

## INTERPRETATION

In these Rules, unless the context otherwise requires, the word standing in the first column set out below shall bear the meaning set out opposite to them respectively in the second column thereof.

“Act”	The Capital Markets and Services Act 2007.
“Agreement”	An agreement in prescribed form between a Clearing Participant and the Clearing House regulating the terms and conditions of participation of such Clearing Participant in one or more of the services or facilities of the Clearing House made available to such Clearing Participant.
“Approved SBLNT Borrower”	A person whose application to participate as a borrower in SBL Negotiated Transactions either to borrow for itself or its client, has been approved by the Clearing House.
“Approved SBLNT Lender”	A person whose application to participate as a lender in SBL Negotiated Transactions, either to lend its own Securities or Securities owned by its client, has been approved by the Clearing House.
“Approved Supplier”	A person approved by the Clearing House to be a supplier in an ISSBNT.
“Approved User”	A person approved by the Clearing House to be a user in an ISSBNT.
“Articles”	The Articles of Association of the Clearing House.
“ATS”	The automated and computerised Securities trading system established by the Exchange.
“Books”	Same meaning as is assigned to that expression in the Act.
“Book-entry”	In relation to any transaction made or effected in respect of Securities, the debiting of the delivering depositor’s or the selling depositor’s securities account with the number of Securities sold and the crediting of the receiving depositor’s or the purchasing depositor’s securities account with the number of Securities purchased.
“Borrower”	A Trading Clearing Participant or such other category of persons who may be prescribed by the Clearing House to be eligible to apply to become a Borrower and whose application to be a Borrower pursuant to the SBL Conditions has been approved by the Clearing House.
“Borrowing Representative”	A Trading Clearing Participant or such other category of persons prescribed by the Clearing House to be eligible to apply to become a Borrowing Representative, who has been approved by the Clearing House to perform certain functions with respect to borrowing of Securities by the Approved SBLNT Borrower.
“Bursa SBL”	The Securities borrowing and lending business established and operated by the Clearing House acting as a central lending agency.

“Bursa SBL Participant”	The Lending Participant, Lender or Borrower or any one or more of them, as the context may require.
“Bursa SBL System”	The system for Securities borrowing and lending established and operated by the Clearing House for carrying out transactions relating to the Bursa SBL and/or transactions contemplated under the SBL Conditions.
“Bursa SBL Transaction”	A Securities borrowing and lending transaction where Eligible Securities are borrowed from or lent to the Clearing House acting as a central lending agency.
“Buy Transaction”	<p>In relation to the ISS, a transaction, being an agreement for the purchase of Securities by:</p> <p>(a) a Clearing Participant acting as a principal; or</p> <p>(b) a Client,</p> <p>through a Trading Clearing Participant on the Exchange as a buyer to a Market Contract.</p>
Cash Settlement Amount	The amount received by the buying Trading Clearing Participant in lieu of the delivery of the relevant securities in the circumstances set out in Rules 5.2B(b), 5.2C and 5.2D.
“Central Bank”	The Central Bank of Malaysia established under section 3 of the Central Bank of Malaysia Act 1958.
“Central Depository”	Same meaning as is assigned to that expression in the Act.
“CDS”	Central Depository System.
“Clearing and Settlement Functions”	The functions of a Clearing Participant in relation to clearing and settling transactions in securities.
“Clearing Guarantee Fund” or “CGF”	The fund referred to in Rule 6.1.1.
“Clearing House”	Bursa Malaysia Securities Clearing Sdn Bhd.
“Clearing House Direct Business Account”	(See Rule 5.8(a)(v))
“Clearing facility”	<p>(a) A facility for the clearing or settlement of transactions in securities traded on a stock exchange;</p> <p>(b) A facility for the guarantee of settlement of transactions referred to in paragraph (a); or</p> <p>(c) Such other clearing or settlement facility or class of clearing or settlement facilities as the Commission with the approval of the Minister for the time being charged with the responsibility for finance may allow.</p>
“Clearing Participant”	A Trading Clearing Participant or Non Trading Clearing Participant or any one or more of them, as the context may require.
“Clearing Privileges”	Privileges of Clearing Participants to clear and settle transactions through the Clearing House as specified in the Rules.

“Client”	A person on whose behalf the Clearing Participant acts in relation to an ISS Transaction.
“Closing Price”	Same meaning as is assigned to that expression in the Exchange Rules
“Collateral”	All or any of the monies and assets provided to the Clearing House by or for a Trading Clearing Participant in connection with Margin and includes the excess Collateral referred to in Rule 5.12.
“Commission”	The Securities Commission Malaysia established under the Securities Commission Malaysia Act 1993 (Act 498).
“Commission’s Licensing Handbook”	The licensing handbook issued by the Commission pursuant to Section 377 of the Act and includes any subsequent amendments, modifications, variations, supplements or substitutes.
“Contract Date”	The day the sell or buy order for an On-Market Transaction is matched in the ATS.
“Contribution”	The amount paid by a Trading Clearing Participant as contribution to the Clearing Guarantee Fund pursuant to Rule 6.2.1.
“Corporation”	Same meaning as is assigned to that expression in the Companies Act 1965 (Act 125).
“Defaulter”	A Trading Clearing Participant who is the subject of any Default Proceedings.
“Default Proceedings”	Any proceedings or other action taken by the Clearing House under its Default Rules.
“Default Rules”	Rules which provide for the taking of Default Proceedings by the Clearing House in relation to Market Contracts or Bursa SBL Transactions, as the case may be, as set out in Chapter 4.
“Depository Rules”	The Rules of the Central Depository
“Direct Business Comparison System”	(See Rule 5.8(a)(v))
“Direct Business Contract”	(a) A contract for sale and purchase of Securities traded on the stock market of the Exchange that is done outside the ATS in accordance with the Exchange Rules; or  (b) Any other transaction in Securities which shall be determined by the Clearing House from time to time as being a Direct Business.
“Director”	[Deleted]
“Document”	Same meaning as is assigned to that expression in the Act.
“Eligible Securities”	The Securities prescribed by the Clearing House in the SBL Circulars from time to time as approved for lending or borrowing either in a Bursa SBL Transaction or a SBL Negotiated Transaction.
“Event of Default”	An event or state of affairs relating to a Trading Clearing Participant as referred to in Rule 4.1.

“Exchange”	Any body corporate which has been approved by the Minister under subsection (2) of section 8 of the Act for which the Clearing House provides its services on the clearing and settlement of transactions in securities effected on or subject to the Exchange Rules.
“Exchange Holding Company”	Bursa Malaysia Berhad.
“Exchange Rules”	The Rules governing among others, the participating organisation of the Exchange.
“Extinguishment of the ISSBNT”	The removal of the ISSBNT from the ISSBNT System in the manner and subject to the conditions as may be prescribed by the Clearing House, and the word “Extinguish” is to be construed accordingly.
“Goods and Services Tax” or “GST”	[Deleted]
“Guidelines on Investment Banks”	The Guidelines on Investment Banks issued jointly by the Central Bank and the Commission, including subsequent amendments, modifications, variations, supplements or substitutes thereto and any directives or guidelines as may be issued thereunder.
“ISS”	The institutional settlement service provided by the Clearing House and made available for the benefit of Clearing Participants whereby ISS Transactions are to be cleared and settled by the Clearing House.
“ISS Affirmation”	A written input from a Clearing Participant in such form as determined by the Clearing House and submitted to the Clearing House to instruct the Clearing House to act in relation to an ISS Transaction involving such Clearing Participant for which an ISS Confirmation is to be or has been issued.
“ISS Confirmation”	One or more written input from a Clearing Participant in such form as determined by the Clearing House and submitted to the Clearing House to instruct the Clearing House to act in relation to an ISS Transaction involving such Clearing Participant for which an ISS Instruction is to be or has been issued and includes an input to redeliver the said ISS Instruction to another Clearing Participant for settlement of the said ISS Transaction.
“ISS Instruction”	A written input from a Clearing Participant in such form as determined by the Clearing House and submitted to the Clearing House to instruct the Clearing House to act in relation to an ISS Transaction involving such Clearing Participant.
“ISS Transaction”	A Buy Transaction or Sell Transaction in respect of which a Trading Clearing Participant and/or one or more Clearing Participants have issued ISS Instruction, ISS Confirmation or ISS Affirmation, as the case may be, to the Clearing House for clearance and settlement of the transaction under the ISS.
“ISSBNT Negotiated Transaction” or “ISSBNT”	A Securities selling and buying transactions entered into between an Approved Supplier and an Approved User based on the ISSBNT Model and facilitated by the Clearing House in accordance with the Rules.
“ISSBNT Circulars”	Any circulars, guidelines, procedures, terms and conditions and all

	other written requirements as may be prescribed and issued by the Clearing House, whether or not electronically, relating to the ISSBNT.
“ISSBNT Eligible Securities”	That portion of the Eligible Securities prescribed by the Clearing House as approved for an ISSBNT.
“ISSBNT Model”	The prevailing Islamic Securities Selling and Buying – Negotiated Transaction model endorsed by the Shariah Advisory Council of Securities Commission Malaysia.
“ISSBNT Participant”	The Approved Supplier or Approved User, or both, as the context may require.
“ISSBNT Participant / Representative”	The Approved Supplier, Approved User, Supplier Representative or User Representative, or any one or more of them, as the context may require.
“ISSBNT Securities”	The ISSBNT Eligible Securities that are sold or purchased in relation to an ISSBNT.
“ISSBNT System”	The system operated by the Clearing House to facilitate ISSBNT.
“Immediate Basis Contract”	[Deleted]
“Investment Bank”	An Investment Bank as referred to in the Guidelines on Investment Banks.
“Investment Bank Capital Adequacy Framework”	The Investment Bank Capital Adequacy Framework referred to in the Guidelines on Investment Banks.
“Last Done Price”	Same meaning as is assigned to that expression in the Exchange Rules.
“Leg 1 of the ISSBNT”	The initial sale of the ISSBNT Eligible Securities by the Approved Supplier to the Approved User in accordance with the ISSBNT Model.
“Leg 2 of the ISSBNT”	Any subsequent sale by the Approved User to the Approved Supplier of similar or equivalent securities as that of Leg 1 of the relevant ISSBNT in accordance with the ISSBNT Model.
“Lender”	A Lending Participant who via the Bursa SBL has specified Eligible Securities as being available for lending and whose Specified Eligible Securities have been approved for loan to the Clearing House pursuant to the SBL Conditions;
“Lending Agent”	A Clearing Participant who has been approved by the Clearing House to perform certain functions with respect to lending of Securities by the Lending Participant or the Lender to the Clearing House in a Bursa SBL Transaction as specified in these Rules or any directives, circulars or instructions issued by the Clearing House and who is appointed as an agent to act on behalf of the Lending Participant or the Lender in respect of these functions;
“Lending Participant”	A person who has been approved by the Clearing House as a lending participant and who has not since then withdrawn its application to be a lending participant;

“Lending Interest”	A notification submitted by the Lending Participant or Lender of its wish to lend Eligible Securities to the Clearing House which includes, amongst others, the following –  (a) the description and quantity of the Eligible Securities it wishes to lend; and  (b) the account number of the securities account from which the Loaned Securities are to be debited;
“Lending Representative”	A Trading Clearing Participant, Non Trading Clearing Participant or such other category of persons prescribed by the Clearing House to be eligible to apply to become a Lending Representative, who has been approved by the Clearing House to perform certain functions with respect to lending of Securities by the Approved SBLNT Lender.
“Listing Requirements”	The rules governing the listing of Securities and regulation of listed issuers on the stock market(s) of the Exchange, where the transactions in such Securities are cleared or settled through the Clearing House.
“Loaned Securities”	The Eligible Securities that are lent or borrowed.
“Margin”	The amounts required to be provided by a Trading Clearing Participant to the Clearing House pursuant to Rule 5.9 to manage the risks arising from the Trading Clearing Participant’s obligations in respect of its Novated Contracts.
“Market Day”	The day on which both the Clearing House and the Exchange are open for business.
“Market Contracts”	(a) Novated Contract; or  (b) Direct Business Contract.
“Non Trading Clearing Participant”	A person who is admitted by the Clearing House as a Clearing Participant to participate in the ISS.
“Novated Contract”	A contract between the Clearing House and a Trading Clearing Participant arising as a result of the novation of an On-Market Transaction referred to in Rule 5.1A(a).
“Officer”	Same meaning as is assigned to that expression in the Act.
“On-Market Transaction”	A transaction in Securities that is concluded by way of:  (a) automated matching of orders entered into the order book maintained in the ATS in accordance with Rule 8.08 of the Exchange Rules; or  (b) a transaction that is concluded in accordance with Rule 8.14 of the Exchange Rules.
“Operational Procedure”	The Operational Procedure(s) of the Clearing House in relation to any of the services or facilities of the Clearing House containing the practices, procedures and requirements relating to the operations and functions of any such services or facilities of the Clearing House, issued from time to time.

“Participants”	Clearing Participants, SBL Participants/Agents and ISSBNT Participants/Representatives who are not Clearing Participants, or any one or more of them, as the context may require.
“Ready Basis Contract”	A contract where the date and time for delivery and settlement for the buying and selling of Securities traded on the stock market of the Exchange are as stipulated in Schedules 2 and 3 of the Exchange Rules.
“Record”	Same meaning as is assigned to that expression in the Act.
“Relevant Details”	Those details with respect to an ISS Transaction which the Clearing House may prescribe from time to time as being mandatory, the reporting of which in an ISS Instruction, ISS Confirmation or ISS Affirmation, as the case may be, is required for the purpose of clearance and settlement of the ISS Transaction.
“Relevant office-holder”	<ul style="list-style-type: none"><li>(a) The Director General of Insolvency appointed under section 70 of the Bankruptcy Act 1967 [Act 360];</li><li>(b) Any person acting in relation to a company as its liquidator, provisional liquidator, receiver or manager;</li><li>(c) Any person acting in relation to an individual as his trustee in bankruptcy or interim receiver of his property;</li><li>(d) Any person appointed pursuant to an order for the administration in bankruptcy of an insolvent estate of a deceased person; or</li><li>(e) A Special Administrator appointed under the Pengurusan Danaharta Nasional Berhad Act 1998 [Act 587].</li></ul>
“Rules”	Same meaning as is assigned to that expression in the Act, in relation to the Clearing House
“SBL Circulars”	Any circulars, guidelines, procedures, terms and conditions and all other written requirements as may be prescribed and issued from time to time by the Clearing House, whether or not electronically, relating to the Bursa SBL Transactions, the SBL Negotiated Transactions, the SBL Conditions or the transactions contemplated under the SBL Conditions;
“SBL Conditions”	The prescribed application to be approved as a Lending Participant together with the Bursa SBL (Terms and Conditions for Lending Participant and Lender) or the prescribed application to be approved as a Borrower together with the Bursa SBL (Terms and Conditions for Borrower) individually or collectively, as the context may require, as may be amended, modified or varied from time to time, and shall include the SBL Circulars for the time being in force;
“SBL Negotiated Transaction or SBLNT”	A Securities borrowing and lending transaction entered into between an Approved SBLNT Lender and an Approved SBLNT Borrower where the parties may negotiate and agree on the terms of the transaction and the transaction is facilitated by the Clearing House in accordance with the Rules.
“SBL Participant/Agent”	The Lending Participant, Lender, Borrower, Approved SBLNT Lender, Approved SBLNT Borrower, Lending Agent, Lending



	Representative or Borrowing Representative, or any one or more of them, as the context may require.
“SBLNT Participant”	The Approved SBLNT Lender or Approved SBLNT Borrower, or both, as the context may require.
“SBL Participant/ Representative”	The Approved SBLNT Lender, Approved SBLNT Borrower, Lending Representative or Borrowing Representative, or any one or more of them, as the context may require.
“SBLNT System”	The system operated by the Clearing House to facilitate SBL Negotiated Transactions.
“Scheduled Financial Settlement Time”	The scheduled financial settlement time referred to in Rule 5.3(h).
“Sell Transaction”	In relation to ISS, a transaction, being an agreement for the sale of Securities by:  (a) a Clearing Participant acting as a principal, or  (b) a Client,  through a Trading Clearing Participant on the Exchange as a seller to a Market Contract.
“Securities”	Same meaning as is assigned to that expression in the Act.
“Service Provider”	The entity within the group or an external entity to which the Clearing Participant has outsourced the Clearing and Settlement Functions and includes any subsequent service provider(s) to whom the initial service provider or any subsequent service provider has further contracted the Clearing and Settlement Functions.
“Specified Eligible Securities”	The Eligible Securities specified by the Lending Participant or Lender via the Bursa SBL System which are available for lending to the Clearing House as may be updated from time to time through the Bursa SBL System;
“Supplier Representative”	A person approved by the Clearing House to perform certain functions with respect to the selling of Securities by the Approved Supplier in an ISSBNT.
“Tick”	The minimum change allowed in the bidding price for buying-in of Securities referred to in Rule 5.2A as set out in Schedule 5-1.
“These Rules” or “The Rules”	The Rules of the Clearing House
“Tradeable Balance”	(a) Securities marked as “free” in the relevant securities accounts; or  (b) Securities that are due to be delivered to the relevant securities account pursuant to an outstanding purchase contract. An outstanding purchase contract means a purchase contract that was executed by the selling TCP as defined in Rule 5.2A(a) for the same securities account prior to the sale referred to in Rule 5.2A(a), and the Securities in the purchase contract have not been delivered to such securities account.



“Trading Clearing Participant”	A person who is a participant of the Exchange and admitted by the Clearing House as a Clearing Participant to participate in one or more of the services provided by the Clearing House.
“User Representative”	A person approved by the Clearing House to perform certain functions with respect to the buying of Securities by the Approved User in an ISSBNT.

Save as otherwise stated herein words and expressions used in these Rules shall have the meanings as assigned to it under the Act wherever applicable.

Words importing the singular number shall include the plural number and vice versa.

Words importing the masculine gender only shall include the feminine or neuter genders.

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.

# CHAPTER 1

## GENERAL RULES

### 1.1 COMPLIANCE WITH THE ACT

The Clearing House, its Officers, employees and agents shall at all times comply with the Act and lawful directions given thereunder by the relevant authority.

