rules;
- (h) release information regarding a Participant's financial position or otherwise to the Commission or the Clearing House when so requested;
- (i) order the Participant to liquidate or cause to be liquidated such portion of the Participant's Open Position on its Proprietary Account and/or Client's Accounts as the Exchange deems necessary to ensure the integrity of any Contract or to ensure an orderly and liquid market;

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- (j) order the Participant to transfer or caused to be transferred existing Open Positions to another Clearing Participant or prescribe restrictions on positions as the Exchange deems necessary to ensure the integrity of any Contract to ensure an orderly and liquid market;
- (k) require the Participants to maintain and submit reports, information and/or documents to the Exchange in the manner, mode and frequency as shall be prescribed by the Exchange;
- (l) appoint a committee, sub-committee, officers of the Exchange or an agent to exercise the Exchange's powers under these Rules, on such terms as it considers necessary or expedient,
- (m) disclose to a Participant or other persons as the Exchange considers fit, any action taken against a Participant or Registered Person by the Exchange under these Rules,
- (n) determine the manner of trading, the limits on Open Positions in any Contract or for any Participant and the trading practices in the market;
- (o) pursuant to a finding from any inspection or investigation on a Participant or Registered Person, require a Participant or Registered Person to take appropriate action against any of the Participant's or Registered Person's employees or agents if such employees or agents have caused the Participant or Registered Person to violate these Rules;
- (p) exercise all such other powers and take any action to ensure the existence or continuance of an orderly and fair Market;

and generally to do all things necessary for the smooth and efficient running of the Exchange.

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**RULE 600 PARTICIPANTS' CONDUCT**

*[Note: Only some rules in Rule 600 are reproduced as the amendments relate only to these rules.]*

**Rule 601.2 Compliance - Business Conduct**

**Rule 601.2A**

For the purpose of this sub-Rule 601.2, "employee" shall include Registered Representatives, Registered Representatives in training.

**Rule 601.2B**

~~It shall be the responsibility of the~~ Trading Participant ~~to~~must ensure that:

- (a) ~~no account shall be opened by a Trading Participant ("First Trading Participant") on behalf of an employee or director of another Trading Participant ("Second Trading Participant") without the prior written approval issued by the Second Trading Participant. For the purposes of Rule 601.2B(a):~~
- ~~(i) — A director's account includes an account within the control of the director or which is held by a company in which the director has 15% or more direct equity shareholding.~~
- ~~(ii) — An employee's account includes an account which is held by a company in which the employee has 15% or more direct equity shareholding.~~
- an employee, Registered Representative or director of a Trading Participant who trades in Contracts for his own account notifies it of such trades in writing or by electronic means and upon receipt of the notifications, the Trading Participant takes the necessary steps to manage conflicts of interests and risks, in accordance with Rule 601.2D. For the purposes of this Rule, a director's account will include an account in which such a director has a direct or indirect interest;
- (b) ~~A Trading Participant must issue a prior written approval for each trade in Contracts proposed to be executed on account of its employee or director whether the trade in Contracts is proposed to be executed through the Trading Participant itself or through another Trading Participant. Such approval can only be issued if the Trading Participant is satisfied that trading in the Contracts does not conflict with the interests of any Client of the Trading Participant. For purposes of this Rule 601.2B(b):~~
- ~~(i) — A director's account includes an account within the control of the director or which is held by a company in which the director has 15% or more direct equity shareholding.~~
- ~~(ii) — An employee's account includes an account which is held by a company in which the employee has 15% or more direct equity shareholding. [Deleted]~~
- (c) ~~it does not knowingly employ any person who has been involved in any investigation by the Exchange as a result of which there has been a finding of misconduct~~

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~~involving that person, without first obtaining the written approval of the Exchange it only employs or engages employees and agents who are fit and proper with suitable skill and experience with regard to the position and responsibility they hold;~~

