

Bursa Malaysia Derivatives Berhad

Date : 17 March 2009

Trading Participant Circular :12/2009

**AMENDMENTS TO THE RULES OF BURSA MALAYSIA DERIVATIVES
BERHAD (“RULES OF BURSA DERIVATIVES”) IN RELATION TO TRADE
CANCELLATION**

Please be advised that amendments have been made to the Rules of Bursa Derivatives in relation to trade cancellation and is attached here as Annexure 1 (“the said Amendments”).

A. SAID AMENDMENTS

In gist the said Amendments are as follows:

1. Expansion in the circumstances under which the Exchange may cancel trades once the trades have been matched in the ATS. The expanded circumstances are as follows:
 - Upon mutual agreement of both the selling and the buying Trading Participant and their clients;
 - Arising from a system malfunction of the ATS or mistake by the Exchange; and
 - Keying-in error in the price of the Contract by the Trading Participant.

The expansion in the circumstances for cancellation is with the objective of achieving an orderly and fair market in the price discovery process of Contracts traded on the Exchange.

2. Once the trade has been cancelled, the cancellation is irrevocable but Trading Participant may request for a review of the trade that has been cancelled.

**B. PROCEDURES IN REQUESTING FOR TRADE
CANCELLATION**

In requesting for a cancellation of a trade under Rule 707.2(1) of the said Amendments, Trading Participants must comply with the procedures attached here as Annexure 2.

C. PROCEDURES IN REQUESTING FOR REVIEW OF TRADES CANCELLED

In requesting for a review of a trade cancelled by the Exchange pursuant to Rule 707.2(3) of the said Amendments, the Trading Participant must comply with the procedures set under Annexure 3 in making a request for a review.

D. EFFECTIVE DATE

The said Amendments and procedures as stated under items B and C take effect from 24 March 2009.

E. CONTACT DETAILS

In the event of any queries please contact the following persons

No	Name	Contact Details
1.	Lim Boon Hang	Lim Bh@bursamalaysia.com or 03-20347287
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REGULATORY POLICY & ADVISORY

**AMENDMENTS TO THE RULES OF BURSA MALAYSIA DERIVATIVES BERHAD
IN RELATION TO THE CANCELLATION OF TRADES**

EXISTING PROVISIONS		AMENDED PROVISIONS	
Rule		Rule	
200	DEFINITIONS AND INTERPRETATION	200	DEFINITIONS AND INTERPRETATION
201	DEFINITION	201	DEFINITION
	New provision.		“Best Buy Price” means the highest buy order price.
	New provision.		“Best Sale Price” means the lowest sell order price.
	New provision.		“No Cancellation Range” means the range of prices as specified in Rule 707.2B (2) within which trades will not be cancelled by the Exchange ;
	New provision.		Tick means the ‘minimum price fluctuation’, as stipulated in the Contract specifications in the Schedules to these Rules.
			Trading Loss in relation to Rule 707.2B, means the difference between the value of the trade if executed based on the price indicated in the ‘Price’ column in Rule 707.2B(2) and the value of the trade executed arising from the mistake by the Participating Organisation as described in Rule 707.2B.
700	TRADING RULES	700	TRADING RULES
703	Orders	703	Orders
703.1A	General Terms and Conditions	703.1A	General Terms and Conditions

EXISTING PROVISIONS		AMENDED PROVISIONS	
	New provision.		Tick Size (f) 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.
	New provision.		Entry of orders (g) Participants and Registered Persons as defined in Rule 500 must enter orders into the ATS correctly and accurately, particularly in relation to the price and volume of the orders.
707	TRADING SAFEGUARDS	707	TRADING SAFEGUARDS
707.2	Cancellation of a Trade The Exchange may cancel any trade executed on the market in the following circumstances :	707.2	(1) Cancellation of a Trade The Exchange may cancel any trade executed in the ATS in the following circumstances :
	(a) where in the opinion of the Exchange, the trade executed in the ATS is in violation of the Rules and the Securities Laws ;		(a) [No change]
	New provision.		(b) the Exchange may, subsequent to the trade being executed in the ATS and upon an application being made to it in its absolute discretion cancel such a trade where :- (i) the daily settlement relating to such trade has not been effected ; (ii) such cancellation is agreed to by buying and selling Trading Participants and their respective clients ; and