### 1.2 REPEAL OR CHANGE OF RULES

- (a) Any Rule may be added, repealed, or amended by the Clearing House subject to the approval of the Commission whenever necessary, as provided under the Act. Any repeal or amendment to the Rules may take effect so as to apply to contracts concerning a Clearing Participant at the time such repeal or amendment comes into effect. The Rules shall be binding upon all the Clearing Participants.
- (b) In addition to sub-rule (a) above:
  - (i) The Clearing House may from time to time amend, extend or delete the provisions of any Operational Procedures and such amendments, extension, or deletions may be made with immediate effect or otherwise as the Clearing House shall determine.
  - (ii) The Clearing House shall notify Clearing Participants of any amendments, exclusion, or deletion made to the Rules or Operational Procedures and the effective date thereof.
  - (iii) Clearing Participants shall be bound by and observe such amendments, extension or deletions to the Rules and Operational Procedures.
  - (iv) The Operational Procedures shall have effect and binding on the Clearing Participants. In the event of any conflict between the Rules and the Operational Procedure, unless otherwise determined by the Clearing House, the Rules shall prevail.
  - (v) The Clearing House may from time to time issue directives, orders, directions or procedure notes relating to all or any part of the operations, services or facilities of the Clearing House and such orders, directions or procedure notes shall be binding on the Clearing Participants or one or more categories of Clearing Participants. The Clearing Participant shall be required to comply with such directives, orders, directions or procedure rules in the same manner and to the same extent as if their provisions are contained in the Rules.

### 1.3 CLEARING PRIVILEGES

Clearing Privileges shall extend only to Clearing Participants.

## **1.4 ROLE AND OBLIGATIONS OF THE CLEARING HOUSE**

- (a) The Clearing House shall provide services which include the clearing and settlement of transactions in Securities effected on, or subject to the Exchange Rules and the Depository Rules, wherever applicable
- (b) In consideration of the role and obligations of the Clearing House under sub-rule(a) the Clearing House shall charge clearing fees at the rate which may be determined by the Clearing House and approved by the Commission, from time to time. The Clearing House shall inform all Clearing Participants of changes to the rate of the clearing fees by at least fourteen (14) days notice in writing.
- (c) Notwithstanding sub-rule (b), the Clearing Participant shall pay whether annually or otherwise such fees, charges, expenses and disbursement with respect to any of the services and facilities made available by the Clearing House to the Clearing Participant as shall be specified from time to time by the Clearing House or as provided under the Operational Procedures, to be payable at such times and in such manner as shall be specified by the Clearing House.

## **1.5 INDEMNITY BY CLEARING PARTICIPANT**

Each Clearing Participant shall indemnify the Clearing House, its agents, representatives, directors, officers and employees and hold each of them harmless against all costs, fees, expenses, liabilities, taxes, assessment, losses and damages of any nature whatsoever suffered or incurred by them directly or indirectly as a result of or in connection with the following matters:

- (a) the participation in any of the services or facilities of the Clearing House by the Clearing Participant or the Clearing Participant's activities in any of the services or facilities and all matters relating thereto as contemplated in the Rules;
- (b) the failure by the Clearing Participant to comply with the provisions of the Rules, Operational Procedures and any Agreement (including without limitation the representations and warranties contained therein) or to comply with any conditions imposed on the Clearing Participant or to comply with any directives or regulation of the Clearing House;
- (c) the actions and/or omission by the Clearing House, its agents, nominees, employees, directors, officers and representatives in reliance on any instructions or communication believed in good faith by any of them to have been given by or on behalf of the Clearing Participant, or the failure of the Clearing Participant to give instructions to the Clearing House as contemplated in the Rules.

## **1.6 PROHIBITION OF IMPROPER USE OF INFORMATION**

- (a) Any officer, employee or agent of the Clearing House or person who is or in relation to dealing in Securities of a Corporation, has any information which if generally known might reasonably be expected to affect materially the price of the subject-matter of the dealing on The Exchange and which:-
  - ii he holds by virtue of his official capacity or former official capacity;
  - iii it would be reasonable to expect a person in his official capacity or former official capacity not to disclose except for the proper performance of the functions attaching to that official capacity; and

iiii he knows is unpublished price-sensitive information in relation to Securities of the Corporation,

shall not make improper use of such information to gain, directly or indirectly, an advantage for himself or for any other person.

(b) Where any one of the persons stipulated under subsection (a) fails to comply with, observe or give effect to this Rule (“the person in default”), the Clearing House may take any action it deems fit against the person in default whether in accordance with the Rules.

## **1.7 IMMUNITY**

No liability shall be incurred by the Clearing House or any person acting for the Clearing House in respect of anything done or omitted to be done in good faith in the performance or purported performance of its/his duty.

## **1.8 PARTIAL INVALIDITY**

If at any time any provisions of the Rules becomes illegal, invalid or inapplicable in any respect, the legality, validity, or enforceability of the remaining provisions shall not in any way be affected or impaired thereby.

## **1.9 GOVERNING LAW AND JURISDICTION**

The interpretation, construction and operations of the Rules and the respective rights and obligations of the Clearing House and the Clearing Participant shall be determined under the laws of Malaysia and each Clearing Participant agrees to submit to the jurisdiction of the courts of Malaysia.

## **1.10 OPERATIONAL PROCEDURES**

The Clearing House shall, pursuant to the Rules, prescribe from time to time procedures and other regulations with respect to any of its services or facilities. Each Clearing Participant shall be bound by such procedures and regulations and any amendments thereto.

## **1.11 THIRD PARTY RIGHTS AND INTEREST NOT RECOGNISED**

The Clearing House does not recognise in relation to any of its services or facilities and in its dealings any parties or the rights and/or interests of any parties other than its Clearing Participant. Every transaction to be cleared and settled or cleared and settled by the Clearing House for account of the Clearing Participant shall be in accordance with the Rules.

## **1.12 THE CLEARING HOUSE TO INTERPRET RULES**

Subject to any law and unless expressly provided to the contrary, all issues relating to the interpretation or application of or any matter relating to the Rules, including without limitation, any Operational Procedure, directive, order, direction or practice note issued by the Clearing House, shall be determined by the Clearing House, whose decision shall be final and binding on all Clearing Participants.

### **1.13 POWER TO WAIVE OR MODIFY COMPLIANCE WITH THE RULES**

- (a) The Clearing House may, at any time, waive or modify compliance with a Rule or part of a Rule.
- (b) If the Clearing House waives or modifies compliance with a Rule or part of a Rule subject to a condition or conditions, such condition or conditions must be complied with for the waiver or modification of compliance to be effective.

### **1.14 NEW AND ADDITIONAL SERVICES**

The Clearing House may from time to time offer to Clearing Participants new or additional services, and Clearing Participants may elect to utilise such new or additional services, subject to compliance with and observations of any Rules or Operational Procedures pertaining thereto and such other requirements and conditions that the Clearing House may specify or impose on Clearing Participants from time to time.

### **1.15 SUSPENSION OF SERVICES**

- (a) If in the opinion of the Clearing House, any of its operations, services or facilities provided to Clearing Participants is or is likely to be impeded by any event or circumstances, the Clearing House may suspend the whole or any part of such operations, services or facilities, as the case may be, provided to the Clearing Participant for such duration as it considers necessary.
- (b) In addition to or as an alternative to suspension, the Clearing House may take such other actions as it deems necessary or appropriate in the circumstances in the interest of the Clearing Participants.
- (c) The Clearing House shall notify the Clearing Participants, the Exchange and the Commission as soon as practicable upon a decision to suspend any operation, service or facility and may also provide information as to any other action it proposes to take.

### **1.16 RECTIFICATION OF ERRORS AND OMISSIONS**

- (a) The Clearing House reserves the right to rectify any error made in the provision of any of its services, facilities or operations, including, without limitation to rectify any erroneous instruction to the Central Depository to debit or credit a Clearing Participant's designated securities account, any erroneous instruction to a clearing bank to effect payment or to receive payment from a Clearing Participant and any erroneous statement or report issued to a Clearing Participant by the Clearing House.
- (b) Without prejudice to any other right that the Clearing House may have, if the Clearing House has issued an erroneous instruction to credit securities to a Clearing Participant's designated securities account, the Clearing House shall require the Clearing Participant to return the erroneously credited Securities immediately or by such period as may be specified by the Clearing House. In this connection, and without prejudice to any rights the Clearing House may have, if, as a result of any rectification by the Clearing House of any erroneous credit to a designated securities account of a Clearing Participant pursuant to this Rule, there are insufficient or no Securities in the Clearing Participant's designated securities account to enable the erroneous credit to be rectified, the Clearing House may require the relevant Clearing Participant to replace the relevant amount of Securities. In this respect, the Clearing House may require the relevant Clearing Participant to provide to the Clearing House forthwith a cash sum in such amount as the Clearing House considers appropriate as

collateral. The Clearing House' only obligation in respect of any such funds paid to the Clearing House shall be to refund to the relevant Clearing Participant an amount equal to the cash sum paid to the Clearing House as collateral pending the return of the relevant Securities. If the relevant Securities are not returned by the Clearing Participant immediately or within the period specified by the Clearing House, the Clearing House may itself purchase the replacement Securities on behalf of the relevant Clearing Participant and the cost and expenses of such a purchase shall be borne by the said Clearing Participant.

- (c) The Clearing House shall notify the relevant Clearing Participant concerned in respect of such a purchase, which purchase shall be effected at the prevailing market price and terms available (but taking into account that the Clearing House may be required to act promptly and the Clearing House shall have no liability to the Clearing Participant if it acts in good faith in effecting the purchase).
- (d) Each Clearing Participant undertakes to indemnify the Clearing House against all costs, expenses, fees, liabilities, taxes, losses and damages of any nature whatsoever incurred by the Clearing House directly or indirectly as a result of or in connection with the purchase of the replacement Securities by the Clearing House on the Clearing Participant's behalf.
- (e) Without prejudice to any other rights that the Clearing House may have, if the Clearing House has issued an erroneous instruction to credit funds to a Clearing Participant's bank account, the Clearing House shall require the Clearing Participant to refund the erroneous credited funds immediately or by such other period as may be specified by the Clearing House. In this connection, and without prejudice to any other rights that the Clearing House may have, if the Clearing Participant fails to refund the funds immediately or by the period specified by the Clearing House, the Clearing Participant shall be required to pay the Clearing House interest on the said amount at the prevailing base lending rate of the Clearing House' clearing bank which effected the credit of the funds on the erroneous instructions.
- (f) The Clearing House shall have no liability to the Clearing Participant if such Clearing Participant incurs any loss due to any erroneous instruction, statement or report issued by the Clearing House as a result of any processing of or reliance on any erroneous instruction, report or statement issued to the Clearing Participant with respect to any service, facility or operations provided by the Clearing House or with respect to any rectification of any such erroneous report or statement issued by the Clearing House.
- (g) In the event that the Clearing House makes an erroneous calculation for any fund settlement to be made by the Clearing House to a Clearing Participant with respect to the settlement of any Market Contract or ISS Transaction, any cash payment relating to fees and charges or any other payment due from or to a Clearing Participant, which results in the Clearing House being overpaid or a Clearing Participant being underpaid, as the case may be, the Clearing House shall as soon as practical pay or refund such amount due to the Clearing Participant as a result of the underpayment by Clearing House or overpayment to the Clearing House, as the case may be.

### **1.17 DUTY TO ACT IN GOOD FAITH**

The Clearing House undertakes to perform only such duties and obligations as are expressly set out in the Rules and the Agreement, wherever applicable. For the avoidance of doubt and recognising that the Rules and Operational Procedures do not constitute a contract of uberrimae fides, the Clearing House shall act in good faith in respect to all matters and things to be undertaken or performed by the Clearing House under the Rules with respect to any services or facilities provided to the Clearing Participant or its operations.

## **1.18 LIABILITY FOR NEGLIGENCE, WILFUL MISCONDUCT AND FRAUD**

Except as otherwise provided in the Rules, in the absence of negligence, wilful misconduct or fraud on the part of the Clearing House, the Clearing House shall not be liable to any Clearing Participant or to any other person with respect to any action or omission by the Clearing House in connection with the provision of any services to the Clearing Participant or its operations and facilities available thereunder and all other matters contemplated under these Rules.

## **1.19 FORCE MAJEURE**

The Clearing House shall not be liable for:

- (a) any action taken or for any failure, hindrance or delay in the provision of services or for any failure to give effect to or delay in giving effect to any instructions from the Clearing Participant with respect to its clearing and settlement services, the ISS or other services and facilities or the performance in whole or in part of its obligations under the Rules or under any Market Contract or ISS Transaction if such failure, hindrance or delay arises out of causes beyond the Clearing House's control; and
- (b) military authority, embargoes, fire, flood, explosion, accidents, labour disputes, mechanical breakdowns, computer or system failure, defects in computer or system software, interruptions of power supply or other utilities or service, any law, decree, regulations or orders of government or courts, and any other causes beyond the control of the Clearing House, including without limitation to the foregoing, any similar causes affecting the Exchange or the Central Depository (whether or not specified in their rules).

## **1.20 THE CLEARING HOUSE NOT TO BE LIABLE**

Except as otherwise expressly provided in the Rules, Clearing House shall have no liability for:-

- (a) a failure of a Clearing Participant to comply with or observe the Rules and Operational Procedures;
- (b) any action contemplated or permitted under the Rules;
- (c) the insolvency or the acts or omission of the Central Depository;
- (d) the insolvency or the acts or omission of the Exchange;
- (e) the insolvency or the acts or omission of the Clearing House' clearing bank(s);
- (f) the inability of the Clearing House to perform its function as a result of the invalidity or cancellation of any insurance or assurance, provided that the effecting of such insurance or assurance and the selection of the insurer by the Clearing House shall not be unreasonable at the time of the selection.

## **1.21 CONTINUING OBLIGATIONS OF THE CLEARING PARTICIPANT**

Unless otherwise waived by the Clearing House, a Clearing Participant shall continue to comply with any condition of admission imposed by the Clearing House and such further conditions as may be imposed by the Clearing House from time to time.



## **1.22 FURTHER ASSURANCES**

The Clearing House shall be entitled from time to time to require a Clearing Participant to provide on demand assurances in such form, to such extent and in such manner as is determined by the Clearing House to be appropriate by reference to, inter alia, the level of exposure of such Clearing Participant to the Clearing House and/or such other matter as the Clearing House shall consider appropriate.

## **1.23 STATEMENTS AND REPORTS**

- (a) The Clearing House shall furnish to the Clearing Participant such advice, statement and report at such times and in such manner as may be prescribed by the Clearing House.
- (b) It shall be the responsibility of the Clearing Participant to promptly check and reconcile with its own Records details of such advice, statement and report and to promptly notify the Clearing House in writing of any errors or erroneous omissions, in any event within one business day of receipt of the said advice, report or statement. The Clearing House reserves the right to rectify the error or omission at any time.
- (c) Any advice, statement or report made available by the Clearing House to the Clearing Participant shall in the absence of any manifest error, (in any event after one Market Day after the availability of the said report, advice or statement) be conclusive as to its subject matter.
- (d) Except as otherwise provided, the failure of the Clearing Participant to notify the Clearing House of any error or omission with respect of any advice, statements or report promptly (or within one Market Day of the availability thereof) shall, subject to the Rules, constitute a waiver in favour of the Clearing House by such Clearing Participant of any rights, claims or damages or losses or of any right to require rectification.

## **1.24 SERVICE BUREAU**

- (a) The Clearing House may in its discretion establish a service bureau and provide the Clearing Participant with computer terminals and other facilities to allow the input of instructions and communications to the Clearing House and access to statements, reports and advices issued by the Clearing House in relation to any services made available to the Clearing Participant.
- (b) The scope of and the manner in which such facilities are to be provided will be as determined by the Clearing House from time to time and notified under the to the Clearing Participant. The Clearing House may impose such restriction with respect to the use of such facilities to different categories of Clearing Participant.

## **1.25 DISCLOSURE OF INFORMATION**

- (a) The Clearing House shall have the authority to disclose the details of any information concerning a Participant in its possession if so required under any applicable law, decree, regulations or any governmental order, or order of any court, tribunal or other competent authority.
- (b) The Clearing House may disclose information at any time to the Exchange, the Commission, or any competent authority to which a Participant is subject or to any other person as the Clearing House deems appropriate, relating to or concerning the Participant and/or its activities in any of the services of the Clearing House or the

services or facilities made available to the Participant if the Exchange, the Commission, any competent authority or other person requests any such information. The Clearing House may disclose information relating to any of its services or facilities made available to the Participant including information relating to any Participant and/or their activities in any of the services or facilities of the Clearing House to the Exchange, the Commission, a competent authority or to any other party as the Clearing House deems appropriate, if the Clearing House considers such disclosure to be in the general interest of the Clearing House or its Participant.

- (c) The Clearing House may disclose any action taken by the Clearing House against a Participant under these Rules to the public or any other persons in any manner as the Clearing House considers fit or expedient.

### **1.25A ADDITIONAL ACTION THAT MAY BE TAKEN BY THE CLEARING HOUSE PURSUANT TO AN INSPECTION OR INVESTIGATION**

Pursuant to a finding from any inspection or investigation on a Clearing Participant, the Clearing House may require the Clearing Participant to take appropriate action against any of its employees or agents if such person caused the Clearing Participant to violate these Rules.

### **1.26 INCIDENTAL POWERS ETC. OF THE CLEARING HOUSE**

Where any provision of the Rules empowers, authorises or enables the Clearing House to do or enforce the doing of any act or thing, the Clearing House shall have all such powers or rights as may be necessary or reasonably incidental to the Clearing House doing or enforcing the doing of the act or thing.

### **1.27 POWERS OF THE EXCHANGE HOLDING COMPANY**

- (a) Where any provision of the Rules confers a right or power on the Clearing House to do any act or thing, such provision shall be deemed to confer the right or power on the Exchange Holding Company to do such act or thing on behalf of the Clearing House.
- (b) A Clearing Participant must comply with, observe or give effect to any action of the Exchange Holding Company pursuant to sub-rule (a) above.

### **1.28 APPEALS AGAINST DECISIONS OF THE CLEARING HOUSE**

- (1) Any decision of the Clearing House is final and binding and a person may only appeal against any action or decision taken or made by the Clearing House under these Rules if the right of appeal is expressly provided for under the relevant provision of these Rules.
- (2) The decision of the Clearing House on appeal is final and binding on the person appealing.