- (d) it does not carry on its business at any place other than its Principal Office, Branch Office(s) and Trading Kiosk(s) (unless it has obtained the prior approval in writing from the Exchange);
- (e) it does not permit any one Client to represent such a percentage of the trading by the Trading Participant as may reasonably be likely to prejudice or diminish the ability of the Trading Participant to meet its obligations in the event of a default by such Client;
- (f) neither the Trading Participant nor any of its Registered Representatives shall share directly or indirectly in the profits or losses on any Client Account or indemnify or compensate a Client against losses suffered on any Client Account or in any transaction effected with or for such Client. It shall also not assume for its Proprietary Account any losses incurred by its Client unless the losses are directly attributable to any mistakes and/or negligence of the Trading Participant or its Registered Representatives;
- (g) no person shall effect the purchase or sale of any Contracts for the purpose of improperly influencing the price of the Contracts or prices on the Underlying Market;
- (h) no person who, in relation to trading in Contracts, is in possession of material non-public information obtained as a result of a position of confidence held by that person and which might reasonably be expected to affect materially the price of such Contracts, shall make improper use of such information to gain, directly or indirectly, an advantage for himself or for any other person;
- (i) its trading functions and back-office settlement functions are properly segregated and any Registered Representatives authorised by the Trading Participant to trade on behalf of Clients does not trade for the Trading Participant's Proprietary Account;
- (j) where the trading terminals of any Local Participant and other Trading Participant who is not a participant of the clearing house clearing through it are placed in the Trading Participant's office premises, the terminals are placed in a location that is physically segregated from the trading terminals of the rest of its Registered Representatives;
- (k) a Trading Participant must have adequate and effective resources for the proper performance of the Trading Participant's business activities; and
- (l) a Trading Participant is responsible for the quality, reliability and integrity of all systems the Trading Participant uses in the Trading Participant's business in trading in Contracts on the Exchange.

**Rule 601.3 Compliance - Internal Records**

- (a) A Trading Participant shall maintain separately from other records which correctly record and explain trading in Contracts by the Trading Participant on its own account.
- (b) A Trading Participant shall maintain records that set out the particulars of:
  - (i) the instructions by a Client to trade in Contracts;
  - (ii) the date and time of receipt, sending and carrying out of those instructions;



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- (iii) the person by whom those instructions are received, the person by whom they are sent and the person by whom they are carried out;
  - (iv) the date and time of receipt, sending and carrying out of instructions to trade in Contracts on the holder's own account; and
  - (v) the person by whom instructions of the kind referred to in rule 601.3(b)(iv) above are received, the person by whom they are sent and the person by whom they are carried out; and
  - (vi) the source of funds used for the trading in Contracts on the holder's own account.
- (c) Without prejudice to Rule 601.3(b), a Trading Participant shall in relation to the particulars of an instruction by a Client to trade in Contracts and to trade in Contracts on the holder's own account, maintain the following particulars:
- (i) a description of the Contracts sufficient to identify the nature of the instruction, including;
    - (1) a description of the underlying Instrument;
    - (2) a description of the state of affairs that is the subject of the Contract; and
    - (3) in the case of a Futures Contract, the month and year for the performance or settlement of the Futures Contracts; and
    - (4) in the case of an Option:
      - (A) the price or value of the underlying instrument or numerical level of the state of affairs that is the subject of the Option at which the buyer of the Option may exercise the Option; and
      - (B) whether the Option is a Call Option or a Put Option;
  - (ii) whether the instruction;
    - (1) is to buy Contracts;
    - (2) is to sell Contracts;
    - (3) in the case of an Option, is to exercise the Option; or
    - (4) consists of a combination of two or more of the acts referred to in subparagraph (1),(2) or (3);
  - (iii) the quantity or number of the Contracts;
  - (iv) whether or not the instruction is intended to effect a liquidating trade;
  - (v) the conditions on which the instruction is to be carried out, including but not limited to whether an instruction is to be carried out at:
    - (1) the market price; or
    - (2) any particular price; and
    - (3) if the instruction is carried out, the price at which it had been carried out.