EXISTING PROVISIONS		AMENDED PROVISIONS	
			(iii) the relevant parties comply with all other requirements that may be imposed by the Exchange for the cancellation of the trade ;
	(c) where system failure or malfunction in the ATS has caused erroneous execution of trades in the ATS ;		(c) erroneous execution of trades in the ATS arising from :- (i) system failure or malfunction in the ATS ; or (ii) a mistake by the Exchange in accordance with Rule 707.2A below; and
	(b) where the Exchange is of the opinion, upon an application being made to the Exchange by a Participant, that there is a manifest material error in the trade executed by the Participant on the Market, provided always that both the Buyer and Seller consent to the cancellation of the trade executed and the relevant parties comply with al other requirements that may be imposed by the Exchange for the cancellation of the trade ; or		(d) erroneous execution of trades in the ATS arising from a mistake by a Participant in entering orders in the ATS in accordance with Rule 707.2B below.
	New provision.		(2) Any cancellation of trades executed in the ATS in accordance with Rule 707.2(1) is irrevocable.
			(3) Where a Participant is not satisfied with the cancellation made pursuant to Rule 707.2(1), the Participant may apply to the Exchange for a review of the cancelled trade on the same market day of the cancellation of the trade. Without prejudice to the rights of the Exchange under these Rules and the law, the Exchange may take any action it deems fit arising from the review.

EXISTING PROVISIONS		AMENDED PROVISIONS	
	New provision.	707.2A	SYSTEM FAILURE OR MALFUNCTION OR MISTAKES BY THE EXCHANGE
	New provision.		(1) For the purpose of this Rule 707.2A, a mistake by the Exchange refers to a mistake in the entries made by the Exchange in the ATS.
	New provision.		(2) Where a system failure or malfunction in the ATS or a mistake by the Exchange has resulted in erroneous execution of trades in the ATS, the following will apply :- <ul style="list-style-type: none"> (a) the Exchange will immediately notify the market of the system failure or malfunction in the ATS or the mistake by the Exchange ; and (b) the Exchange may interrupt trading on the ATS in accordance with Rule 702B.2(a)(ii).

EXISTING PROVISIONS		AMENDED PROVISIONS	
	New provision.		(3) The Exchange may cancel the trades erroneously executed arising from the system failure or malfunction in the ATS or a mistake by the Exchange if the Exchange is satisfied that it is in the interest of an orderly and fair market for the trades to be cancelled.
	New provision.		(4) The cancellation of trades pursuant to Rule 707.2A (3) above will be effected on the day on which the system failure or malfunction in the ATS or the mistake by the Exchange occurred.
	New provision.		(5) If the Exchange cancels trades pursuant to Rule 707.2A(3) above :- (a) the Exchange will immediately notify the market of the details of these trades and the reasons for the cancellation ; and (b) where trading has been interrupted, it will be resumed after the system failure or malfunction in the ATS or the mistake by the Exchange has been rectified.
		707.2B	MISTAKES BY PARTICIPANTS
	New provision.		(1) For the purpose of this Rule 707.2B, a mistake by a Participant refers to a mistake by a Participant as to the price of an order