### **1.29 PERSONAL DATA NOTICE**

- (1) Any person who provides or has provided personal data to the Clearing House 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 Clearing House otherwise specifies in connection with the PDPA.
- (3) For the purposes of this Rule 1.29, ‘personal data’ shall have the same meaning given in section 4 of the PDPA.

### **1.30 [Deleted]**

### **1.31 PARTICIPANT TO INCLUDE OTHER PERSONS**

A Participant is responsible to the Clearing House for all acts or omissions of its owners, principals, directors, officers, employees, trainees, agents, service providers and sub-contractors.

### **1.32 REFERRAL OF CONDUCT TO OTHER AUTHORITIES**

The Clearing House may, at any time, refer the conduct of any Participant to the relevant authority, without giving notice to such person.

### **1.33 APPOINTMENT OF COMMITTEE, SUB-COMMITTEE OR OFFICERS**

The Clearing House may appoint a committee, sub-committee or officer(s) of the Clearing House or the Exchange Holding Company or an agent to exercise the Clearing House’s powers under these Rules, where appropriate.

### **1.34 CONFIDENTIALITY**

- (1) 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 its employee or agent, the Participant must keep the findings and results of such inspection or investigation, or testimony or documentation in connection with a disciplinary proceeding 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.
- (2) The Clearing House may release the findings and results of any inspection or investigation, or testimony or documentation in connection with a disciplinary proceeding or appeal to the Commission, Exchange or any other relevant body or authority (in Malaysia or outside of Malaysia) as the Clearing House considers fit, or

to such parties as the Clearing House considers fit for the purposes of the Clearing House's investigation, enforcement or both.

## CHAPTER 2

# CLEARING PARTICIPANTSHIP

### GENERAL SECTION

#### 2.1 ADMISSION OF CLEARING PARTICIPANT

- (a) An applicant for admission as a Clearing Participant shall apply in writing in such form or forms as may be prescribed by the Clearing House from time to time.
- (b) At anytime after receiving an application and before finally deciding upon it, the Clearing House may require the applicant to furnish additional information, whether relating directly to the applicant or not, which in the opinion of the Clearing House is, or could be material to its consideration of the application.
- (c) The Clearing House may in addition take into account any other information which it considers appropriate in relation to the applicant which may come into its possession or knowledge.
- (d) The Clearing House may, in approving an application, impose on the applicant, such additional requirements or conditions as it considers necessary.

#### 2.2 CATEGORIES OF CLEARING PARTICIPANT

- (a) Clearing Participant shall be categorised as follows:
  - (i) Trading Clearing Participant; or
  - (ii) Non Trading Clearing Participant
- (b) Unless otherwise stipulated specifically as (i) or (ii) above, the term "Clearing Participant" under these Rules shall refer to both Trading Clearing Participant and Non Trading Clearing Participant.

#### 2.3 FURTHER CATEGORIES OF CLEARING PARTICIPANT

The Clearing House may by notice from time to time establish further categories of Clearing Participant with such rights and obligations as the Clearing House may prescribe.

#### 2.4 RIGHTS AND OBLIGATIONS OF THE CLEARING PARTICIPANT

Each category of the Clearing Participant shall have such rights and obligations as are set out in the Rules and/or the Agreement, wherever applicable, and the Clearing House may by notice from time to time vary the rights and obligations attaching to each category of Clearing Participant.

## **2.5 GENERAL CRITERIA FOR ADMISSION**

- (a) In addition to the specific criteria set out in these Rules for each category of Clearing Participant, an applicant for admission under any category, may not be admitted unless it is able to satisfy the Clearing House that it is suitable to carry out the functions and operations as a Clearing Participant of the Clearing House.
- (b) In order to determine whether the applicant is suitable, Clearing House may take account of all such considerations as in its absolute discretion it sees fit including, but not limited to, the following:
  - (i) Financial integrity;
  - (ii) Absence of convictions or civil liabilities;
  - (iii) Competence;
  - (iv) Good reputation and character;
  - (v) Efficiency and honesty;
  - (vi) Scope of authorisation under any laws of Malaysia, or by a regulatory authority in Malaysia;
  - (vii) Operational capability, including adequately trained personnel, data processing capacity and suitable premises; and
  - (viii) Minimum financial requirement as may be prescribed by the Clearing House.

### **2.5A NO OBLIGATION TO APPOINT**

The Clearing House need not be obligated to admit every person who is eligible under Rule 2.5 to be a Clearing Participant. Any person who is aggrieved by virtue of not being admitted as a Clearing Participant may appeal in writing to the Clearing House. Upon presentation of the appeal, such person shall submit to the decision of the Clearing House whose decision shall be final and binding on that person.

## **2.6 WAIVER OF CRITERIA OR STANDARDS**

The Clearing House may waive any criteria or any standard as to any applicant either unconditionally or subject to such conditions as it may consider appropriate in the circumstances, if the Clearing House determines that the said criteria or standard, as applied to such applicant, is unduly or disproportionately onerous or that the conduct of the said applicant is such that it would not be against the best interests of the Clearing House or the other Clearing Participants and/or the efficient operations of any of the Clearing House' services or facilities.

## **2.7 ACCEPTANCE OF APPLICATION**

If the Clearing House resolves to admit an applicant, the applicant shall be so informed in writing and shall, subject to the Rules, become a Clearing Participant under the category with respect to which the application was made.

## **2.8 REJECTED APPLICATIONS**

If an application for admission as a Clearing Participant is not granted by the Clearing House, the applicant shall be so informed in writing. For the avoidance of doubt, the Clearing House shall not be required to specify any ground or reason for its decision.

## **2.9 CONDITIONS PRECEDENT**

Unless otherwise agreed by the Clearing House, where an applicant is admitted as a Clearing Participant under any category with respect to which the application was made, such Clearing Participant shall not be permitted to utilise the services or facilities of the Clearing House to be made available to the Clearing Participant, until the Clearing Participant:

- (a) enters into the Agreement relevant to such category of Clearing Participants, wherever applicable;
- (b) pays to the Clearing House all the application fees, admission fees and other charges imposed by the Clearing House and applicable to such category of Clearing Participants; and
- (c) has complied with such other conditions that the Clearing House in its discretion may have imposed when approving the application.

## **2.10 UNDERTAKINGS BY THE CLEARING PARTICIPANT**

Each Clearing Participant undertakes to the Clearing House that:

- (a) it shall comply with all laws, decrees, regulations, any governmental orders, orders from any competent authority, court or tribunal, applicable to it or to its participation in any of the services or facilities of the Clearing House;
- (b) it shall comply with the Rules, Operational Procedures, directives, directions, orders or practice notes from time to time issued by the Clearing House in respect of any of the services and facilities of the Clearing House, whether of a permanent or temporary nature;
- (c) it shall notify the Clearing House of any changes in the details supplied to the Clearing House at the time of making an application for admission as a Clearing Participant or any time thereafter;
- (d) it shall notify the Clearing House forthwith upon it becoming aware of any restriction imposed upon it by any regulatory authority to which it is subject or by any government authority, department or other government body, the courts or tribunals, or any competent authority which may affect its participation in any of the services or facilities or operations of the Clearing House;
- (e) it shall notify the Clearing House forthwith upon it becoming aware of the presentation of any petition for its bankruptcy or winding-up or of any bankruptcy or winding-up order made against it, the convening of any meeting to consider the voluntary winding-up or the passing of such a resolution, the appointment or purported appointment of a receiver or manager in respect of any of its assets, any changes in its financial condition which may lead to its inability to meet any of its obligations to the Clearing House or to its winding-up, bankruptcy, or the appointment of a receiver or manager in respect of any of its property, or any other changes in its circumstances which may affect or is material to its participation in any of the services or facilities of the Clearing House.



## **2.11 BOOKS AND RECORDS**

The Clearing Participant shall maintain Books and Records in sufficient detail of all transactions and other matters relating to any of its activities and/or related to such activities in any of the services or facilities made available to the Clearing Participant by the Clearing House.

## **2.12 TERMINATION OF PARTICIPATION**

- (a) Subject as otherwise provided in these Rules or the Agreement, the Clearing House may at any time by giving of not less than thirty (30) Market Days' notice in writing terminate the participation of a Clearing Participant in any one or more or all of the services and/or facilities made available by the Clearing House to the Clearing Participant.
- (b) Subject as otherwise provided in these Rules and notwithstanding what is provided in the Agreement, any Clearing Participant may by giving of not less than thirty (30) Market Days' notice in writing to the Clearing House terminate its participation in all or any one or more of the services and/or facilities made available to it by the Clearing House and the termination takes effect at either:
  - (i) the expiration of that notice period; or
  - (ii) when the Clearing Participant is no longer a counterparty to any Novated Contract (if applicable) and there is no further obligation or liability owed by the Clearing Participant to the Clearing House in respect of the relevant services or facilities,whichever is later.
- (c) The Clearing House may, in its absolute discretion, refuse to accept any notice of termination given by a Clearing Participant, or reject such a notice after it had been served but prior to its taking effect, if the Clearing House considers that any matter affecting such a Clearing Participant should be investigated under the disciplinary procedures or for any other reason.

## **2.13 IMMEDIATE TERMINATION OF PARTICIPATION**

Without prejudice to any rights that it may have under the Rules or the Agreement, wherever applicable, and notwithstanding anything to the contrary in the Rules or the Agreement, wherever applicable, the Clearing House may forthwith terminate by notice in writing a Clearing Participant's participation in any one or more or all of its services and facilities, if:

- (a) The Clearing House considers in its absolute discretion that any delay in the termination of the Clearing Participant's participation will be materially prejudicial or detrimental to the interests of the Clearing House or other Clearing Participants or will adversely affect any of its operations or services or facilities; or
- (b) in the event that:-
  - (i) the Clearing Participant ceasing its business or a material part thereof in the determination of the Clearing House; or
  - (ii) the Clearing Participant being subject to an adverse finding by any regulatory body or competent authority to which it is subject; or

- (iii) the Clearing Participant having any license, authority, permission, exemption, authorisation or other similar grant to conduct its business withdrawn, suspended or revoked by any competent authority or regulatory body to which it is subject; or
- (iv) the bankruptcy, winding-up, liquidation or the initiation of any proceedings in relation thereto or if the Clearing House in its absolute discretion considers that the occurrence of such an event is imminent or likely; or
- (v) the appointment of receiver or manager over the assets or property of the Clearing Participant or if the Clearing Participant suffers a composition with its creditors or if a scheme of arrangement is approved by the courts or if the Clearing House considers in its absolute discretion that the occurrence of such an event is imminent or likely; or
- (vi) any distress, execution or other process being levied or enforced or served upon or against the Clearing Participant.

## **2.14 CONSEQUENCES OF TERMINATION**

- (a) If at any time after the receipt of any notice to terminate from a Clearing Participant but before such notice takes effect, the Clearing House shall have the absolute discretion to decline to accept any instructions or give effect to any transaction involving the Clearing Participant if the Clearing House considers it is appropriate in the interest of the Clearing House, other Clearing Participant or if it would adversely affect any of the services or facilities provided by the Clearing House to the Clearing Participant.
- (b) The termination of participation in any one or more or all of the services of the Clearing House of a Clearing Participant, for whatever reason, shall be without prejudice to the rights of the Clearing House to enforce or sue upon any obligation owed to it which arises out of any matter which has taken place prior to the effective date of such termination.
- (c) The rights, powers and remedies of the Clearing House under Rules 1.5, 1.16(d), 5.10(g), 7.17, 7.18, 8.12(k) and 8.20 in relation to a Clearing Participant will survive the Clearing Participant's termination or suspension as a Clearing Participant.

## **2.15 COMPLIANCE WITH REQUIREMENTS**

Each Clearing Participant shall:-

- (a) comply and/or ensure compliance with the Rules and directives imposed by the Clearing House;
- (c) submit monthly returns, which are based on the accounting records of the Clearing Participant prepared on generally accepted accounting principles, to in such form as may be prescribed by the Clearing House from time to time within one calendar month of the last Market Day of each month of year;
- (c) submit a certified copy of its audited accounts to the Clearing House within three (3) months after the close of each financial year or such further period as the Clearing House may permit; and
- (d) lodge with the Clearing House any other statement or report lodged with the Commission or the Exchange at the time of its lodgement with the Commission or the Exchange, as the case may be.

## **2.16 DISPUTES BETWEEN CLEARING PARTICIPANTS**

- (a) Any disputes between Clearing Participants with reference to clearing and settlement and/or any of its activities in any of the services or facilities of the Clearing House, shall be brought to the notice of the Clearing House by notice in writing by either party to the dispute.
- (b) Clearing Participants shall not resort to any outside tribunal or a court of law for determination of any such dispute, unless the Clearing House for any reason whatsoever fails to state within thirty (30) days of receipt of written notice of any dispute from any of the parties to the dispute whether or not it is willing to act in the matter in dispute.
- (c) If the Clearing House decides to act in any such dispute it shall inform the party or parties to the dispute which gave the notice referred to in sub-rule (a) within the said thirty (30) days period. If the Clearing House fails to so inform the said party or parties within the said thirty (30) days period then the parties to the dispute shall be free to resort to any outside tribunal or a court of law for determination of such dispute.
- (d) If the Clearing House decides to act as aforesaid and gives notice as aforesaid within the said period of thirty (30) days the Clearing House may, if the parties to the dispute are unable to reach an agreement for settlement of the matter in dispute, appoint in its sole discretion one or more arbitrators for the purpose of adjudicating in the dispute.
- (e) Any arbitrator or arbitrators appointed by the Clearing House pursuant to sub-rule (d) shall arbitrate in the matter in dispute in accordance with the provisions of, and with all the usual powers of an arbitrator appointed pursuant to the Arbitration Act 1952 and any such statutory modification thereof for the time being in force and the award of such arbitrator or arbitrators shall be final and binding upon the parties to such dispute.

## **2.17 INCONSISTENCY BETWEEN RULES AND AGREEMENT**

In the event of any conflict or inconsistency between these Rules and the Agreement, these Rules will prevail to the extent of the conflict or inconsistency.

## CHAPTER 2

### SECTION A

## TRADING CLEARING PARTICIPANT

### A2.1 APPLICATION FROM OUTSIDE MALAYSIA

Where an application for Clearing Participantship is from outside Malaysia, the the Clearing House may consider its eligibility for Clearing Participantship with stipulated criteria which may be determined by the Clearing House from time to time.

### A2.2 CONTRIBUTION TO THE CLEARING GUARANTEE FUND

Every Trading Clearing Participant shall contribute to the Clearing Guarantee Fund which may be established and administered by the Clearing House. The Clearing House may, in consultation with the Commission, prescribe directives pertaining to the Clearing Guarantee Fund from time to time.

### A2.3 OUTSOURCING BY TRADING CLEARING PARTICIPANTS

- (a) A Trading Clearing Participant which outsources its Clearing and Settlement Functions must comply with these Rules and the Commission's Licensing Handbook as though the Trading Clearing Participant is the CMSL holder mentioned in the Commission's Licensing Handbook.
- (b) A Trading Clearing Participant must ensure that the Service Provider(s) comply with the Rules that are applicable to the outsourced functions in the same manner as the Trading Clearing Participant is required to.
- (c) A Trading Clearing Participant remains accountable for all outsourced Clearing and Settlement Functions and will be held liable for any act or omission on the part of the Service Provider which results in a breach of these Rules.
- (d)
  - (i) This Rule is not applicable to a Trading Clearing Participant which is an Investment Bank.
  - (ii) A Trading Clearing Participant which is an Investment Bank must instead comply with the Guidelines on Investment Banks and such other requirements of the Central Bank relating to the matter.

### A2.4 INVESTMENT BANK

In relation to a Trading Clearing Participant that has acquired the status of an Investment Bank after its admission as a Trading Clearing Participant under Chapter 2 of these Rules, the said Trading Clearing Participant shall notify the Clearing House in writing of the same at least seven (7) days (or such other time as may be determined by the Clearing House) prior to the commencement of its business as an Investment Bank, which notification shall be accompanied with such information or Documents as may be required by the Clearing House.

## **A2.5 MINIMUM FINANCIAL REQUIREMENTS**

Every Trading Clearing Participant shall comply with the minimum financial requirements imposed by the Exchange, as may be amended, varied, modified, supplemented or substituted, from time to time, as if it were the Participating Organisation referred to in the Exchange Rules. Such requirements shall be deemed to form part of these Rules.

## CHAPTER 2

### SECTION B

#### NON TRADING CLEARING PARTICIPANT

##### B2.1 ELIGIBILITY CRITERIA FOR NON TRADING CLEARING PARTICIPANT

In addition to the general criteria for admission set out in the General Section of this Chapter, an applicant for admission as a Non Trading Clearing Participant shall establish that:

- (a) (i) it is an organisation carrying on financial services business by providing safe custody facilities and services with respect to Securities listed and traded on the Exchange; OR
- (a) (ii) it is an organisation authorised or licensed under the laws of Malaysia to engage in investment business (directly or indirectly) and such organisation invests in Securities listed on and traded on the Exchange for its own account and/or for the account of clients or other parties; AND
- (b) (i) it is an organisation with a paid-up capital of not less than RM2 million, if it's a company limited by shares or by guarantee of not less than RM2 million, or such other amount as may be prescribed by the Clearing House from time to time; OR
- (b) (ii) it is a statutory organisation or authority of Malaysia or any state of Malaysia; AND
- (c) it is an organisation that is an Authorised Direct Member of the Central Depository as defined in the Depository Rules.

##### B2.2 ORGANISATION ENGAGED IN INVESTMENT BUSINESS

In order to establish that it is an organisation which falls within the criteria of Rule B2.1 (a) above, the organisation must satisfy the Clearing House that it falls within one of the following:

- (a) A body corporate incorporated within Malaysia and by notice prescribed in the gazette declared to be a public authority or agency of the Government of Malaysia or any state of Malaysia and engages in investment business;
- (b) a statutory body established under an Act of Parliament and engages in investment business;
- (c) a bank licensed under the Islamic Banking Act 1983 or a bank, merchant bank or finance company licensed under the Banking and Financial Institutions Act 1989;
- (d) A unit trust fund approved by the Commission or an asset management corporation duly licensed under the Act;

- (e) An issuer within the meaning of Section 2 (1) (c) of the Insurance Act 1963 authorised by the Director General of Insurance and engages in investment business; or
- (f) Any organisation which in the ordinary course of business engages in financial services and/or holds or manages the investment or Securities listed and traded on the Exchange by virtue of a licence or under an exempt status granted by the Commission or other regulatory authority under any law of Malaysia.