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- (d) The retention period for the records in respect of the transactions described in this Rule 601.3 shall be for ~~five (5)~~7 years, except audio magnetic tapes of Client's conversations and conversations pertaining to the Trading Participant's proprietary trading which need only be maintained for a period of not less than two (2) years from the date of the conversation.
- (e) It is the responsibility of each Trading Participant to keep proper and accurate books, records and accounting records for the purpose of recording their transactions.
- (f) Without prejudice to the provisions of Rule 601.3 above, the Trading Participant may maintain the internal records in its original form by obtaining or sourcing the same from the relevant trading system provided by the Exchange or otherwise and electronic voice recording machines procured by the Trading Participant to facilitate its trading activities.

**Rule 601.5 Early Warning Financial Requirements**

A Trading Participant must comply with such early warning financial requirements that the Exchange may prescribe from time to time.

**Rule 601.6 Business Premises**

- (1) A Trading Participant must have business premises that are adequately and properly equipped for the conduct of the Trading Participant's business.
- (2) A Trading Participant must have adequate security and emergency arrangements to provide continuous business operations with minimal disruptions.

**Rule 601A Dealing in Derivatives By Universal Brokers, Eligible Non-Universal Brokers, Special Scheme Brokers and Investment Banks**

**Rule 601A.1**

- (a) A Universal Broker, Eligible Non-Universal Broker, Special Scheme Broker or Investment Bank may carry out the business of dealing in derivatives via its subsidiary or related company (being a subsidiary of the Universal Broker's, Eligible Non-Universal Broker's, Special Scheme Broker's or Investment Bank's holding company, as the case may be) where the subsidiary or related company is a Trading Participant of the Exchange licensed pursuant to the Capital Markets and Services Act.
- (b) For the purposes of this Rule, the Registered Representatives engaged or employed by that Trading Participant, and Local Participants ~~who clear their trades via that Trading Participant (and/or~~ for whom that Trading Participant is a ~~nominating participant)~~, may be stationed at the principal office and/or any branch office(s) of the Universal Broker, Eligible Non-Universal Broker, Special Scheme Broker or Investment Bank, ~~subject to the Rules herein contained.~~
- (c) ~~For the purposes of this Rule, t~~The Trading Participant ~~shall be~~ responsible for the activities that are carried out by their ~~Registered Representatives engaged and employed by that Trading Participant,~~ and the Local Participants ~~who clear their trades via that Trading Participant (and for whom that Trading Participant is a nominating participant) who may be stationed at the principal office or any branch~~

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~~office(s) of the Universal Broker, Eligible Non-Universal Broker, Special Scheme Broker or Investment Bank referred to in Rule 601A.1(b).~~

**Rule 603 Dealings with Clients**

**Rule 603.1 Opening a Client Account**

- (1) Without prejudice to the generality of Rule 601, a Trading Participant shall, in relation to its dealings with Clients, be responsible:
- (a) before commencing to trade in Contracts for or on behalf of any Clients, to ensure that the Client Account is approved in accordance with the following procedures:
- (i) the Trading Participant shall exercise due diligence in learning the essential facts as to the Client and its or his investment objectives and financial situation and shall make and retain a record of such information. Based upon such information, a Compliance Officer or such other persons appointed by the Trading Participant shall approve in writing the Client's account for trading; provided, that if the person approving is not a Compliance Officer, his approval shall be subject to review by a Compliance Officer;
- (ii) *[This sub-rule has been deleted]*
- (iii) the Trading Participant must enter into a written agreement with the Client for whom the Trading Participant opens a Client Account. The written agreement between the Trading Participant and the Client must:
- (A) contain the terms and conditions for the operation of the Client Account;
- (B) contain the Client's obligation to comply with these Rules, whether these Rules apply directly or indirectly to the Client;
- (C) not contain any term inconsistent with any provision in these Rules; and
- (D) not contain any term, the effect of which is to exclude or limit the liability of that Trading Participant, its employees, or its agents, to the Client for negligence, fraud or dishonesty, in relation to the Trading Participant's business of dealing in derivatives.
- (iv) ~~if the Executing Broker and Clearing Broker are two different parties within the meaning of Rule 603.1A, the Executing Broker, Clearing Broker and Client must also, in addition to Rule 603.1(a)(iii) above, enter into a written agreement which addresses the terms and conditions of the giving up and clearing of Contracts between the parties. The written agreement between the Executing Broker, Clearing Broker and Client must:~~
- ~~(A) contain terms and conditions for the giving up and clearing of Contracts between the parties; and~~