EXISTING PROVISIONS		AMENDED PROVISIONS														
			entered in the ATS.													
	New provision.		(2) The No Cancellation Range for a trade shall range from the price below and up to the price above, the price stated in the table below calculated based on the ticks stated for each of the Contract type specified in the table below :-													
			<table border="1"> <thead> <tr> <th>Contracts</th> <th>Ticks</th> <th>Price</th> </tr> </thead> <tbody> <tr> <td>Kuala Lumpur Compo-site Index Options (OKLI)</td> <td>+/- 250 ticks</td> <td>(i) The last traded price on the same Business Day before the execution of the erroneous trade.</td> </tr> <tr> <td>US Dollar Denominated Crude Palm Oil Futures (FUPO)</td> <td>+/- 120 ticks</td> <td>(ii) If there are no trades on that Business Day prior to the execution of the erroneous trade, then the Best Buy Price or the Best Sale Price available before the execution of the erroneous trade.</td> </tr> <tr> <td>All other Contracts</td> <td>+/- 100 ticks</td> <td>(iii) If there is no Best Buy Price or Best Sale Price, then the 'Daily Settlement Price' as referred to in the Clearing House Rules before the execution erroneous trade. (iv) Where the Exchange is of the opinion that the price stated in the foregoing is not reflective of the value of a Contract at any given time, then the theoretical value of the Contract based on the cost of carry methodology at the point of execution of the erroneous trade.</td> </tr> </tbody> </table>		Contracts	Ticks	Price	Kuala Lumpur Compo-site Index Options (OKLI)	+/- 250 ticks	(i) The last traded price on the same Business Day before the execution of the erroneous trade.	US Dollar Denominated Crude Palm Oil Futures (FUPO)	+/- 120 ticks	(ii) If there are no trades on that Business Day prior to the execution of the erroneous trade, then the Best Buy Price or the Best Sale Price available before the execution of the erroneous trade.	All other Contracts	+/- 100 ticks	(iii) If there is no Best Buy Price or Best Sale Price, then the 'Daily Settlement Price' as referred to in the Clearing House Rules before the execution erroneous trade. (iv) Where the Exchange is of the opinion that the price stated in the foregoing is not reflective of the value of a Contract at any given time, then the theoretical value of the Contract based on the cost of carry methodology at the point of execution of the erroneous trade.
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EXISTING PROVISIONS		AMENDED PROVISIONS	
	New provision.		<p>(3) A Participant may only apply to the Exchange to cancel a trade executed arising from a mistake by the Participant if :-</p> <p>(a) the price at which the trade has been executed falls outside the No Cancellation Range;</p> <p>(b) the Participant which entered the order resulting in the trade makes the request to the Exchange to cancel the trade within 15 minutes of the execution of the trade; and</p> <p>(c) The potential Trading Loss if the trade is not cancelled is at least RM10,000.</p>
	New provision.		<p>(4) Once a request has been made to the Exchange to cancel a trade executed resulting from a mistake by a Participant pursuant to Rule 707.2B (3), the following procedures will apply :-</p> <p>(a) the Exchange will immediately notify the counterparty Participant of the trade of the request; and</p> <p>(b) the Exchange will immediately notify the market of the request and the details of the trade in relation to which the request for cancellation has been made.</p>
	New provision.		<p>(5) The Exchange may cancel trades erroneously executed arising from a mistake by a Participant if:-</p> <p>(a) the Exchange is satisfied that it is in the interest of an orderly and fair market for the trades to be cancelled ; and</p> <p>(b) the relevant Participant complies with all other requirements that may be imposed by the Exchange for the cancellation of the trades.</p>

EXISTING PROVISIONS		AMENDED PROVISIONS	
	New provision.		(6) The cancellation of trades pursuant to Rule 707.2B (5) above will be effected on the day on which the trades were executed.
	New provision.		(7) If the Exchange cancels trades pursuant to Rule 707.2B(5) above:- (a) the Exchange will immediately notify the counterparty Participant of its decision ; and (b) the Exchange will immediately notify the market of its decision and the details of the trades which will be cancelled.
	New provision.		(8) The cancellation of the trade resulting from a mistake by a Trading Participant does not preclude the Exchange from taking action against the Participant and/or Registered Person for the breach of Rule 703.1A(g).
			(9) The Exchange may instead of cancelling the trade upon a request being made under 707.2B (3) by a Trading Participant to do so, take any other action it deems fit in lieu of cancellation.

1. INTRODUCTION

This document outlines the policies and procedures for mutual cancellation of trades between Trading Participants (TPs) due to:

- Error in price (within “non busting range”);
- Error in quantity;
- Wrong contract traded.