### **B2.3 DISCRETION TO ADMIT**

Where an applicant does not meet any one or more of the admission criteria under Rule B2.1, an applicant may still submit an application, and the Clearing House may in its absolute discretion consider such an application. The Clearing House may admit such applicant either unconditionally or subject to such conditions the Clearing House considers necessary in the circumstances.

### **B2.4 OUTSOURCING BY NON TRADING CLEARING PARTICIPANTS**

- (a) A Non Trading Clearing Participant which outsources its Clearing and Settlement Functions to a Service Provider must comply with the conditions set out in this Rule B2.4.
- (b) The Non Trading Clearing Participant must ensure compliance by the Service Provider(s) of all relevant requirements stipulated in any provision in these Rules, agreement between the Non Trading Clearing Participant and the Clearing House and direction issued by the Clearing House.
- (c) A Non Trading Clearing Participant remains accountable for all outsourced Clearing and Settlement Functions and will be held liable for any act or omission on the part of the Service Provider which results in a breach of these Rules.
- (d) The Non Trading Clearing Participant must have in place an insurance policy to protect it against any liability, loss or damage arising from any action or omission of the Service Provider in performing the said Clearing and Settlement Functions.
- (e) The Non Trading Clearing Participant must ensure that the Clearing House or its agent shall at all times have access to and be allowed to make copies of the Books of the Non Trading Clearing Participant or the Service Provider. The Non Trading Clearing Participant shall procure a written consent through a letter of undertaking from the Service Provider to allow the Clearing House or its agent to exercise its powers as stated above.
- (f) A Non Trading Clearing Participant must notify the Clearing House within 2 weeks from the signing of the relevant agreement(s) setting out the terms and conditions of the outsourcing arrangement, including where applicable, the agreement setting out the terms and conditions for sub-contracting the Clearing and Settlement Functions to another Service Provider (“relevant service level agreement(s)”).
- (g) A Non Trading Clearing Participant must, in respect of the outsourcing of the Clearing and Settlement Functions, notify the Clearing House of:
  - (i) the termination or variation of the relevant service level agreement(s); or
  - (ii) any adverse development arising from or in connection with the outsourcing arrangement that could significantly affect the Non Trading Clearing Participant,within 2 weeks from the occurrence of such event.



**CLEARING PARTICIPANTSHIP**

Form of Application under Chapter 2 of the Clearing House Rules  
for admission to Clearing Participantship

(Name/Address/Company Registration No)

(Date)

To The Board of Directors of  
Bursa Malaysia Securities Clearing Sdn Bhd

Gentlemen,

**APPLICATION FOR CLEARING PARTICIPANTSHIP**

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We (Name of Corporation) \_\_\_\_\_  
are desirous of being admitted as a Clearing Participant of Bursa Malaysia Securities Clearing Sdn Bhd (the Clearing House), upon the terms of and under and subject in all respects to its constitution and the Rules, which are now or hereafter may be, for the time being in force and any agreement(s) the covenants of which as may be stipulated by the Clearing House.

We hereby solemnly undertake to be bound in all respect by and comply with the said constitution, Rules and agreement(s).

Yours faithfully

(To be executed under the Common Seal  
of the Corporation pursuant to the Corporation's  
Memorandum and Articles of Association)

(Common Seal)

\_\_\_\_\_

Witnessed by

\_\_\_\_\_  
(Director)

\_\_\_\_\_  
(Director/Secretary)

## CHAPTER 2A

### INSPECTION AND INVESTIGATION

#### 2A.1 DEFINITION

In this Chapter 2A, “Relevant Person” means the Clearing Participant’s agents, directors and employees.

#### 2A.2 CLEARING HOUSE’S RIGHT TO INSPECTION

- (1) The Clearing House may conduct an inspection on a Clearing Participant at any time on any matter in relation to these Rules, the Clearing Participant’s internal policies and procedures and any other rules and regulations related to its functions as governed under these Rules.
- (2) A Clearing Participant and Relevant Person must:
  - (a) give or procure for the Clearing House all information, Documents, Books and Records the Clearing House requests for and allow the Clearing House to take copies and extracts of such Documents, Books and Records; and
  - (b) give the Clearing House access to the relevant premises for the Clearing House to conduct an inspection under Rule 2A.2.
- (3) A Clearing Participant and Relevant Person must:
  - (a) not hinder or obstruct the Clearing House during the inspection; and
  - (b) give the Clearing House all assistance the Clearing House reasonably requires to conduct the inspection.

#### 2A.3 [Deleted]

#### 2A.4 REPORTING

- (1) The Clearing House will notify the Clearing Participant concerned of the findings of the Clearing House’s inspection.
- (2) A Clearing Participant must table the Clearing House’s findings to the Clearing Participant’s board of directors as soon as possible.
- (3) A Clearing Participant must within such time as may be stipulated by the Clearing House:
  - (a) take corrective measure to address the Clearing House’s findings; and
  - (b) notify the Clearing House in writing of the Clearing Participant’s board of director’s decided course of action and corrective measures taken (if any) to address the Clearing House’s findings.

**2A.5** [Deleted]

**2A.6 POWER OF INVESTIGATION**

- (1) The Clearing House may conduct an investigation on a Participant at any time on any matter in relation to these Rules, the Participant's internal policies and procedures and any other rules and regulations related to its functions as governed under these Rules.
- (2) The Clearing House is empowered to:
  - (a) require a Participant to attend before the Clearing House at any time and to give such information that is relevant to the investigation;
  - (b) record statements from the persons referred to in Rule 2A.6(2)(a). A recorded statement may be used in disciplinary proceedings against a Participant;
  - (c) require a Participant to procure the attendance of any Relevant Person or consultant before the Clearing House and to give or procure such information relevant to the investigation;
  - (c) require the Participant or Relevant Person to give or procure for the Clearing House information, Documents, Books or Records that may be relevant to the investigation including requiring the Relevant Person to make copies or the Clearing House taking extracts of the same;
  - (d) enter the Participant's or Relevant Person's premises to seize, detain or take possession of any property, Document, Books or Records found at the Participant's or Relevant Person's premises or in the possession, custody or control of a Relevant Person that may be relevant to the investigation; or
  - (e) impose such requirement on the Participant that the Clearing House thinks reasonably necessary to facilitate the investigation.
- (3) A Participant and Relevant Person must:
  - (a) not hinder or obstruct the Clearing House during the investigation;
  - (b) give the Clearing House all assistance the Clearing House reasonably requires to conduct the investigation; and
  - (c) comply and give effect to any directives, orders, directions or procedures notes the Clearing House issues in exercising the powers under Rule 2A.6(2).

**2A.7** [Deleted]

## CHAPTER 3

# DISCIPLINARY ACTION

## GENERAL SECTION

### 3.1 INTERPRETATION

In this Chapter, “disciplinary proceedings” where the context permits includes appeal proceedings under Section C.

### 3.2 DISCIPLINARY POWERS

The Clearing House may exercise its disciplinary powers under this General Section of Chapter 3 against a Participant if the Participant is found to have committed any of the acts of misconduct stipulated in Rule 3.3 (“Defaulting Participant”). The Clearing House’s disciplinary powers include the taking of one or more of the following actions:

- (a) suspend or terminate its Clearing Participantship in accordance with the terms prescribed by the Clearing House;
- (b) suspend or terminate the Defaulting Participant as a SBL Participant/Agent or ISSBNT Participant/Representative in accordance with the terms prescribed by the Clearing House;
- (c) limit or disallow the access of the Defaulting Participant to any of the services or facilities of the Clearing House or suspend the Defaulting Participant’s privileges or activities on such terms and for such period as the Clearing House may in its sole discretion determine, including in relation to any function that has been outsourced;
- (d) impose a fine not exceeding RM1 million on the Defaulting Participant;
- (e) reprimand (privately or publicly) the Defaulting Participant;
- (f) impose any restriction or condition in relation to the breach committed or on the activities that a Defaulting Participant who is a Clearing Participant undertakes;
- (g) impose one or more conditions for compliance including issuing a directive to take such steps to remedy or mitigate the breach, other than a directive to make restitution;
- (h) direct a Defaulting Participant who is a Clearing Participant to take appropriate action against any of its employees or agents if such employees or agents caused the Defaulting Participant to commit the breach;
- (i) mandate education, training or such other types of programme as may be determined by the Clearing House, to be undertaken or implemented by the Defaulting Participant who is a Clearing Participant, for its employees;
- (j) [Deleted];

- (k) impose any restriction, prohibition or requirement regarding the disposal, holding or dealing with any monies or assets of a client by a Defaulting Participant who is a Clearing Participant; or
- (l) any other action the Clearing House considers appropriate, subject to consultation with the Commission.

### **3.3 ACTS OF MISCONDUCT**

Without prejudice to any other provisions in these Rules, the Clearing House may institute disciplinary action against a Participant in respect of an act of misconduct which includes:

- (a) Breaches of any of the Rules, Operational Procedures, orders, directives, conditions or other requirements imposed by the Clearing House on the Participant;
- (b) (With respect to a Trading Clearing Participant), any event that entitles the Clearing House to invoke its Default Rules against such a Clearing Participant;
- (c) Failure to comply with any decision of the Clearing House;
- (d) Any conduct, the manner of which is detrimental to the interest of the Clearing House or any other Participant;
- (e) Any conduct by the Participant the character of which is dishonourable, disgraceful or improper;
- (f) Any conduct the manner of which is disorderly or involves wilful obstruction of the clearing, settlement and other services or facilities of the Clearing House or otherwise;
- (g) The Participant being the subject of an adverse finding by another regulatory body in the financial and capital market or the financial services industry to which the Participant is subject;
- (h) The directors, shareholders, partners, employees, officers or agents of the Participant knowingly, being involved in, or engages in any conduct or any neglect or default which constitutes an act of misconduct in terms of the provisions of sub-rule (a) – (e);
- (i) The Participant providing information which is incorrect, incomplete, misleading or false in a material way which the Clearing House in reliance on the information provided by the Participant, admitted the Participant to its participants or extended to the Participant such other services or facilities or conferred on the Participant a benefit or privilege or other advantage;
- (j) Deleted;
- (k) Errors, delays or other conduct embarrassing, impeding or disrupting the operations, services or facilities of the Clearing House;
- (l) The Participant having violated, directly or indirectly, any provisions of the Act or of any regulations made thereunder;
- (m) The Participant having failed to cooperate with the Clearing House and/or any regulatory or relevant authority in matters concerning the clearing and settlement services or any other services or facilities of the Clearing House, whether or not relating to that Participant which materially affects the interest of the Clearing House or other Participants; or

- (n) The Clearing Participant having repeatedly failed to honour any ISS Instruction, ISS Confirmation or ISS Affirmation, or any instruction issued by the Clearing House in respect of an ISS Transaction.

### **3.4 PROCEDURES**

- (1) The Clearing House will determine the procedures applicable to any disciplinary proceedings taken under this Chapter. Such procedures may vary to adapt to the circumstances of any particular case.
- (2) The Clearing House is not bound by legal rules of evidence and procedure in any disciplinary proceedings under this Chapter.

### **3.5 AGREED SETTLEMENT**

- (1) A Participant may, at any time before the Clearing House makes a decision, propose a settlement of the disciplinary actions by agreeing to a set of facts, liability or penalty with the Clearing House.
- (2) The Clearing House may reject, accept or vary the proposed settlement based on terms that the Clearing House deems fit.
- (3) Where the Clearing House accepts the proposed settlement, the agreed settlement will be recorded as a decision of the Clearing House.
- (4) If the Clearing House is not agreeable to the proposed settlement, the proceedings under Section A of Chapter 3 will apply.

### **3.6 REQUEST FOR ORAL REPRESENTATIONS**

- (1) A Participant may request for an oral representation to make submissions or to procure the attendance of witnesses or legal representation at such oral representation for proceedings commenced against the Participant.
- (2) A request under Rule 3.6(1) must be submitted with:
  - (a) a Response as provided under Rule A3.2; or
  - (b) a Notice of Appeal as provided under Rule C3.2.
- (3) The Clearing House may, in its absolute discretion, allow or disallow any request made pursuant to Rule 3.6(1), upon such terms and conditions as the Clearing House deems appropriate.

### **3.7 STANDARD OF PROOF**

The Clearing House will not find an allegation proven unless the Clearing House is satisfied that the allegation is proven on the balance of probabilities.

### **3.8 OTHER RIGHTS**

The exercise of powers under Rule 3.2 does not in any way prejudice the other rights of the Clearing House against a Participant, or any other person to whom these Rules are directed.

### **3.9 ACTS OR OMISSIONS OF EMPLOYEES, AGENTS OR DIRECTORS**

Where the acts or omissions of an employee, agent or director of a Participant would have been subject to these Rules had such acts or omissions been committed by the Participant, then such acts or omission are deemed to be committed by that Participant and disciplinary action may be taken against it.



## CHAPTER 3

### SECTION A

## DISCIPLINARY PROCEEDINGS

#### A3.1 REQUISITE NOTICE

The Clearing House will serve on a Defaulting Participant against whom disciplinary action is proposed to be taken a written notice specifying the nature and particulars of the breach the Defaulting Participant is alleged to have committed ("Requisite Notice").

#### A3.2 RESPONSE TO REQUISITE NOTICE

The Defaulting Participant may submit to the Clearing House a written response to the Requisite Notice ("Response") within the time stipulated in the Requisite Notice.

#### A3.3 NOTIFICATION OF DECISION

After the conclusion of the disciplinary proceedings, the Clearing House will notify the Defaulting Participant in writing of the decision including the penalty imposed (if any).

## CHAPTER 3

### SECTION B

#### EXPEDITED PROCEEDINGS

##### B3.1 SCOPE

The Clearing House may initiate expedited proceedings against a Defaulting Participant against whom disciplinary action is proposed to be taken instead of the proceedings under Section A of Chapter 3 in circumstances the Clearing House deems fit, such as in respect of a breach of the Rules which does not typically attract a penalty beyond:

- (a) a reprimand; or
- (b) a fine of RM10,000.00; or
- (c) both the above.

##### B3.2 PROCEDURE

- (1) The Clearing House will notify the Defaulting Participant in writing that the matter will be proceeded with by way of expedited proceedings. The notice will specify the breach and penalty imposed for the breach ("Determination").
- (2) The Defaulting Participant must, within the time specified in the Determination, inform the Clearing House in writing whether or not the Defaulting Participant agrees with the Determination. A Defaulting Participant is deemed to have agreed with the Determination if the Defaulting Participant does not respond within the specified time.
- (3) If the Defaulting Participant agrees or is deemed to have agreed with the Determination, disciplinary action will be recorded as having been taken against the Defaulting Participant on the date of the Defaulting Participant's agreement or upon expiry of the specified time.
- (4) If the Defaulting Participant agrees or is deemed to have agreed with the Determination, any fine imposed as a penalty for the breach must be paid:
  - (a) upon the Defaulting Participant informing the Clearing House in writing of his agreement with the Determination; or
  - (b) within the time specified in the Determination;as the case may be.
- (5) If the Defaulting Participant does not agree with the Determination, the matter will proceed under Section A of Chapter 3. The Defaulting Participant may, within the time specified in the Determination, submit a written response to the Determination as if the Determination is a Requisite Notice under Rule A3.1. In deliberating the matter under Section A of Chapter 3, the Clearing House is not bound by the Determination and may impose a higher penalty based on the facts or evidence presented during the proceedings under Section A of Chapter 3.

### **B3.3 NO LIMITATION**

Nothing in Section B of Chapter 3 prevents the Clearing House from proceeding with disciplinary proceedings under Section A of Chapter 3 for any breach of a Rule.

## CHAPTER 3

### SECTION C

#### APPEAL

##### C3.1 RIGHT OF APPEAL

- (1) In amplification of Rule 1.28, any party to the disciplinary proceedings taken under Section A of Chapter 3 and Rule B3.2(5) who is dissatisfied with a decision resulting from the disciplinary proceedings may appeal against such decision in the manner specified in Rule C3.2 unless the decision was recorded pursuant to an agreed settlement under Rule 3.5 (“the Appellant”).
- (2) The Clearing House may suspend the enforcement of any action taken under Rule 3.2 that is the subject of the appeal until the disposal of the appeal.

##### C3.2 NOTICE OF APPEAL

The Appellant must, within the time stated in the notification of decision given under Rule A3.3, give to the Clearing House a notice (“Notice of Appeal”) that:

- (a) identifies the decision against which the appeal is made; and
- (b) sets out the ground(s) of the appeal together with the representations to justify the ground(s) relied upon.

##### C3.3 DELIBERATION OF APPEAL

- (1) An Appellant may produce evidence that was not presented at the initial disciplinary proceedings if:
  - (a) the evidence was not available at the time of the initial disciplinary proceedings; and
  - (b) the evidence would have been likely to have had a determining influence upon the decision appealed against.
- (2) The Appellant must produce the new evidence as stated in Rule C3.3(1) when submitting the Notice of Appeal.
- (3) The Clearing House may exercise its powers under Rule 2A.6 and produce new evidence arising from the Notice of Appeal submitted by a Defaulting Participant.
- (4) The Clearing House may affirm, vary or set aside the decision appealed against.

##### C3.4 NOTIFICATION OF DECISION ON APPEAL

After the conclusion of an appeal, the Clearing House will notify the Defaulting Participant in writing of the decision of the appeal and such decision is final.

## CHAPTER 3

### SECTION D

#### EFFECT OF DISCIPLINARY ACTION

##### D3.1 GENERAL

- (1) A Defaulting Participant must give effect to a decision made under Section A or Section B of Chapter 3 or a decision affirmed or varied under Section C of Chapter 3 within the time stipulated by the Clearing House.
- (2) If a Defaulting Participant fails to give effect to or comply with such decision made, affirmed or varied, the Defaulting Participant is deemed to have committed a breach of these Rules and the Clearing House may take further action as stated under Rule 3.2.