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~~(B) contain the Client's obligation to comply with these Rules, whether these Rules apply directly or indirectly to the Client; and~~

~~(C) not contain any term inconsistent with any provision in these Rules; and~~

~~(D) not contain any term, the effect of which is to exclude or limit the liability of that Trading Participant, Clearing Participant, their employees, or their agents, to the Client for negligence, fraud or dishonesty, in relation to their activities as a futures broker or Clearing Participant respectively. [Deleted]~~

(v) the Trading Participant shall:

(A) give to the prospective Client a document which contains, at the minimum, the following:

- (1) an explanation of the nature of Contracts;
- (2) an explanation of the nature of the obligations assumed by a Client who instructs a Trading Participant to enter into a Contract;
- (3) a Risk Disclosure Statement as prescribed by the Exchange in Schedule 2; and
- (4) the specifications and details of the essential terms of each kind of Contract in which the Trading Participant trades for the Client.

(B) obtain a written acknowledgement, signed by the prospective Client, that the Client has received the document referred to in paragraph (A). Similarly, the Client must sign the Risk Disclosure Statement that is furnished by the Trading Participant, prior to the Client's account being approved;

(b) to obtain written authorisation from the Client in relation to accepting instructions from any person or persons on behalf of a Client; and

(c) to account in a separate Clients' Segregated Account, designated or evidenced as such, for all monies, securities or documents of title received from its Clients and not to use, or permit or suffer to be used, any of such monies, securities or documents of title otherwise than as may be permitted by the Capital Markets and Services Act.

(2) If the Client represents that the Client is trading on behalf of another person, the Trading Participant may open a Client Account for the Client only if the Trading Participant brings to the notice of the Client, the Client's obligation under Rule 603.7.

**Rule 603.1A**

~~Without prejudice to the generality of Rule 601, a Trading Participant ("the first mentioned Trading Participant") shall be permitted to execute orders on behalf of a Client for the purpose of giving up Contracts resulting from such orders to another Trading Participant ("the second mentioned Trading Participant") who is also a Clearing Participant. The second mentioned Trading Participant will clear these Contracts and maintain them in its Clients' Account:~~

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- ~~(a) for the purpose of Rule 603.1A and wherever the Rule is referred to herein, the first mentioned Trading Participant shall be known as the Executing Broker and the second mentioned Trading Participant shall be known as the Clearing Broker;~~
- ~~(b) before any Client's orders are executed for give up as provided for under Rule 603.1A above, the following must be complied with:-~~
- ~~(i) the Executing Broker shall comply with the provisions for obtaining proper authorisation from the Client when accepting instructions, suitability of recommendation and order taking as set out in Rules 603.1(b), 603.2 and 603.3 respectively;~~
  - ~~(ii) the Clearing Broker shall comply with the provisions set out in Rules 603 in its entirety with the exception of Rules 603.1(b), 603.2 and 603.3; and~~
  - ~~(iii) unless otherwise determined by the Exchange, an agreement shall be executed between the Client, Executing Broker and Clearing Broker pursuant to Rule 603.1(a)(iv);-~~
  - ~~(iv) the Clearing Broker shall have in place adequate internal controls and monitoring mechanism to ensure that Contracts given up by the Executing Broker to it are cleared pursuant to the rules of the Clearing House.~~

[Deleted]

**Rule 603.4 Client Statements**

(a) Contract Notes

The Trading Participant shall, in relation to its dealings with Clients, give a contract note to each Client for each Contract done for that Client not later than the next Business Day, showing:

- (i) the name of the Trading Participant;
- (ii) the name and address of the Client for whom or on whose behalf the Trading Participant effected the transactions;
- (iii) the name of the exchange on which market the transaction was effected;
- (iv) the date of the transaction;
- (v) description of the Contract entered into, including the underlying Instrument, price, month and year;
- (vi) the number of lots;
- (vii) the total amount of commission, trading, clearing and other fees charged;
- (viii) whether the transaction is to buy, sell and/or exercise;
- (ix) in the case of an Option, the Exercise Price and the date by or on which the Holder of the Option, in order to exercise the Option, must declare an intention to exercise the Option;
- (x) in the case of a liquidating order for Futures Contract, details of that order together with the opening Contract and for Options, details of the liquidating Contract; and
- (xi) any other information as may be prescribed by the Capital Markets and Services Regulations 2012.