2. POLICIES

- All trade cancellations are subject to final approval of the Exchange.
- A levy of RM1,000.00 will be imposed on the requesting TP for any one approved cancellation.
- All trade cancellations shall be effected only by the designated personnel at the TPs.

3. PROCEDURES**Requesting TP**

- The designated personnel of the requesting TP is to notify the Derivatives Market Operations (DMO), Bursa Derivatives staff by phone on an intended mutual cancellation of trade(s).
- He/She must then complete the “MUTUAL CANCELLATION - ERROR TRADE CANCELLATION REQUEST FORM” and fax it immediately to the Head of DMO.

Responding TP

- The designated personnel of the responding TP is to notify the DMO staff by phone, upon agreement with the requesting TP on a mutual cancellation.
- He/She must then complete the “MUTUAL CANCELLATION - ERROR TRADE CANCELLATION REQUEST FORM” and fax it immediately to the Head of DMO.

DERIVATIVES MARKET OPERATIONS

- Upon receipt of the “MUTUAL CANCELLATION - ERROR TRADE CANCELLATION REQUEST FORM” from both the requesting and responding TPs, the Exchange:-
 - (i) Issue a SPI message alerting the market of the request for cancellation of a specified trade;
 - (ii) Decide on whether to allow the cancellation either partially or fully based on the details given in the “MUTUAL CANCELLATION-ERROR TRADE CANCELLATION REQUEST FORM”;

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- (iii) Inform the designated personnel of the requesting and responding TPs and the market of the final decision.

1. INTRODUCTION

This document outlines the policies and procedures to be undertaken in the event of system malfunction or procedural error resulting in erroneous trades warranting cancellation.

2. NOTIFICATION OF SYSTEM MALFUNCTION OR PROCEDURAL ERROR

Exchange will immediately send an alert to the market via a SPI message, informing of the event and the possibility that specified trade(s) may be erroneous.

3. CONFIRMATION OF SYSTEM MALFUNCTION OR PROCEDURAL ERROR

- In the event that the error trade is confirmed, the Exchange will send a SPI message to the market informing them of the affected trades to be cancelled.
- In addition to the SPI message, the designated personnel at the affected TPs will be informed immediately with full details of the trade affected.
- Similarly, if the event does not warrant any cancellation of trades, the Exchange will send a SPI message informing them of the decision.

4. INTERRUPTION OF MARKET

- If the event warrants immediate interruption of trading to ensure a fair and orderly market, the Exchange will immediately interrupt the affected product group and inform all dealers through SPI message alerting them as follows:
“TRADE ERROR - Trading is interrupted due to error trades detected. The Exchange will inform market of the error trades to be cancelled and the resumption of the market once it is finalised. Thank you.”
- During the interrupted phase, no trades will be executed.
- The interruption phase is to give traders the necessary time to contact their clients and to make modification to their orders, if necessary. This is also to enable the Exchange to determine the trades to be cancelled arising from the event.
Cancellation of the trades will be based on specified time interval i.e. the time the system encountered problem till the time the system is in order. In view of this, certain good trades will also be cancelled. For example, due to the auto leg feature of the system, spreads may be executed such that one leg of the spread is determined to be an error trade and the other leg is deemed to have been executed at a good price. The Exchange shall not be held liable for good trades cancelled arising from the system malfunction.
- The Exchange will inform the market through SPI message, at half hour intervals, on the status until full resumption of the entire market.

5. BEFORE RESUMPTION OF MARKET

- Before resumption of market, the Exchange will disseminate to the market via SPI message, details of the trade to be cancelled e.g.
“TRADES TO BE CANCELLED – The following trades from 15:24:50 to 15:24:52 will be cancelled by the Exchange.”

- All designated personnel at the affected TPs will be informed immediately with full details of the trades affected. From the time such information is disseminated, there will be at least 20 minutes before trading resumes with the pre-opening phase.