##### D3.2 PERIOD OF PAYMENT AND EFFECT OF NON-PAYMENT OF FINE

- (1) Without prejudice to Rule D3.1(2), a fine imposed by the Clearing House must be paid by the Defaulting Participant within the time stipulated in the notice under Rule A3.3 or Rule C3.4.
- (2) Pursuant to Rule D3.2(1) and Rule B3.2(4), a Defaulting Participant who fails to make payment within the stipulated time frame will be summarily suspended from its functions and activities.
- (3) Where the fine remains unpaid 7 days after the suspension under Rule D3.2(2), the Clearing House may at any time thereafter summarily terminate the Defaulting Participant's Clearing Participantship or the Defaulting Participant/Agent as a SBL Participant/Agent, where relevant, by notice in writing.
- (4) A fine or any portion of a fine remaining unpaid by a Defaulting Participant is a debt owing by the Defaulting Participant to the Clearing House.

##### D3.3 EFFECT OF SUSPENSION OR TERMINATION

- (1) A suspension imposed by the Clearing House upon the Defaulting Participant:
  - (a) takes effect on the date notified in the notice under Rule A3.3 or Rule C3.4 ("the said notice"); and
  - (b) remains for such period as specified in the said notice but the period may be extended by the Clearing House for such period it considers appropriate.
- (2) Nothing in this Rule D3.3 is to be construed as releasing or discharging such Defaulting Participant from remaining liable in all respects to fulfil all its obligations pursuant to or under these Rules.
- (3) Any Defaulting Participant who has been suspended or terminated from Clearing Participantship shall be subject to Rule 4.2, wherever appropriate.

## CHAPTER 3

### SECTION E

#### TRANSITIONAL PROVISIONS

##### **E3.1 DISCIPLINARY ACTION INITIATED PRIOR TO THE EFFECTIVE DATE**

- (1) Unless these Rules or the Clearing House provides otherwise, the Clearing House will apply the penalties, rules and procedures on disciplinary actions applicable prior to the effective date of these new provision on disciplinary actions ("Effective Date") to a disciplinary action instituted by the Clearing House against a Participant prior to the Effective Date.
- (2) The previous penalties, disciplinary rules and procedures will also apply to an appeal against a decision on a disciplinary action instituted prior to the Effective Date.

##### **E3.2 DISCIPLINARY ACTION INITIATED ON OR AFTER THE EFFECTIVE DATE**

Unless these Rules or the Clearing House provides otherwise, the Clearing House may on or after the Effective Date, institute disciplinary action against a Participant for acts or omissions committed prior to the Effective Date if no disciplinary action has been instituted. In doing so, the Clearing House may apply the new penalties, rules and procedures on disciplinary actions applicable from the Effective Date.

## CHAPTER 4

### DEFAULT RULES

### NOVATED CONTRACTS

#### 4.1 EVENTS OF DEFAULT

- (a) The Clearing House may institute any action under Rule 4.2 in the event a Trading Clearing Participant has failed, or appears to be unable, or likely to become unable, to meet its obligations in respect of all or any unsettled Novated Contracts to which the Trading Clearing Participant is a party.
- (b) For the purposes of sub-rule (a) but without limiting the generality of the same, a Trading Clearing Participant is deemed to have failed, or appear to be unable, or likely to become unable, to meet its obligations in respect of all or any unsettled Novated Contracts to which the Trading Clearing Participant is a party in the event, inter alia, that:-
  - (i) the Trading Clearing Participant's licence is suspended or revoked by the Commission or has expired and is not renewed by the Commission;
  - (ii) the Trading Clearing Participant fails to comply with or settle any of its financial obligations in relation to the following:
    - (aa) a Novated Contract, contribution to the CGF or Margin in accordance with or under these Rules or the Exchange Rules; or
    - (bb) similar financial obligations under the rules and regulations of any other exchange or clearing house in which the Trading Clearing Participant is a participant or member;
  - (iii) the Trading Clearing Participant fails to pay when due any sum due and payable, or is otherwise in default under the terms of any loan or other agreement relating to the Trading Clearing Participant's indebtedness, or threatens or proposes to suspend, stop, defer or reschedule payment or to default under the terms of such loan or agreement;
  - (iv) a Trading Clearing Participant is insolvent, or unable to pay its debts when they fall due, or a bankruptcy or winding-up petition is presented, or a notice of a proposal for a resolution for the Trading Clearing Participant's winding-up is given, or a voluntary arrangement is approved by a Court of Law for the benefit of its creditors, or an assignment or composition is made by the Trading Clearing Participant for the benefit of its creditors or any of them, or the Clearing House considers in its absolute discretion that the occurrence of any such events or their equivalent is imminent or likely in any jurisdiction;
  - (v) a liquidator, receiver, manager, trustee, an administrative receiver or a similar officer is appointed, or a composition or scheme of arrangement is approved by a Court of Law against the Trading Clearing Participant or an assignment or composition is made by the Trading Clearing Participant for the benefits of its creditors or any of them, or the Clearing House considers in its absolute

- discretion that the occurrence of any such events or their equivalent is imminent or likely in any jurisdiction;
- (vi) a resolution to wind-up the Trading Clearing Participant (save for the purpose of amalgamation or reconstruction) is passed or a bankruptcy or winding-up order is made; or
  - (vii) any distress, execution or other process is levied or enforced or served upon or against any property or assets of a Trading Clearing Participant.
- (c) Upon the occurrence of any of the circumstances set out in Rule 4.1(b), the Clearing House shall be entitled, at its discretion, at any time to declare that an Event of Default has occurred and to give notice thereof to all Trading Clearing Participants.

## **4.2 DEFAULT PROCEEDINGS IN RELATION TO NOVATED CONTRACTS**

- 4.2.1 (a) On the occurrence of any Event of Default under Rule 4.1, the Clearing House may settle the defaulting Trading Clearing Participant's Novated Contracts.
- (b) For the purposes of sub-rule (a), the Clearing House shall determine if the defaulting Trading Clearing Participant shall pay or receive any sum of money in relation to each such Novated Contract after taking into account all the rights and liabilities of the defaulting Trading Clearing Participant under or in respect of the Novated Contract concerned and all expenses referred to in Rule 4.2.2.
- (c) The Clearing House shall enable all sums of money payable by or to the defaulting Trading Clearing Participant as determined in accordance with sub-rule (b) to be aggregated or set-off so as to produce a net sum, if any, payable by or to the defaulting Trading Clearing Participant;
- (d) If any net sum referred to in sub-rule (c) is payable by a defaulting Trading Clearing Participant, the Clearing House may set-off such sum against any or all of the following including where relevant, the proceeds from the realisation of any or all of the following:
- (i) Collateral of the defaulting Trading Clearing Participant;
  - (ii) Contribution of the defaulting Trading Clearing Participant;
  - (iii) any other property of the defaulting Trading Clearing Participant which is subject to any lien in favour of the Clearing House; or
  - (iv) those Securities delivered by the Clearing House to the defaulting Trading Clearing Participant where the amount owing by the defaulting Trading Clearing Participant in respect of the net purchase of such Securities has not been settled in full,
- so as to produce a further net sum, if any, payable by or to the defaulting Trading Clearing Participant;
- (e) [Deleted]
- (f) The Clearing House shall certify any net sum referred to in sub-rule (c) payable to the defaulting Trading Clearing Participant, or of any further net sum referred to in sub-rule (d) payable by or to a defaulting Trading Clearing Participant, as the case may be, or, if there is no such sum the certification by the Clearing House of that fact.



- 4.2.2 In performance of its functions under Rule 4.2.1, the Clearing House may take all or any of the following actions at the expense of the defaulting Trading Clearing Participant, in any order, immediately or at any other time the Clearing House determines, and without the need for any prior notice to or consent of the defaulting Trading Clearing Participant or any other person:-
- (a) Close-out all Novated Contracts of the defaulting Trading Clearing Participant at what the Clearing House determines to be the best prevailing market price and terms available. For the purpose of this sub-rule "close-out" means liquidating an existing Novated Contract with an equal and opposite transaction.
  - (b) liquidate the property of the defaulting Trading Clearing Participant held under lien pursuant to Rule 5.16(a) or the Securities referred to in Rule 4.2.1(d)(iv) and for that purpose, in relation to Securities, the Clearing House may give instructions to the Central Depository for transfers of Securities to be effected into or out of the relevant securities account, including nominee accounts.
  - (c) [Deleted]
  - (d) [Deleted]
  - (e) Take any other action as it deems necessary for the protection of its interest with respect to Novated Contracts to which a defaulting Trading Clearing Participant is a party, at the defaulting Trading Clearing Participant's expense and if appropriate in its name.
  - (f) Engage under such terms and conditions of engagement as the Clearing House may determine from time to time, any person to render assistance as the Clearing House may require or specify in the performance of its functions under Rule 4.2. The defaulting Trading Clearing Participant shall bear the costs and expenses of the engagement such person(s).
- 4.2.3 For the avoidance of doubt, notwithstanding Rule 6.13, the Clearing House may determine the order of application and use of the monies and assets of a defaulting Trading Clearing Participant (including Collateral and Contributions) that has been deposited with or which are available to the Clearing House.

**CHAPTER 4**

**SECTION A**

**DEFAULT RULES**

[Deleted]

## **CHAPTER 4**

### **SECTION B**

#### **DEFAULT RULES**

##### **B4.1 DEFAULT PROCEEDINGS IN RELATION TO BURSA SBL TRANSACTIONS**

On the occurrence of a default by a Clearing Participant in a Bursa SBL Transaction, the Clearing House may institute any action or proceedings set out in these Rules or the SBL Conditions which provide for the taking of Default Proceedings in relation to Bursa SBL Transactions.

## CHAPTER 4

### SECTION C

## DEFAULT RULES

#### C4.1 GENERAL SECTION

The Clearing House shall upon the completion by it of the Default Proceedings under this Chapter:

- (a) make a report on such Default Proceedings containing such particulars as required in Section 45(1) of the Act; and
- (b) supply the report to:-
  - (i) the Commission;
  - (ii) any relevant office-holder acting for the Defaulter to whom the report relates or that Defaulter's estate;
  - (iii) if there is no relevant office-holder referred to in sub-rule (b)(ii), the Defaulter to whom the report relates; and
  - (iv) such other person as the Commission deems fit.

# CHAPTER 5

## CLEARING AND SETTLEMENT

### GENERAL SECTION

#### 5.1 CLEARING AND SETTLEMENT OF ON-MARKET TRANSACTION AND DIRECT BUSINESS CONTRACTS

- (a) Clearing Participants must clear and settle all On-Market Transactions and Direct Business Contracts through the Clearing House in accordance with these Rules.
- (b) [Deleted]
- (c) Delivery and settlement of On-Market Transactions and Direct Business Contracts shall be effected pursuant to these Rules, the Exchange Rules and the Depository Rules.

#### 5.1A NOVATION OF ON-MARKET TRANSACTIONS

- (a) Immediately after acceptance of an On-Market transaction for clearing and settlement by the Clearing House, the On-Market Transaction is novated to the Clearing House and replaced with two Novated Contracts.
- (b) Upon novation of the On-Market Transaction to the Clearing House:
  - (i) the obligation of the buying Trading Clearing Participant to pay the purchase consideration to the selling Trading Clearing Participant is replaced by the obligation of the buying Trading Clearing Participant to pay the purchase consideration to the Clearing House;
  - (ii) the right of the buying Trading Clearing Participant to receive the Securities from the selling Trading Clearing Participant is replaced by the right of the buying Trading Clearing Participant to receive the Securities from the Clearing House via Book-entry;
  - (iii) the obligation of the selling Trading Clearing Participant to deliver the Securities to the buying Trading Clearing Participant is replaced by the obligation of the selling Trading Clearing Participant to deliver the Securities to the Clearing House via Book-entry; and
  - (iv) the right of the selling Trading Clearing Participant to receive the purchase consideration from the buying Trading Clearing Participant is replaced by the right of the selling Trading Clearing Participant to receive the purchase consideration from the Clearing House.
- (c) The obligation and rights under Novated Contracts:
  - (i) between the buying Trading Clearing Participant and the Clearing House; and
  - (ii) between the selling Trading Clearing Participant and the Clearing House,

are owed by and to parties as principals to each other notwithstanding that the buying and selling Trading Clearing Participants may have acted as agents for their respective clients in executing or clearing and settling the relevant On-Market Transaction.

- (d) Subject as otherwise provided in these Rules, the terms of the Novated Contracts shall be on the same terms as the relevant On-Market Transaction replaced by such Novated Contracts.

### **5.1B DELIVERY OF SECURITIES UNDER A NOVATED CONTRACT**

- (a) The selling Clearing Participant must ensure that the Securities sold pursuant to a Novated Contract are available as Tradeable Balance in the relevant securities account of the selling Clearing Participant or its client by the time specified in the Exchange Rules. In order to fulfil its obligation to deliver the Securities to the Clearing House, the selling Clearing Participant irrevocably authorises the Clearing House to instruct the Central Depository to debit the Securities from the relevant securities account of the selling Clearing Participant or its client.
- (b) The Clearing House's right to receive Securities on any due settlement day from a selling Clearing Participant pursuant to a Novated Contract is satisfied by the debiting of such Securities from the relevant securities account of the selling Clearing Participant or its client before 10.00am on the due settlement day by the Central Depository, upon the instructions of the Clearing House.
- (c) The buying Clearing Participant irrevocably authorises the Clearing House to deliver the Securities purchased pursuant to a Novated Contract, by instructing the Central Depository to credit the Securities into the relevant securities account of the buying Clearing Participant or its client.
- (d) The Clearing House's obligation to deliver Securities to a buying Clearing Participant pursuant to a Novated Contract on any due settlement day is discharged by the crediting of such Securities to the relevant securities account of the buying Clearing Participant or its client by 10.00am on the due settlement day.

### **5.2 DEFAULT OR POTENTIAL DEFAULT IN DELIVERY**

- (a) Subject to these Rules, where a Trading Clearing Participant, in respect of a Novated Contract, fails to deliver Securities to the Clearing House by the due settlement day and in the manner as prescribed under these Rules, the Clearing House may:
  - (i) in the case of Securities sold in board lots (as defined in the Exchange Rules) ("Board Lot Securities"), institute buying-in against the Trading Clearing Participant concerned in accordance with Rule 5.2A; or
  - (ii) resort to any other mode of making good the default in delivery by the Trading Clearing Participants pursuant to the relevant Exchange Rules or in any other manner as it considers appropriate in the circumstances.
- (b) Subject to these Rules, the Clearing House may take the action specified in Rule 5.2D in the event of a potential default in delivery of Securities in the circumstances as set out in Rule 5.2D.

## **5.2A BUYING-IN**

- (a) Where a selling Trading Clearing Participant ("selling TCP") in respect of a Ready Basis Contract, having sold Securities in board lots, fails to deliver the Securities by having the quantity of Securities sold as Tradeable Balance in the relevant securities account by the due settlement day, the Clearing House will instruct the Exchange to automatically buy-in against such selling TCP without notice on the second Market Day following the Contract Date.
- (b) No withdrawal of buying-in will be permitted unless the Clearing House determines otherwise in accordance with these Rules.
- (c) The Clearing House may initiate a withdrawal from buying-in in any circumstance the Clearing House deems fit and in such a case, the Clearing House will instruct the Exchange to withdraw the buying-in.
- (d) The Clearing House will instruct the Exchange to conduct the buying-in in accordance with such terms and conditions as may be specified by the Clearing House which include the following:
  - (i) unless otherwise stated, the bidding price for buying-in of any Securities by the Exchange shall be ten (10) Ticks above the following prices, rounded up, where necessary, to the higher Tick:
    - (aa) the Closing Price on the previous Market Day; or
    - (bb) the Last Done Price for the previous trading session,of such Securities, whichever is the higher;
  - (ii) the bidding price for buying-in by the Exchange of any Securities officially quoted as "cum entitlement" shall be ten (10) Ticks above the last "cum entitlement" price or the Last Done Price, whichever is the higher, depending on the type of corporate action, from the date the Securities were quoted "ex entitlement" up to the close of business on the lodgement date;
  - (iii) [Deleted];
  - (iv) [Deleted];
  - (v) a trading halt or suspension from trading on a counter imposed pursuant to the Exchange Rules or the Listing Requirements shall not affect the buying-in of the affected Securities;
  - (vi) such other requirement as specified in the Exchange Rules or as the Clearing House may specify.
- (e) Delivery on buying-in will be effected by way of Book-entry on the date of the buying-in contract itself.

## **5.2B DEFAULT IN DELIVERY OF SECURITIES SOLD IN BOARD LOTS**

- (a) Where the Clearing House has advised the Exchange to institute a buying-in against a Trading Clearing Participant, the Clearing House may advise the Exchange to withdraw the buying-in if:
  - (i) the Securities are not bought-in in accordance with these Rules and the Exchange Rules within such period as may be stipulated by the Clearing House; or
  - (ii) in such other circumstances as the Clearing House deems fit.

- (b) A contract for Board Lot Securities to which the withdrawal of the buying-in referred to in Rule 5.2B(a) relates shall then be settled by the selling Trading Clearing Participant paying in cash and the buying Trading Clearing Participant receiving a Cash Settlement Amount stipulated by the Clearing House in lieu of delivery of the Board Lot Securities.
- (c) If the buying Trading Clearing Participant onward sells any part of the Board Lot Securities and is unable to deliver the Securities sold, the buying Trading Clearing Participant may be required to pay such Cash Settlement Amount as the Clearing House may stipulate for the total number of Securities sold.
- (d) The ultimate buying Trading Clearing Participant of the Board Lot Securities referred to in Rule 5.2B(c) shall receive a Cash Settlement Amount in lieu of delivery of the Securities. For the purpose of this Rule, the “ultimate buying Trading Clearing Participant” means the last buying Trading Clearing Participant who has yet to receive the Board Lot Securities and who has not onward sold any part of the Board Lot Securities.

## **5.2C DEFAULT IN DELIVERY OF SECURITIES SOLD IN ODD LOTS**

Where a Trading Clearing Participant, having sold Securities in odd lot (as defined in the Exchange Rules) (“Odd Lot Securities”) in respect of a Novated Contract, fails to deliver the Odd Lot Securities to the Clearing House by the due settlement day and in the manner as prescribed under these Rules, the said contract for Odd Lot Securities shall be settled by the selling Trading Clearing Participant paying in cash and the buying Trading Clearing Participant receiving a Cash Settlement Amount stipulated by the Clearing House in lieu of delivery of the Odd Lot Securities.