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## (b) Monthly Statements

The Trading Participant shall provide to each Client a monthly statement, within seven (7) days after the end of each calendar month showing:

- (i) the name of the Trading Participant and the address of the principal place of business at which the Trading Participant carries on its business as a Trading Participant;
- (ii) the amount of cash and securities (indicating each separately) held for the credit of that Client;
- (iii) the opening cash balance for that month in the Client's account;
- (iv) all deposits, credits, withdrawals and debits affecting the Client's account during that month;
- (v) the cash balance in the Client's account at the end of that month;
- (vi) particulars of each Contract that the Trading Participant has, before or during that month, acquired on behalf of the Client and that, as at the end of that month has not been disposed of showing in the case of each Contract the net unrealised profits or losses calculated on a mark-to-market basis, where applicable;
- (vii) details of all Contracts of the Client, which have been Closed Out in that month, and accounting of all realised profits and losses of the Client, where applicable;
- (viii) details of outstanding Margin Call in respect of a Contract that the Trading Participant has acquired on behalf of the Client, where applicable; and
- (ix) any other information as may be prescribed by the Capital Markets and Services Act.

**Rule 610.3 Internal Inspection/Audit**

- (1) ~~Each~~ Trading Participant ~~shall~~must conduct an internal audit review, at least of the business in which it engages, which review ~~shall~~must be reasonably designed to assist in detecting and preventing violations of and achieving compliance with the Rules and the Capital Markets and Services Act.
- (2) ~~Each~~ Trading Participant ~~shall~~must ~~undertake ensure a periodic examination and at least an annual examination of its office internal audit(s) are conducted on itself at such times as it deems necessary, subject always to a minimum of 1 internal audit in each calendar year.~~
- (3) ~~Each~~ Trading Participant ~~shall~~must retain a written record of the dates when each internal audit review ~~and examination~~ is conducted.

**Rule 613 Position and Exercise Limits****Rule 613.1**

- (a) The Exchange may, in consultation with the Clearing House, determine from time to time the limits on the Open Positions which may be held or controlled by any Client

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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”).

- (b) A Participant shall ensure that the position limits and/or exercise limits, as the case may be, applicable to any Client or Participant are adhered to at all times.
- (c) The Exchange may, in circumstances it deems fit, and in consultation with the Clearing House, grant such exemption, modification and/or variation in relation to the position limits or exercise limits, as the case may be, subject to such terms and conditions prescribed by the Exchange.

**Rule 614      Clients’ Margins and Margin Payment**

**Rule 614.1**

- (a1) ~~Every~~A Trading Participant ~~or Associate Participant shall~~must obtain margins from its Clients ~~a minimum initial margin~~in accordance with the requirements below unless –
  - (a) ~~the Trading Participant will not be clearing the trades executed on behalf of the Client; and~~
  - (b) ~~the Client has entered into an arrangement with a Clearing Participant for the clearing of any of the Client’s Contracts which are traded on the Exchange, and the said Clearing Participant will be obtaining the margins for that purpose.~~
- (2) ~~Where margins are required, the Trading Participant must obtain a minimum initial margin~~ and maintain the amount of minimum margins on all Open Positions and these margins ~~shall~~must be at least equivalent to the amount of margins required by the Clearing House. ~~Trading Participants or Associate Participants shall be responsible to the Clearing House for all margin requirements of their Clients.~~ A Trading Participant ~~or Associate Participant~~ may request, at its absolute discretion, from its Clients, margins above the minimum required by the Clearing House.
- (b3) ~~A~~ Except for trades which reduce a Client’s margin requirements, a Trading Participant ~~or Associate Participant shall~~must not accept orders for new Contracts from a Client unless the minimum initial margin for the Contracts is on deposit or is forthcoming within such period as may be prescribed by the Exchange from time to time after a call for initial margin has been made by the Trading Participant ~~or Associate Participant~~ and that Client’s pre-existing Open Positions comply with the margin requirements established by the Trading Participant ~~or Associate Participant~~.
- (e4) Each Client’s Open Positions must be marked to market daily and additional call for margins must be made if necessary.
- (e5) A Trading Participant ~~or Associate Participant~~ may Close Out all or any Open Position of a Client where the Client fails to comply with a demand for margin within a reasonable time after a Margin Call has been made by the Trading Participant ~~or Associate Participant~~, provided that in no case shall such time be less than one (1) hour from the time of demand.