6. ON RESUMPTION OF MARKET

- Bursa will ensure that sufficient notice will be given to the market on resumption.
- The market will be alerted via SPI message at least 10 minutes before resumption. For example: *“Market will resume at 3.30 pm with a pre-opening phase for 10 minutes, to be followed by subsequent trading phases till the market closes.”*
- On resumption, the affected product group will open with a pre-opening phase and continue with the rest of the trading phases until market ends.
- Depending on the circumstances of the case, the pre-opening will be set at least for 10 minutes to allow the dealers to modify their orders accordingly.
- For example, assuming that trading on FKLI was interrupted and subsequently resumes at 3.30 pm, the system will be set as follows:
 - Pre-opening phase 3.30 pm to 3.40 pm (10 minutes)
 - Opening phase 3.40 pm
 - Continuous trading phase 3.40 pm to 5.10 pm (90 minutes)
 - Pre-closing phase 5.10 pm to 5.15 pm (5 minutes)
 - Closing phase 5.15 pm
- Bursa will ensure that on resumption, trading on the affected product group can proceed for at least half an hour, otherwise it will resume on the next trading session.
- Bursa reserves the right to extend its trading hours to accommodate the resumption of trading if it is necessary to do so to ensure a fair and orderly market.

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1. INTRODUCTION

This document outlines the policies and procedures for cancellation of trades due to price keying-in errors by participants.

2. POLICIES

- All trade cancellations are subject to final approval of the Exchange.
- A levy of RM1,000.00 will be imposed on the requesting TP for any one approved cancellation.
- All trade cancellations shall be effected only by the designated personnel at the TPs

3. PROCEDURES

REQUESTING TRADING PARTICIPANT (TP)

- The designated personnel of the requesting TP is to notify the Derivatives Market Operations (DMO), Bursa Malaysia Bhd staff by phone within 15 minutes of the error trade execution. Depending on the circumstances of the case the Exchange may use its discretion to extend the 15minutes duration.
- He/She must then complete the “PARTICIPANT MISTAKES - ERROR TRADE INFORMATION FORM” and fax it immediately to the Head of DMO.

DERIVATIVES MARKET OPERATIONS

- Upon receipt of the “PARTICIPANT MISTAKES - ERROR TRADE INFORMATION FORM” from the requesting TP, the Exchange:-
 - (i) Issue a SPI message alerting the market of the request for cancellation of a specified trade;
 - (ii) Decide on whether to allow the cancellation either partially or fully based on the details given in the “PARTICIPANT MISTAKES -ERROR TRADE INFORMATION FORM”.
 - (iii) Inform the designated personnel of the requesting TP and the market on the final decision.

4. DESIGNATED PERSONNEL

- The Exchange will only entertain trade cancellation request from the TP's designated personnel.
- In order to facilitate order cancellation, TP may nominate up to 3 designated personnel for this purpose. Those TPs who need to nominate more than 3 designated personnel may write to the Market Operations for consideration.
- TP must inform the Exchange in writing immediately on the removal or addition of designated personnel

APPLICATION TO REVIEW CANCELLED CONTRACTS PURSUANT TO RULE 707.2(3) OF THE RULES OF BURSA MALAYSIA DERIVATIVES BERHAD

- 1) Where a Trading Participant ("TP") or investor is not satisfied with a contract cancelled by Bursa Malaysia Derivatives Berhad ("Bursa Derivatives") pursuant to Rule 707.2(1) of the Rules of Bursa Derivatives, the TP may apply to the Exchange for a review of the cancelled contract.
 - 2) An application for review of a cancelled contract must be made by the TP (including where the cancelled contract was executed for its client) on the same day of the cancellation of the contract.
 - 3) The above application (in hard copy form) with relevant supporting documents and/or particulars should be submitted to Head, Customer Care & Complaints Bureau (CCCB), Lower Ground Floor, Exchange Square, Bukit Kewangan, 50200 Kuala Lumpur. The application may be submitted via fax at **03-27325258**, however the hard copy of the application with relevant supporting documents must be submitted to CCCB by the next business day.
 - 4) In the above application clearly please provide justification for the application and the action that the TP is seeking from the Exchange. The action sought must not include a revocation of the cancelled contract as the cancellation is irrevocable pursuant to Rule 707.2(2).
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