## **5.2D POTENTIAL DEFAULT IN DELIVERY OF SECURITIES**

Notwithstanding anything in these Rules, the Clearing House may settle such contracts in Securities as may be prescribed by the Clearing House (“Relevant Contract”) by requiring the selling Trading Clearing Participant to pay in cash and the buying Trading Clearing Participant to receive a Cash Settlement Amount stipulated by the Clearing House in lieu of delivery of Securities if:

- (a) the Trading Clearing Participant, having entered into the Relevant Contract, makes a request to the Clearing House in such manner as may be prescribed by the Clearing House, for such Contract to be settled in the manner specified above; and
- (b) the Clearing House is satisfied that the Trading Clearing Participant would be unable to deliver the Securities for the Relevant Contract by the due settlement day or in the manner as prescribed under these Rules.

## **5.2E CASH SETTLEMENT AMOUNT**

The Cash Settlement Amount may include such fee or charge as the Clearing House thinks fit, and calculated and paid in the manner the Clearing House specifies from time to time in the Clearing House’s directives.



### 5.3 FINANCIAL SETTLEMENT BETWEEN CLEARING PARTICIPANT AND THE CLEARING HOUSE

- (a)
  - (i) Financial settlement of Securities shall be on a “net basis”, and in the currency as determined by the Clearing House from time to time.
  - (ii) For the purposes of Rule 5.3(a)(i) “net basis” means a process whereby monetary obligations of Clearing Participants are pooled and off-set with each other, resulting in one final position for each Clearing Participant.
- (b) Each Clearing Participant shall have such designated account with such designated clearing bank for the purpose of the financial settlement services as determined by the Clearing House from time to time.
- (c) Financial settlement of amounts due from a Clearing Participant to the Clearing House under Rule 5.3(f) shall be paid by the Clearing Participant to the Clearing House not later than the Scheduled Financial Settlement Time. The payment will be irrevocable upon the crediting of the Clearing House’s bank account.
- (d)
  - (i) Remittances and deposits paid by Clearing Participants to the Clearing House shall be in immediately available funds.
  - (ii) For the purposes of Rule 5.3(d)(i), the expression “in immediately available funds” includes payments by way of fund transfers to an account from time to time specified by the Clearing House or any other instrument which can be cleared within the same day and the Clearing House is able to obtain value on the same day.
- (e) All the following amounts in connection with the financial settlement of Securities shall, on every Market Day, be netted in accordance with Rule 5.3(a)(i):
  - (i) amount payable by a Clearing Participant to the Clearing House; and
  - (ii) amount receivable by a Clearing Participant from the Clearing House.
- (f) By the Scheduled Financial Settlement Time, the Clearing House shall inform every Clearing Participant of the net amount payable by the Clearing House to the Clearing Participant or the net amount receivable by the Clearing House from the Clearing Participant, being the difference between:
  - (i) the amount due to the Clearing Participant in respect of Securities delivered by the Clearing Participant to the Clearing House; and
  - (ii) the amount due from the Clearing Participant in respect of Securities received by the Clearing Participant from the Clearing House.
- (g) Financial settlement of amounts due from the Clearing House to the Clearing Participant pursuant to Rule 5.3(f) shall be effected by the Clearing House by the Scheduled Financial Settlement Time by way of remittances of funds through banks to the clearing bank accounts of the respective Clearing Participants. The payment will be irrevocable upon the crediting of the Clearing Participant’s clearing bank accounts,
- (h) The scheduled financial settlement time referred to in this Rule 5.3 is:
  - (i) For Ready Basis Contracts:
    - (aa) in relation to the first batch settlement-run as prescribed by the Clearing House, in respect of payment by the net buying Clearing Participant to the Clearing House or payment by the Clearing House

to the net selling Clearing Participant, not later than 10.00 a.m. on the second Market Day following the Contract Date; and

- (bb) in relation to the second batch settlement-run as prescribed by the Clearing House, in respect of payment by the net buying Clearing Participant to the Clearing House or payment by the Clearing House to the net selling Clearing Participant, not later than 2.00 p.m. on the second Market Day following the Contract Date.
- (ii) [Deleted]
- (iii) For buying-in contracts executed pursuant to Rule 5.2A(a):
  - (aa) in respect of payment by the defaulting Clearing Participant to the Clearing House, not later than 10.00 a.m. on the next Market Day following the date of the buying-in contract; and
  - (bb) in respect of payment by the Clearing House to the selling Clearing Participant, not later than 10.00 a.m. on the next Market Day following the date of the buying-in contract.

#### **5.4 DEFAULT IN FINANCIAL SETTLEMENT**

Default in financial settlement by the Trading Clearing Participant shall be subjected to the Default Rules under Chapter 4.

#### **5.5 CLAIMS ON ENTITLEMENTS AND RIGHTS**

- (a) The following claims in relation to a Novated Contract may be prescribed by the Clearing House from time to time:
  - (i) Claims on dividends, bonus issue, rights issue and other entitlements arising from failure to deliver Securities; or
  - (ii) Claims on rights arising from failure to deliver such rights as referred to in the Exchange Rules.
- (b) The claiming Trading Clearing Participant must submit the claims to the Clearing House in the manner prescribed under the Operational Procedures.

#### **5.6 SECURITIES NOT GOOD FOR DELIVERY**

- (a) Securities not good for delivery occurs when a transfer of ownership could not subsequently be registered by the registrar of the Company whose Securities are quoted on the official list of the Exchange.
- (b) The Clearing House may at its entire discretion prescribe directives on all matters relating to Securities not good for delivery.

#### **5.7 RESERVATION OF TITLE**

- (a) Until such time as the Clearing House is satisfied that it has received payment in full with respect to any Securities delivered by the Clearing House in settlement of a Novated Contract to, or in accordance with the instructions of, the relevant Trading Clearing Participant under the Novated Contract on any due settlement day, unless

otherwise specifically agreed in writing by the Clearing House, title and property in such Securities shall not pass on delivery to the Clearing Participant or to any recipient thereof in accordance with the Clearing Participant's instructions.

- (b) For the avoidance of doubt, title and property in any Securities which have been delivered in settlement of the Novated Contract and which have not been paid for by the Trading Clearing Participant due to receive the same, shall only pass when the Trading Clearing Participant or the recipient thereof on the Trading Clearing Participant's instructions, is expressly permitted by the Clearing House to utilise them, but at any time before then, the Clearing House shall be free to use or apply such Securities to limit its liability, resulting from such Trading Clearing Participant's failure to make payment to the Clearing House, in such manner as the Clearing House considers appropriate. In the event that the Trading Clearing Participant purports to transfer such Securities from its securities account at the Central Depository prior to good payment to the Clearing House, no title shall pass to the recipient of such Securities following the transfer

## **5.8 DIRECT BUSINESS CONTRACTS**

- (a) All Direct Business Contracts shall be governed by Rule 5.8(a).
- (i) The clearing and settlement of Direct Business Contracts shall be effected through the Clearing House in accordance with these Rules and the Operational Procedures and will require input by the Trading Clearing Participant in respect of such contracts into the Direct Business Comparison System.
- (ii) The input by the Trading Clearing Participant will be subject to matching in accordance with the procedural requirements of the Direct Business Comparison System and when matched, the relevant Direct Business Contracts will, unless rejected by the Clearing House, be accepted for clearing and settlement.
- (iii) Upon acceptance for clearing and settlement, the Clearing House shall direct the Central Depository to deposit the Securities into the Clearing House Direct Business Account pursuant to Rule 5.8(b) or Section A of Chapter 5.
- (iv) In consideration of the role and obligation of the Clearing House under these Rules, the provision of Rule 1.4 (b) in respect of clearing fees shall be applicable.
- (v) For purposes of Rule 5.8(a), the following expressions shall have the meaning set out opposite to them respectively:

“Direct Business Comparison System”	a comparison system to facilitate Clearing Participants to clear and settle Securities in respect of Direct Business Contracts.
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“Clearing House Direct Business Account”	an account to facilitate the placement of Securities pending payment.
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- (b) Except in relation to Direct Business Contracts cleared and settled through ISS under Section A of Chapter 5, clearing and settlement of all Direct Business Contracts shall be additionally governed by Rule 5.8(b) as follows:-

- (i) Upon receipt of the Securities (“Delivered Securities”) and payment for the said Securities, the Clearing House shall instruct the Central Depository to credit the said Securities into the securities account of the buying Trading Clearing Participant or the buying Trading Clearing Participant’s client and pay the proceeds for the Delivered Securities to the selling Trading Clearing Participant.
  - (ii) In the event the selling Trading Clearing Participant makes partial delivery of the Securities under a Direct Business Contract to the Clearing House and provided that the buying Trading Clearing Participant makes payment on a pro-rated basis for the Delivered Securities in the manner prescribed under the Operational Procedures, the Clearing House shall instruct the Central Depository to credit the Delivered Securities into the securities account of the buying Trading Clearing Participant or the buying Trading Clearing Participant’s client and pay the proceeds received from the buying Trading Clearing Participant to the selling Trading Clearing Participant.
  - (iii) Without prejudice to the rights and liabilities as between the Clearing Participants concerned and also the right of the Exchange to take action under the Exchange Rules, the Direct Business Contract or the portion of the Direct Business Contract that remains unsettled shall not be subject to automatic buy-in but shall be withdrawn from clearing and settlement by the Clearing House in accordance with the Rules and Operational Procedures.
  - (iv) In the event of a failure by the buying Trading Clearing Participant to settle the full amount for the Delivered Securities —
    - (aa) the Clearing House shall return all the Delivered Securities in the manner prescribed under the Operational Procedures to the selling Trading Clearing Participant’s securities account; and
    - (bb) the Direct Business Contract shall be withdrawn from clearing and settlement by the Clearing House in accordance with the Rules and Operational Procedures.
  - (v) The Clearing House shall not be responsible for any failure by the Trading Clearing Participant to settle any part of Direct Business Contracts to which the Trading Clearing Participant is a party.
  - (vi) The Clearing House may in consultation with the Commission apply any other mode or requirements, not specifically mentioned herein, in respect of the clearing and settlement of Direct Business Contracts, as the Clearing House deems appropriate in the respective circumstances.
- (c) [Deleted]

## **5.9 MARGIN**

- (a) The Clearing House may determine a Trading Clearing Participant’s Margin using a risk based algorithm or such other method as may be determined by the Clearing House.
- (b) A Trading Clearing Participant must provide the required amount of acceptable Collateral in accordance with the directions of the Clearing House to meet its Margin including any additional Margin required by the Clearing House.
- (c) The Clearing House may at any time require additional Margin to be satisfied by a Trading Clearing Participant immediately or within a specified time, if in the opinion of

the Clearing House, the additional Margin is necessary or desirable as additional security against the non-performance of obligations by such Trading Clearing Participant under these Rules having regard to the changes in market price, price volatility or trading activity.

- (d) A Trading Clearing Participant's Margin is additional to and independent of any other sums payable to the Clearing House by the Trading Clearing Participant and for the avoidance of any doubt, may be utilised by the Clearing House in such manner as may be specified in these Rules.
- (e) The Clearing House may, at any time and in its absolute discretion, cease to require all or any of the Trading Clearing Participants to provide Margin.

## **5.10 COLLATERAL - GENERAL**

- (a) The Clearing House may from time to time prescribe the form of monies and assets acceptable by the Clearing House as Collateral.
- (b) A Trading Clearing Participant must provide to the Clearing House the Collateral in such manner and on such conditions as may be prescribed by the Clearing House.
- (c) The Clearing House may invest, manage and use such Collateral including excess Collateral in such manner as the Clearing House deems expedient.
- (d) A Trading Clearing Participant must not provide to the Clearing House, monies and assets of the Trading Clearing Participant's client for the purpose of meeting the Trading Clearing Participant's Margin.
- (e) The Clearing House has no obligation or responsibility to preserve, protect, collect or realise a Trading Clearing Participant's Collateral, and under no circumstance will the Clearing House be liable for any loss or diminution in value or depreciation in or in connection with the Collateral maintained pursuant to these Rules.
- (f) The Clearing House may deposit any Collateral accepted by the Clearing House with the appropriate custodian(s) designated by the Clearing House for safekeeping.
- (g) A Trading Clearing Participant who maintains Collateral with the Clearing House must indemnify and hold the Clearing House harmless from any loss, damage, costs, charges and expenses of whatsoever nature and howsoever arising ("Loss") suffered or incurred by the Clearing House to any designated custodian which may result from or arise with respect to:
  - (i) any act, delay or omission in connection with the Collateral (whether by such Trading Clearing Participant or the Clearing House) deposited with such designated custodian; or
  - (ii) any contract or agreement between the Clearing House and any designated custodian, or any representation, warranty or undertaking given by the Clearing House to any designated custodian, in relation to or otherwise in connection with Collateral deposited with such designated custodian,

provided that this indemnity does not cover any Loss or liability of the Clearing House attributable or referable to the Clearing House or any person acting for the Clearing House acting otherwise than in good faith in the performance or purported performance of the Clearing House's or such person's duty.

### 5.11 COLLATERAL - INTEREST AND FEES

- (a) Interest or other sums accruing to cash Collateral will be appropriated by the Clearing House to the Trading Clearing Participant's Collateral as may be determined by the Clearing House.
- (b) A Trading Clearing Participant must pay to the Clearing House such administrative fees and charges as may be prescribed by the Clearing House in connection with the Collateral accepted by the Clearing House.
- (c) The Clearing House may deduct the administrative fees and charges from the interest on the Collateral payable by the Clearing House to the Trading Clearing Participant pursuant to this Rule.

### 5.12 COLLATERAL – EXCESS COLLATERAL

A Trading Clearing Participant has the option to provide the Clearing House Collateral in excess of the Trading Clearing Participant's Margin and the Clearing House may use such excess to meet future Margin required from the Trading Clearing Participant.

### 5.13 COLLATERAL - VALUATION

- (a) The Clearing House will at its sole discretion determine the value to be attributed to the Collateral provided to the Clearing House.
- (b) Without limiting the generality of Rule 5.13(a), the Clearing House may give zero value to any Collateral provided by a Trading Clearing Participant for the purposes of satisfying its obligations under these Rules if such Collateral is found in any way to be unacceptable by the Clearing House.

### 5.14 COLLATERAL - MEMORANDUM OF DEPOSIT

- (a) A Trading Clearing Participant must within the time specified by the Clearing House, execute and deliver a memorandum of deposit in the form and on terms prescribed by the Clearing House, setting out the terms under which the Collateral in the form of Securities is provided to, and held by the Clearing House.
- (b) The Trading Clearing Participant must comply with the terms of the memorandum of deposit and any breach of such memorandum of deposit will constitute a breach of this Rule.

### 5.15 COLLATERAL - RETURN OF COLLATERAL

- (a) The Clearing House may return the Collateral or any part of it to the Trading Clearing Participant upon the Trading Clearing Participant's application if the obligations under these Rules for which such Collateral have been provided for have been met or where the Trading Clearing Participant provides alternative Collateral.
- (b) The Clearing House may at any time return the Collateral or any part of it to the Trading Clearing Participant as the Clearing House deems appropriate including in the event the Clearing House determines under Rule 5.9(e) to cease to require a Trading Clearing Participant to provide Margin.

## 5.16 GENERAL LIEN AND RIGHT OF SET-OFF

- (a) Without prejudice and in addition to any other right or remedy which the Clearing House may have under these Rules, contract, law or equity, the Clearing House shall have a lien on the following:
  - (i) all Collateral provided to the Clearing House;
  - (ii) all Securities which constitute the property or assets of such Trading Clearing Participant (notwithstanding that the Clearing House may not have physical possession of such Securities); and
  - (iii) any other monies and assets of the Trading Clearing Participant which may be or become available to the Clearing House.
  
- (b) Without prejudice to the generality of Rule 5.16(a) and notwithstanding anything in these Rules, in addition to any other right or remedy which the Clearing House may have under these Rules, contract, law or equity, the Clearing House may at any time consolidate any or all amounts payable to or receivable from a Trading Clearing Participant, and set-off or transfer or apply any property of the Trading Clearing Participant which is subject to lien towards satisfaction of any liabilities of the Trading Clearing Participant to the Clearing House, whether or not:
  - (i) such property of the Trading Clearing Participant and liabilities are denominated in the same currency; and
  - (ii) such liabilities are due, owing or incurred, or joint or several.

**SCHEDULE 5-1**

**TICK SIZE IN RELATION TO BUYING-IN  
[Definition of “Tick” and Rule 5.2A(d)]**

**(i) Tick Sizes for Securities Quoted in RM**

<b>Price of Securities</b> <u>(RM)</u>	<b>Tick Size</b> <u>(Sen)</u>
Less than 1.00	0.5
Between 1.00 to 2.99	1
Between 3.00 to 4.99	2
Between 5.00 to 9.99	5
Between 10.00 to 24.99	10
Between 25.00 to 99.99	25
100.00 and above	50

**(ii) Tick Sizes for Securities Quoted in USD, EUR, AUD and SGD**

<b>Price of Securities</b> <u>(Dollar)</u>	<b>Tick Size</b> <u>(Cent)</u>
Less than 1.00	0.5
Between 1.00 to 2.99	1
Between 3.00 to 4.99	2
Between 5.00 to 9.99	5
Between 10.00 to 24.99	10
Between 25.00 to 99.99	25
100.00 and above	50

**(iii) Tick Sizes for Securities Quoted in GBP**

<b>Price of Securities</b> <u>(Pound)</u>	<b>Tick Size</b> <u>(Pence)</u>
Less than 1.00	0.5
Between 1.00 to 2.99	1
Between 3.00 to 4.99	2
Between 5.00 to 9.99	5
Between 10.00 to 24.99	10
Between 25.00 to 99.99	25
100.00 and above	50



## CHAPTER 5

### SECTION A

## INSTITUTIONAL SETTLEMENT SERVICE/ISS

### A5.1 CONDITION PRECEDENT FOR USE OF ISS

Use of the ISS is conditional upon the Clearing Participants agreeing in writing, in the prescribed form, to be bound by and observe the Rules, Operational Procedures, directives and other regulations of the Clearing House for the time being in force, any decision or directives of the Clearing House and the obligations imposed on the Clearing Participant upon admission, the continuing obligations, including without limitation, to uphold the highest standards of competence and integrity, as the case may be.