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**Rule 614.2 Forms of Margin Payment**

A Trading Participants may accept from their/its Clients as margin cash, letters of credit, bank guarantees and any other approved securities and other forms of margins in the manner and subject to conditions as the Exchange may from time to time prescribe in these Rules or otherwise in consultation with the Commission determined by the Clearing House pursuant to the Clearing House Rules.

**Rule 614.3 Accepting Securities as Margin Payment**

- (a) Trading Participants are allowed to accept securities from Clients as margin payment subject to the following conditions:
- (i) that the securities accepted as margin payment are Approved Securities. For the purpose of this rule Approved Securities means securities prescribed by the Clearing House as eligible to be deposited with the Clearing House by the Trading Participants for the purpose of the Trading participants' margin payment to the Clearing House;
  - (ii) that the securities obtained from Clients of the Trading Participant are for the purpose of margin payment on all or any Open Positions of the Clients in accordance with Rule 614.1; and
  - (iii) that the Trading Participant and each Client shall execute a memorandum of deposit the minimum contents of which are prescribed by the Exchange in Schedule 1B of the Rules ("Memorandum of Deposit"). The Trading Participant and the Clients shall not be allowed to amend, vary, add or substitute etc. any of the terms of the Memorandum of Deposit or enter into additional agreements or any form of arrangement or understanding howsoever described which has the effect of altering, limiting or waiving the meaning, substance, application and the operation of the terms prescribed in the Memorandum of Deposit.
- (b) Where the Trading Participant accepts securities as margin payment from its Clients in accordance with Rule 614.3(a), the Trading Participant may deposit the same with the Clearing House for the purpose of the Trading Participant's margin payment to the Clearing House. For the avoidance of doubt, this Rule shall not be construed so as to authorise the Trading Participant to deposit Clients' securities with the Clearing House for the purpose of the Trading Participant's margin payment to the Clearing House where the Memorandum of Deposit has not been executed by the Clients.
- (c) Local Participants may lodge Approved Securities as a margin payment with ~~a Trading Participant/its Nominating Participant~~ in order for the ~~Trading/Nominating Participant~~ to clear with the Clearing House, trades that are executed by the Local Participant on the Exchange. In this respect, all provisions in Rule 614.3(a) and 614.3(b) shall equally apply and the word "Client(s)" wherever mentioned therein shall read as the Local Participant.

**Rule 614.4 Prohibition to Accept Orders**

In respect of a Trading Participant who is not required to obtain margin according to Rule 614.1(1), if the Clearing Participant notifies the Trading Participant that the Client has failed to comply with a demand for margin by the Clearing Participant or such other margin requirements as required under the Clearing House Rules, the Trading Participant must not accept orders for new Contracts from the Client except for trades which reduce a Client's margin requirements.



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**Rule 617.3**

A Trading Participant must have appropriate automated risk filters or must 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 integrity and proper functioning of the Market.

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**RULE 700      TRADING RULES**

*[Note: Only Rule 701.3 is reproduced as the amendments relate only to this rule.]*

**Rule 701.3**

- (a) All orders entered into ATS and matched in accordance with the provisions stipulated in Rule 700 ~~shall be~~ deemed executed except in the following circumstances:-
- (i) where the matching of the orders results in a breach of the price limits referred to in Rule 707.1; and
  - (ii) in any other circumstances prescribed by the Exchange in any directives, notices or circulars issued from time to time.
- (b) When an order is executed in accordance with Rule 701.3(a), a contract (“original contract”) will come into existence and the parties ~~shall~~ be bound as principals. No third party interest ~~shall~~ be recognised notwithstanding that any one or both of them may be entering into the original contract on the instructions of a third party.
- (c) If the Buyer under an original contract is ~~a Non-Clearing Participant~~ not the Clearing Participant who will be clearing the contract and the Seller under that original contract is ~~a~~ the Clearing Participant who will be clearing the contract:
- (i) a new contract (“new contract”) will come into existence between the Clearing Participant who is clearing for the ~~Non-Clearing Participant’s Nominating Participant executing Participant~~ as the Buyer to that original contract upon terms identical to those of the original contract and the other Clearing Participant ~~will be~~ the Seller, under that new contract upon terms identical to those of the original contract; and
  - (ii) the original contract will be extinguished.
- (d) If the Seller under an original contract is ~~a Non-Clearing Participant~~ 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:
- (i) a new contract (“new contract”) will come into existence between the Clearing Participant who is clearing for the ~~Non-Clearing Participant’s Nominating Participant executing Participant~~ as the Seller to that new contract upon terms identical to those of the original contract and the other Clearing Participant ~~will be~~ the Buyer, under that new contract upon terms identical to those of the original contract; and
  - (ii) the original contract will be extinguished.
- (e) If the Buyer under an original contract is ~~a Non-Clearing Participant (“first Non-Clearing Participant”)~~ not the Clearing Participant who will be clearing the contract (“non-clearing buyer”) and the Seller under that original contract is ~~also also a Non-Clearing Participant (“second Non-Clearing Participant”)~~ not the Clearing Participant who will be clearing the contract (“non-clearing seller”):

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- (i) a new contract (“new contract”) will come into existence between the Clearing Participant who is clearing for the first Non-Clearing Participant’s Nominating Participant non-clearing buyer as the Buyer to that original contract upon terms identical to those of the original contract and the Clearing Participant who is clearing for the second Non-Clearing Participant’s Nominating Participant will be non-clearing seller as the Seller, under that new contract upon terms identical to those of the original contract; and
- (ii) the original contract will be extinguished.

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**GUIDELINE 2**

*[Note: Only Guideline 2.7 is reproduced as the amendments relate only to this guideline.]*

**GUIDELINE 2.7**

**Forms of Margin Payment**

**(Rule 614)**

*[Deleted]*

~~2.7.1 In accordance with Rule 614.2, the Exchange has decided on the following list of approved securities acceptable by the Trading Participant from its Clients for purposes of margin payment as well as the minimum haircuts applicable for such securities:~~

	<del>Approved Securities</del>	<del>Minimum Haircuts</del>
<del>1.</del>	<del><b>Malaysian Government Securities</b></del>  <del>Up to one (1) year maturity</del>  <del>More than one (1) year maturity</del>	<del>2.5% Market Value</del>  <del>5% Market Value</del>
<del>2.</del>	<del>List of approved securities as prescribed by the Clearing House from time to time as acceptable as payment of initial margin from its Clearing Participants.</del>	<del>Equivalent to haircut values prescribed by Clearing House.</del>

~~2.7.2 For the purposes of Rule 614.1, the Exchange has defined reasonable time for payment of margin to be within three (3) business days from the transaction date.~~

~~**2.7.3 Valuation of Approved Securities Deposited as Margin Payment**~~

~~For the purpose of calculating margin calls in accordance with Rule 614.1, Trading Participants shall apply the market value of approved securities accepted from clients minus any applicable haircuts to cover margins on the respective client.~~

~~**2.7.4 Valuation of Market Value of Approved Securities for Purposes of Guideline 2.7.3**~~

~~For the purposes of Guideline 2.7.3, the market value of approved securities received from a client shall be determined by the Trading Participants by marking to market the approved security on a daily basis based on the closing prices of the approved security provided by the Exchange in which the security is traded and/or the closing prices of the approved security which is available publicly.~~

~~**2.7.5 Fees Chargeable by Trading Participants to Clients in Relation to the Acceptance of Securities as Margin Payment**~~

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~~Any fees chargeable to a client desirous of lodging any form of approved securities with the Trading Participant for the purpose of covering margin payment shall be at the discretion of the Trading Participant.~~

~~(End of Guideline 2.7)~~