For avoidance of doubt, this Chapter shall apply to all ISS Transaction resulting either from Novated Contract or Direct Business Contract.

### A5.2 ELIGIBLE TRANSACTIONS

- (a) The Clearing House shall only accept an ISS Transaction for clearing and settlement under the ISS, if such transaction is in respect of Securities that are listed on the Exchange and deposited with the Central Depository.
- (b) The Clearing House shall only accept an ISS Instruction and ISS Confirmation and/or ISS Affirmation in relation to an ISS Transaction for clearing and settlement under the ISS if:
  - (i) such ISS Transaction results directly from or in a Market Contract; and
  - (ii) such ISS Transaction relates to the same Securities of the relevant Market Contract and the quantity of the ISS Transaction shall:
    - (aa) for a Novated Contract, not exceed the quantity of such contract; or
    - (bb) for a Direct Business Contract, not exceed the quantity of such contract; and
  - (iii) the ISS Transaction, is to be settled on the same due settlement day as the Market Contract to which it relates.

### A5.3 CLEARANCE OF BUY AND SELL TRANSACTIONS

- (a) The clearance of any ISS Transaction to be settled under the ISS shall only be effected if the transacting Trading Clearing Participant and the other relevant parties to the ISS Transaction input an ISS Instruction, ISS Confirmation or ISS Affirmation, as the case may be, containing the Relevant Details as specified by the Clearing House in accordance with the Operational Procedures
- (b) Input of an ISS Instruction and corresponding ISS Confirmation or ISS Affirmation, as the case may be, by the relevant parties to an ISS Transaction, or any other

instruction(s) relating to an ISS Transaction shall be in accordance with the Operational Procedures.

- (c) An ISS Transaction shall be subject to matching in accordance with the procedures laid down by the Clearing House based on the input of the ISS Instruction and the corresponding ISS Confirmation and/or ISS Affirmation, as the case may be.
  - (ca) At any time prior to matching of the Relevant Details, the relevant Clearing Participant may delete or 'revert' an ISS Instruction, ISS Confirmation or ISS Affirmation, as the case may be, in the manner as prescribed in the Operational Procedures.
  - (cb) At any time after matching of the Relevant Details but prior to settlement of the said ISS Transaction under the ISS, the said ISS Transaction may be cancelled by the relevant Clearing Participants in the manner as prescribed in the Operational Procedures.
  - (cc) Upon matching of the Relevant Details, the said ISS Transaction shall, unless rejected by the Clearing House or where the said ISS Transaction is cancelled by the relevant Clearing Participants in the manner as prescribed in the Operational Procedures, be subject to settlement under the ISS in accordance with the Rules and Operational Procedures.
- (d) Any ISS Transaction, which remains unmatched by such time as specified in the Operational Procedures shall be automatically withdrawn from the system by the Clearing House and shall not be cleared and settled under the ISS.
- (e) For the avoidance of doubt, the Clearing House shall accept responsibility for the clearance and settlement of an ISS Transaction for Novated Contracts subject to the following:
  - (i) Where the ISS Transaction results from a Sell Transaction, the Clearing House shall accept the responsibility for settlement of the ISS Transaction, if the Clearing Participant, who is due to deliver, delivers the relevant quantity of Securities to the designated securities account on the due settlement day, as prescribed by the Clearing House. Where any partial delivery is effected, the Clearing House' responsibility for settlement shall only relate to such partial delivery of Securities made by the Clearing Participant.
  - (ii) Where the ISS Transaction results from a Buy Transaction, the Clearing House shall accept responsibility for settlement of the ISS Transaction if the Securities have been delivered to the designated securities account of the Clearing Participant, who is due to receive, on the due settlement day. Where only partial delivery is effected to the recipient Clearing Participant, the recipient Clearing Participant concerned shall effect money payment to the Clearing House on the due settlement day on a pro-rated basis. The Clearing House' responsibility to effect settlement, where partial delivery is effected, shall relate only to such partial delivery of Securities to the relevant Clearing Participant.
  - (iii) The Clearing House shall not accept responsibility in any way for any failure or partial failure of a Clearing Participant to settle an ISS Transaction relating to a Buy Transaction, if such failure or a partial failure results from the failure or partial failure of a Novated Contract or the failure of the recipient Clearing Participant to effect payment for Securities delivered to it on the due settlement day.
  - (iv) [Deleted]

- (f) For the avoidance of doubt, the clearance and settlement of an ISS Transaction which results from a Direct Business Contract shall be subject to the following:
- (i) Where the ISS Transaction results from a Sell Transaction, the Clearing House shall proceed with settlement of the ISS Transaction in accordance with Rule 5.8 if the Clearing Participant who is due to deliver Securities, delivers the relevant quantity of the Securities to the designated securities account in the manner prescribed under the Operational Procedures on the due settlement day. Where partial delivery is effected, the Clearing House shall proceed with the settlement only in relation to the partial delivery of Securities.
  - (ii) Where the ISS Transaction results from a Buy Transaction, the Clearing House shall proceed with settlement of the ISS Transaction in accordance with Rule 5.8 in relation to the Delivered Securities. Where only partial delivery is effected, the Clearing Participant who is due to receive the Delivered Securities may effect money payment to the Clearing House on a pro-rated basis in accordance with the Operational Procedures on the due settlement day. Where full payment is made for the Delivered Securities, the Clearing House shall proceed with settlement of the ISS Transaction in accordance with Rule 5.8. In the event of failure to settle the full amount due for the Delivered Securities, Rule 5.8(b)(iii) shall apply.
  - (iii) The Clearing House shall not be responsible in any way for any failure or partial failure of a Clearing Participant to settle an ISS Transaction due to the failure of the Clearing Participant to make delivery or effect the necessary payment, as the case may be.
  - (iv) [Deleted]

#### **A5.4 INSTRUCTIONS BY THE CLEARING PARTICIPANT**

- (a) All ISS Instruction, ISS Confirmation and Affirmation and other communications by Clearing Participant utilising the ISS shall be given in such manner and form as may be prescribed by the Clearing House from time to time.
- (b) The Clearing House shall be entitled to accept and rely on any ISS Instruction, ISS Confirmation and ISS Affirmation and other communication from a Clearing Participant given or purported to be given to the Clearing House by or on behalf of a Clearing Participant with respect to the ISS, whether or not in strict compliance with the prescribed manner or form or any applicable limitation of authority, which is understood or believed by the Clearing House, in good faith, to have been given to the Clearing House by or on behalf of such a Clearing Participant.
- (c) The Clearing House shall have no obligations to act on any ISS Instruction, ISS Confirmation or ISS Affirmation or other communication given or purported to be given by or on behalf of a Clearing Participant, if:
  - (i) such ISS Instruction, ISS Confirmation or ISS Affirmation and other communication does not, in the determination of the Clearing House, contain sufficient details for the Clearing House to act upon it; or
  - (ii) such ISS instruction, ISS Confirmation or ISS Affirmation and other communication is illegal by reason of any law of Malaysia or under any directive issued by or under the authority of the Government of Malaysia.
- (d) Notwithstanding anything to the contrary contained in the Rules, the Clearing House shall not be bound to effect any settlement of any ISS Transaction, or take any other action under the ISS upon any ISS Instruction, ISS Confirmation, ISS Affirmation or

other communication of a Clearing Participant, if such ISS Instruction, ISS Confirmation or ISS Affirmation and other communication would violate any applicable law, decree, court order, regulation or order of any government or other competent authority, or if the Clearing House determines, in its absolute discretion, that it would not be in the interest of the Clearing House or the Clearing Participants to do so.

#### **A5.5 CLEARING PARTICIPANT TO ACT AS PRINCIPAL**

- (a) In so far as the rights and liabilities between the Clearing House and each Clearing Participant are concerned, a Clearing Participant using any of the services provided by the Clearing House including without limitation the ISS, shall be treated as acting as principal and not as agent, trustee or other capacity for a third party and shall be liable to the Clearing House as such.
- (b) In rendering its services, the Clearing House shall be under no obligation to recognise any rights or interest which any person or Client may have, except that of a Clearing Participant, in relation to all matters relating to any of the services or facilities provided by the Clearing House (including without limitation the ISS) and the operations thereof by the Clearing House.

#### **A5.6 ISS TRANSACTION SETTLEMENT PROCESS**

- (a) The Clearing House shall provide settlement services to Clearing Participants in relation to ISS Transactions accepted by the Clearing House for settlement through the ISS.
- (b) Settlement of ISS Transactions under the ISS by the Clearing House, shall be effected on per transaction basis, between the Clearing Participants inputting the ISS Instruction, ISS Confirmation or ISS Affirmation as the case may be.
- (c) The right to receive and the obligation to deliver Securities arising out of any ISS Transaction accepted for settlement through the ISS shall be settled by Book-entry credit and debit made to the designated securities accounts of the relevant Clearing Participants by the Central Depository in accordance to instructions submitted by the Clearing House to the Central Depository.

#### **A5.7 SEQUENCE OF SETTLEMENT/DELIVERIES**

- (a) The sequence of settlement of ISS Transactions in the same Securities on the due settlement day shall be in accordance with the Operational Procedures.
- (b) The Clearing House shall, in relation to the settlement of ISS Transactions relating to the same Clearing Participant, give priority first to the settlement of obligations to deliver Securities (Sell Transaction) and thereafter the right to receive Securities (Buy Transaction), unless otherwise specified by the Clearing House.
- (c) A Clearing Participant, with obligation to deliver Securities (Sell Transaction) in settlement of ISS Transaction, shall be required to have the required quantity of Securities in its designated securities accounts by such day as specified in the Operational Procedures, unless otherwise specified by the Clearing House.
- (d) A Clearing Participant shall not be permitted to rely on the receipt of Securities where it is due to receive Securities in settlement of an ISS Transaction (Buy Transaction) on the same settlement day to effect delivery of Securities where it has an obligation

to deliver Securities in settlement with respect to another ISS Transaction (Sell Transaction), unless otherwise permitted by the Clearing House.

#### **A5.8 UNSETTLED ISS TRANSACTION**

- (a) Without prejudice to the rights and liabilities as between the Clearing Participants concerned, any ISS Transaction resulting from Novated Contract, accepted for settlement by the Clearing House under ISS which remains unsettled or is partially settled on the due settlement day may be subject to automatic buy-in by the Clearing House in accordance with the Rules.
- (b) Without prejudice to the rights and liabilities as between the Clearing Participants concerned and also the right of the Exchange to take action under the Exchange Rules, the ISS Transaction resulting from a Direct Business Contract or portion of the ISS Transaction resulting from a Direct Business Contract that remains unsettled shall not be subject to automatic buy-in but shall be withdrawn from clearing and settlement by the Clearing House in accordance with the Rules and Operational Procedures.

#### **A5.9 FUND SETTLEMENT FOR ISS TRANSACTION**

- (a) An ISS Transaction shall be settled on the due settlement day, on a delivery versus payment basis.
- (b) To effect settlement of an ISS Transaction, where the Clearing House is due to make payment to a Clearing Participant, the Clearing House shall issue instructions to the designated settlement banks to effect payment to the respective Clearing Participant. Payments between the Clearing House and Clearing Participants with respect to the settlement of ISS Transactions shall be effected in such manner as detailed in the Operational Procedures.
- (c) With respect to ISS Transaction (Buy Transaction) which is accepted for settlement under the ISS, the Clearing House shall not effect payment to the relevant Clearing Participant, who is due to receive payment from the Clearing House until the relevant counterparty Clearing Participant who is due to make payment to the Clearing House with respect to such ISS Transaction effects good payment to the Clearing House. If such Clearing Participant fails to make payment to the Clearing House such ISS Transaction shall be designated an unsettled ISS Transaction and the Clearing House shall have no obligation to make payment to the relevant counterparty Clearing Participant who is due to receive payment from the Clearing House with respect to such ISS Transaction.
- (d) Unless otherwise specified by the Clearing House, the money payment obligations of any Clearing Participant with respect to its ISS Transactions which have settled may be netted by the Clearing House, and payment of such net payment amount by or to the Clearing House by a Clearing Participant shall be effected in accordance with Rule A5.9(b).

**A5.10** [Deleted]

#### **A5.11 LIABILITY FOR MARKET CONTRACTS**

- (a) Without prejudice to any rights and liabilities that the Clearing Participant may have against each other, a Clearing Participant who is a party to the ISS Transaction but not a party to the Novated Contract shall be under no liability for any failure of a

Trading Clearing Participant to settle a Novated Contract that results from a Buy Transaction or Sell Transaction, as the case may be.

- (b) The Trading Clearing Participant who is a party to the Novated Contract which fails to settle due to its inability to deliver Securities or funds, as the case may be, in settlement thereof shall be liable to the Clearing House with respect thereto.
- (c) In the case of Direct Business Contracts, failure of delivery of securities or financial settlement or both is a matter to be settled between the parties concerned and the Clearing House shall not in any way be held responsible.

#### **A5.12 ALTERNATIVE CLEARING AND SETTLEMENT ARRANGEMENTS**

Notwithstanding any other provisions in this Chapter, the Clearing House may in consultation with the Commission apply any alternative mode or requirements not specifically mentioned herein for the clearing and settlement of Direct Business Contract under ISS, as deemed appropriate in the circumstances.

## CHAPTER 6

# CLEARING GUARANTEE FUND

### 6.1 ESTABLISHMENT OF CLEARING GUARANTEE FUND

- 6.1.1 The Clearing House shall establish and maintain, in accordance with the Rules, a fund to be called the Clearing Guarantee Fund. The Clearing Guarantee Fund shall only be applied in accordance with the Rules and shall comprise of Contributions, appropriations from the resources of the Clearing House and such other resources as deemed appropriate by the Clearing House.
- 6.1.2 The Clearing House may, in consultation with the Commission, prescribe Operational Procedures pertaining to the Clearing Guarantee Fund.

### 6.2 CONTRIBUTIONS BY TRADING CLEARING PARTICIPANTS

- 6.2.1 Each Trading Clearing Participant shall pay an amount to the Clearing House as its contribution to the CGF that will comprise a fixed contribution and a variable contribution. The Clearing House shall credit the Contributions by Trading Clearing Participant to the Clearing Guarantee Fund.
- 6.2.2 Where applicable, a Trading Clearing Participant shall be deemed to represent and warrant in favour of the Clearing House that it has title to and authority over its Contributions, free from all liens, charges, encumbrances, equities and other third party rights of any nature whatsoever.
- 6.2.3 Subject to Rule 6.13 and Rule 6.14, the amount of contribution from time to time assessed by the Clearing House and required to be made by each Trading Clearing Participant to the CGF shall be determined by reference to the criteria specified in the Operational Procedures as may be considered appropriate by the Clearing House from time to time.

### 6.3 FIXED CONTRIBUTION

- 6.3.1 The fixed contribution to be made by each Trading Clearing Participant shall be such amount as may from time to time be specified by the Clearing House. The fixed contribution shall be made by each Trading Clearing Participant for each participantship held by such Trading Clearing Participant in an Exchange, and shall be made in cash.
- 6.3.2 A Trading Clearing Participant acquiring participantship of any other stock exchange recognised by the Clearing House would be required to pay to the Clearing House an additional fixed contribution pursuant to Rule 6.3.1 within three (3) Market Days from the date on which notice of approval of the Exchange (in respect of the participantship of that Trading Clearing Participant) is given.



## **6.4 VARIABLE CONTRIBUTIONS**

- 6.4.1 The variable contribution to be made by each Trading Clearing Participant in addition to the fixed contribution required to be made under Rule 6.3 shall be in such amount as may be specified by the Clearing House from time to time and in cash only.

## **6.5 REVIEW OF CONTRIBUTIONS**

- 6.5.1 The contribution required from each Trading Clearing Participant for the CGF shall be reviewed on a quarterly basis.
- 6.5.2 At the beginning of each quarter, each Trading Clearing Participant will be advised of the amount of contribution required from that Trading Clearing Participant for the CGF, for that quarter.

## **6.6 COLLECTION AND RETURN OF CONTRIBUTIONS FOLLOWING REVIEWS**

- 6.6.1 The Clearing House will notify Trading Clearing Participants of any additional amount required from Trading Clearing Participants as contribution to the CGF as a result of a review described in Rule 6.5 and the Trading Clearing Participant shall pay such amount to the Clearing House immediately, in the form specified in Rule 6.4.
- 6.6.2 Similarly, following a review pursuant to Rule 6.5, should a Trading Clearing Participant's required contribution to the CGF be less than its existing Contribution, the Clearing House may in respect of any Contribution in excess of the fixed contribution or the variable contribution, upon an application by the Trading Clearing Participant, return to the Trading Clearing Participant the surplus amount.
- 6.6.3 [Deleted]

## **6.7 INTEREST ACCRUING TO CONTRIBUTION**

- 6.7.1 Interest on or other sums accruing to the fixed contribution will be appropriated by the Clearing House to the Clearing Guarantee Fund. Interest on or other sums accruing to Contributions made in cash in excess of the fixed contribution may be paid to the appropriate Trading Clearing Participant as determined by the Clearing House.
- 6.7.2 [Deleted]

## **6.8 APPROPRIATIONS FROM RESOURCES OF THE CLEARING HOUSE**

- 6.8.1 The Clearing House may, from time to time appropriate any of its resources to the Clearing Guarantee Fund and in respect of the amounts so appropriated from its resources to the Clearing Guarantee Fund which are surplus to the requirements of the Clearing Guarantee Fund, the Clearing House may from time to time, appropriate such amounts out of the Clearing Guarantee Fund, either temporarily or permanently.

## **6.9 ADDITIONAL RESOURCES TO CLEARING GUARANTEE FUND**

- 6.9.1 The Clearing House may from time to time establish such additional arrangements, including but without limitation, bank facilities and policies of insurance, as it may from time to time consider appropriate for the purposes of providing additional



resources to the Clearing Guarantee Fund. Such arrangements may be terminated by the Clearing House from time to time at its discretion.

- 6.9.2 The costs and expenses of establishing such arrangements shall be payable out of the interest or other sums accruing to the Clearing Guarantee Fund. Further, the Clearing House may require Trading Clearing Participants to reimburse it in respect of such costs and expenses which are in excess of the amounts payable out of the interest or other sums accruing to the Clearing Guarantee Fund, pro-rata to the amount of their respective Contributions required under Rule 6.3 or in such other manner as the Clearing House considers fair and appropriate.

## **6.10 REVIEW OF CLEARING GUARANTEE FUND**

- 6.10.1 With reference to the requirements of the Clearing Guarantee Fund, the Clearing House shall, on a quarterly basis, review the size of the Clearing Guarantee Fund in light of the market conditions then existing, including turnover levels.
- 6.10.2 Notwithstanding Rule 6.10.1, the Clearing House may review the Clearing Guarantee Fund at any other time or times at its sole and absolute discretion.
- 6.10.3 If following such review under Rule 6.10.1 or Rule 6.10.2, as the case may be, the Clearing House alters the size of the Clearing Guarantee Fund, Rules 6.2 to 6.7 shall apply. The Clearing House shall obtain the approval of the Commission for such alteration to the Clearing Guarantee Fund.

## **6.11 INVESTMENT OF ASSETS OF CLEARING GUARANTEE FUND**

- 6.11.1 The Clearing House may invest the assets of the Clearing Guarantee Fund in such manner as is approved and in accordance with the Rules.
- 6.11.2 Interest or any other sums accruing to the assets of the Clearing Guarantee Fund shall, unless otherwise provided in the Rules, be appropriated by the Clearing House to the Clearing Guarantee Fund.

## **6.12 APPLICATION OF CLEARING GUARANTEE FUND**

- 6.12.1 Without prejudice to other provisions of the Rules, the Clearing Guarantee Fund shall be applied in respect of the obligations and liabilities of the Clearing House arising out of Novated Contracts (including, but not limited to the costs and expenses incurred in relation to making recoveries from Trading Clearing Participants and in relation to risk management measures effected by the Clearing House with respect to Novated Contracts).
- 6.12.2 If the Clearing House applies any resources of the Clearing Guarantee Fund pursuant to this Rule, it shall promptly notify the Commission.

## **6.13 ORDER OF APPLICATION OF CLEARING GUARANTEE FUND**

- 6.13.1 Without prejudice to the Clearing House's right to draw on other resources available to the Clearing Guarantee Fund and subject to the terms of any guarantees, facilities, policies or other assets from time to time forming part of the resources of the Clearing Guarantee Fund, the Clearing Guarantee Fund may be applied in the following order of priority:-

- (a) first, the Contributions made by the Trading Clearing Participants in default (if applicable);
- (b) secondly, the Contributions made by all other Trading Clearing Participants (or all Trading Clearing Participants if sub-paragraph (a) above is not applicable) and the amount appropriated by the Clearing House from its resources into the Clearing Guarantee Fund pursuant to Rule 6.8.1, on a pro rata basis according to the proportion contributed by the Trading Clearing Participants pursuant to Rule 6.2 and the Clearing House pursuant to Rule 6.8 to the Clearing Guarantee Fund; and
- (c) lastly, additional resources such as bank facilities and policies of insurance secured pursuant to Rule 6.9.1.
- (e) [Deleted]

6.13.2 The Clearing House shall notify the Trading Clearing Participant concerned in the case of an application under paragraph (a) of Rule 6.13.1 and shall notify all Trading Clearing Participants in the case of an application under paragraph (b) of Rule 6.13.1.

## **6.14 REPLENISHMENT OF CONTRIBUTIONS**

6.14.1 Whenever the Contribution of a Trading Clearing Participant is applied in accordance with Rule 6.13, the Clearing House shall pursuant to a notice given under Rule 6.13.2 require the Trading Clearing Participant to promptly replenish the deficiency of its Contribution as a result of such application. A Trading Clearing Participant's liability to replenish the deficiency of its Contribution will not be affected by the issue of any prior notice of termination of participation in the services provided by the Clearing House, whether voluntary or involuntary.

6.14.2 For the avoidance of doubt, the Clearing House may require Trading Clearing Participants to provide additional amounts as its contribution to the CGF in respect of any pending applications thereof pursuant to Rule 6.13.

## **6.15 OPTING OUT OF CONTRIBUTIONS EXCEEDING LIMIT**

6.15.1 Notwithstanding Rule 6.14, and subject to Rule 2.12(c), a Trading Clearing Participant may, immediately upon receiving notice under Rule 6.14.1 from the Clearing House (in any event within two (2) Market Days) of an application of the Contributions pursuant to paragraph (b) of Rule 6.13.1, give notice in writing to the Clearing House pursuant to Rule 2.12(b) of its election to terminate its participation in the services provided by the Clearing House.

6.15.2 Without prejudice to Rule 2.13 (and for the avoidance of doubt, without prejudice to the Clearing House's right to immediately cease to act for a Trading Clearing Participant) and in relation to a Trading Clearing Participant who gives notice in writing to the Clearing House pursuant to Rule 2.12(b) to terminate its participation in the services provided by the Clearing House or in relation to a Trading Clearing Participant who receives notice in writing from the Clearing House pursuant to Rule 2.12(a) or Rule 2.13 on the termination of its participation in the services provided by the Clearing House, as the case may be, after such Trading Clearing Participant has received notice from the Clearing House of an application of the Contributions pursuant to Rule 6.13.1(b), such Trading Clearing Participant's aggregate liability to the Clearing House to replenish its contribution to the CGF, in respect of such application and all other applications of the Contributions made under Rule 6.13.1(b) thereafter by reason of events occurring before the termination of its participation in the services provided by the Clearing House, shall not exceed an amount equal to its required contribution to the CGF at the date of receipt by the Clearing House of such

notice from the Trading Clearing Participant in accordance with Rule 2.12(b) or at the date of receipt by the Trading Clearing Participant of such notice from the Clearing House in accordance with Rule 2.12(a) or Rule 2.13.

- 6.15.3 If at the time of notice from the Clearing House of an application of the Contributions under Rule 6.13.1(b), a Trading Clearing Participant shall have already given notice to terminate its participation in the services provided by the Clearing House pursuant to Rule 2.12(b) or a Trading Clearing Participant shall have already been given notice by the Clearing House on the termination of its participation in the services provided by the Clearing House pursuant to Rule 2.12(a), such Trading Clearing Participant's aggregate liability to the Clearing House to replenish its contribution to the CGF in respect of such application and all applications of the Contributions under Rule 6.13.1(b) by reason of events occurring before the termination of its participation in the services provided by the Clearing House, shall not exceed an amount equal to its required contribution to the CGF at the date of the notice by the Clearing House of an application of the Contributions.

## **6.16 RECOVERY OF SUMS**

- 6.16.1 If any amount paid out of the Clearing Guarantee Fund pursuant to Rule 6.12 is subsequently recovered by the Clearing House in whole or in part, the Clearing House shall, in the absence of any obligation of the Clearing House to deal with the amounts so recovered in any other way, credit the amount so received to the Clearing Guarantee Fund (and where Contributions by Trading Clearing Participants were used, the amount so received shall be credited to their Contributions in the appropriate manner, having regard to Rule 6.13).
- 6.16.2 For the avoidance of doubt, a defaulting Trading Clearing Participant shall be liable to reimburse the Clearing House in full for any amount paid out of the Clearing Guarantee Fund as a result of its default.

## **6.17 INFORMATION ON ASSETS AND RESOURCES OF CLEARING GUARANTEE FUND**

- 6.17.1 The Clearing House shall maintain a separate record of all amounts standing to the credit of and all guarantees, facilities or policies enuring for the benefit of the Clearing Guarantee Fund from time to time.
- 6.17.2 The Clearing House shall notify Trading Clearing Participants, the Exchange and the Commission (on an annual basis) of the assets and resources available to the Clearing Guarantee Fund.

## **6.18 RETURN OF CONTRIBUTIONS**

- 6.18.1 For the avoidance of doubt, once the Contributions made by Trading Clearing Participants are credited to the Clearing Guarantee Fund, the Contributions shall be dealt with in accordance with the Rules and will not be returned to Trading Clearing Participants except in accordance with the Rules.
- 6.18.2 Three (3) months after the termination of a Trading Clearing Participant in the participation in the services provided by the Clearing House, provided that all liabilities of such Trading Clearing Participant to the Clearing House at the time of termination, actual and contingent, shall have been satisfied or provided for in full, the Clearing House may, in its absolute discretion return to the Trading Clearing Participant the balance of its Contribution (taking into account any pending and previous application of the CGF at the time of such termination).

## **6.19 DISSOLUTION OF CLEARING GUARANTEE FUND**

6.19.1 If at any time it appears in the opinion of the Clearing House to be in the interests of Trading Clearing Participants or in the interests of the operations of the services of the Clearing House, the Clearing House may, with the approval of the Commission, dissolve the Clearing Guarantee Fund. Unless otherwise provided in the Rules, the Clearing House shall be entitled to adopt such procedures in relation to the dissolution of the Clearing Guarantee Fund, as it shall deem appropriate.

## **6.20 APPLICATION UPON DISSOLUTION OF CLEARING GUARANTEE FUND**

6.20.1 Upon dissolution of the Clearing Guarantee Fund, the Clearing House may apply the Clearing Guarantee Fund in respect of one or more of the following matters :-

- (a) in payment of all sums to be paid out of the Clearing Guarantee Fund;
- (b) in payment of the costs and expenses of and incidental to the administration and management of the dissolution of the Clearing Guarantee Fund;
- (c) at the discretion of the Clearing House, the balance of the Contributions may be returned to Trading Clearing Participants pro-rata to their required Contributions; and
- (d) with the approval of the Commission, for use in such manner as the Clearing House considers appropriate, including but not limited to the transfer to a new fund having similar objectives as the Clearing Guarantee Fund of all amounts standing to the credit of and all guarantees, facilities or policies enuring for the benefit of the Clearing Guarantee Fund.

## CHAPTER 7

### BURSA SBL TRANSACTIONS

#### 7.1 PARTIES WHO MAY ENTER INTO A BURSA SBL TRANSACTION

Only a Bursa SBL Participant may enter into a Bursa SBL Transaction subject to compliance with the relevant requirements set out in these Rules.

#### 7.2 APPLICATION TO BE A LENDING PARTICIPANT OR LENDER

Any person who wishes to be a Lending Participant or Lender must –

- (a) submit a complete and duly executed application and undertaking in the prescribed form via its Lending Agent to the Clearing House; and
- (b) comply with all requirements prescribed by the Clearing House for a Lending Participant or Lender as contained in these Rules, the SBL Conditions or as prescribed by the Clearing House from time to time in relation to the Bursa SBL.

#### 7.3 APPLICATION TO BE A BORROWER

To become a Borrower, the person must:–

- (a) be a Trading Clearing Participant or such other category of persons who is prescribed by the Clearing House to be eligible to become a Borrower;
- (b) submit a complete and duly executed application and undertaking in the prescribed form to the Clearing House;
- (c) comply with all requirements prescribed by the Clearing House for a Borrower as contained in these Rules, the SBL Conditions or as prescribed by the Clearing House in relation to the Bursa SBL; and
- (d) comply with Rules 7.20 of the Exchange Rules as if it were the Participating Organisation referred to in such Rules.

#### 7.4 DISCRETION OF THE CLEARING HOUSE

The Clearing House may exercise discretion over the approval of an application to be a Bursa SBL Participant and may approve or reject such application as it deems fit. The Clearing House may also approve an application unconditionally or subject to such conditions, as it deems fit.

## **7.5 BORROWING AND LENDING BY BURSA SBL PARTICIPANTS**

- (a) A Clearing Participant who is a Trading Clearing Participant may borrow Eligible Securities from :-
  - (i) the Clearing House via a Bursa SBL Transaction whether for itself or its client; or
  - (ii) its client provided that such borrowing is for the sole purpose of lending such Securities to the Clearing House via a Bursa SBL Transaction.
- (b) A Clearing Participant may lend Eligible Securities to :-
  - (i) the Clearing House via a Bursa SBL Transaction whether for itself or its client; or
  - (ii) its client provided that the Clearing Participant is a Trading Clearing Participant and the Eligible Securities being lent are Securities that had been borrowed from the Clearing House via a Bursa SBL Transaction for the sole purpose of lending to such client.
- (c) The borrowing and lending of Eligible Securities by the Clearing Participant referred to in this Rule 7.5 may only be done subject to such requirements as may be contained in these Rules, the SBL Conditions or prescribed by the Clearing House in relation to Bursa SBL (as applicable).
- (d) For the avoidance of doubt, in either of the circumstances stated in Rule 7.5(a) or Rule 7.5(b) above, the Borrower or Lender must act as the principal to the Bursa SBL Transaction.

## **7.6 PURPOSE OF SECURITIES BORROWING**

- (a) Any 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:
  - (i) to facilitate the settlement of a regulated short sale in Eligible Securities executed in accordance with the Exchange Rules;
  - (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 been executed;
  - (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:-
    - (aa) the sale was executed by the Borrower in its capacity as a Market Maker for that particular ETF Related Securities or executed by the Borrower for its client who is a Market Maker for that particular ETF Related Securities; and

- (bb) the Borrower executed the sale as part of its Permitted Short Selling activities or as part of the Permitted Short Selling activities of the Borrower's client in accordance with the rules on Permitted Short Selling as contained in the Exchange Rules; or
  - (iv) for such other purposes as may be determined by the Clearing House in consultation with the Commission.
- (b) For the purpose of this sub-rule (a), unless the context otherwise requires –
  - (i) "Constituent Securities" shall have the meaning as is assigned to that expression in the Exchange Rules;
  - (ii) "ETF" means exchange traded fund as defined in the Commission's Guidelines on Exchange Traded Funds;
  - (iii) "Market Maker" shall have the meaning as is assigned to that expression in the Exchange Rules;
  - (iv) "Permitted Short Selling" shall have the meaning as is assigned to that expression in the Exchange Rules; and
  - (v) "regulated short sale" shall have the same meaning as is assigned to that expression in the Exchange Rules.

## **7.7 APPROVAL AS LENDING AGENT**

- (a) A Clearing Participant seeking approval to act as a Lending Agent must:-
  - (i) satisfy the requirements of Rule 7.8(c) below;
  - (ii) apply to the Clearing House to be approved as a Lending Agent for Bursa SBL Transactions; and
  - (iii) submit to the Clearing House a written declaration in the form prescribed in Appendix 1, together with its application as referred to above.
- (b) Without prejudice to the power conferred on the Clearing House in Rule 2.11 pertaining to the conduct of inspection on a Clearing Participant, the Clearing House may, at any time and/or from time to time prior to or after the receipt of the prescribed declaration in Appendix 1, undertake any inspection and/or audit on the Clearing Participant seeking approval to act as a Lending Agent in the manner determined by the Clearing House.
- (c) The Clearing House may, in approving any application made by a Clearing Participant pursuant to Rule 7.7(a), impose such requirements or conditions as it deems necessary to ensure the smooth operation of the Bursa SBL Transactions.
- (d) Notwithstanding and without prejudice to any other provisions in this Chapter, the Clearing House shall not be obligated to approve the application of every Clearing Participant to be a Lending Agent.
- (e) A Clearing Participant who has been approved to act as a Lending Agent must act as the duly appointed agent of the Lending Participant or Lender when performing the functions and responsibilities set out under Rule 7.8(a) and as may be specified from time to time.
- (f) A Clearing Participant must not perform the functions and responsibilities set out under Rule 7.8(a) for any Lending Participant or Lender as its agent, unless it has first



been approved as a Lending Agent and has entered into a written agreement with such Lending Participant or Lender to be appointed as his or its Lending Agent, which agreement must include the matters specified in Appendix 2.

## **7.8 FUNCTIONS AND RESPONSIBILITIES OF LENDING AGENT FOR BURSA SBL TRANSACTIONS**

- (a) A Clearing Participant who is approved and appointed to be a Lending Agent for a Lending Participant or Lender must have, amongst others, the following functions and responsibilities:-
- (i) To process the application of any person applying to be a Lending Participant (hereinafter in this Rule referred to as “the Said Lending Participant”);
  - (ii) To give effect to any instructions or orders given by the Said Lending Participant or Lender (hereinafter in this Rule referred to as “the Said Lender”) which include, inter alia, the keying-in of Lending Interests into the Bursa SBL System;
  - (iii) To transmit or forward to the Said Lending Participant or Said Lender any notification or update communicated by the Clearing House via the Bursa SBL System in relation to the transactions entered into by the Said Lending Participant or Said Lender relating to the Bursa SBL (other than notices pertaining to the issue of announcements made by an issuer of the Securities comprised in the Loaned Securities of any action taken by such issuer in relation to or arising from its Securities including payment of dividend, issue of bonus Securities and other rights and interests associated with its Securities, capital restructuring and Securities consolidation) or received by the Lending Agent from the Clearing House for the information of the Said Lending Participant or Said Lender, including but not limited to, such matters relating to any approval of Lending Interests, recall of Loaned Securities, entitlement received or is to be received by the Said Lender arising from any corporate action with respect to the Loaned Securities in accordance with the SBL Conditions;
  - (iv) To collect all Documents, forms, invoices, agreements, deeds including any amendments or variations thereof relating to or governing the Bursa SBL as the Clearing House may require from time to time, from the Said Lending Participant or the Said Lender for submission to the Clearing House and from the Clearing House for transmission to the Said Lending Participant or the Said Lender;
  - (v) To receive into the Lending Agent’s designated bank account (“Designated Bank Account”), any fees, charges or income arising with respect to any Loaned Securities due and payable by the Clearing House to the Said Lender relating to the Bursa SBL and to pay to the Said Lender such fees, charges or income as may be prescribed by the Clearing House from time to time that have been credited into the Lending Agent’s Designated Bank Account by the Clearing House subject to the deduction of any fees and charges, as may be agreed between the Said Lender and the Lending Agent, and to collect from the Said Lender and to pay to the Clearing House, any fees and charges due and payable by the Said Lender to the Clearing House relating to the Bursa SBL as may be prescribed by the Clearing House from time to time without any deduction or set off;
  - (vi) To furnish to the Clearing House such information or Documents relating to the Bursa SBL and such advice, statement and report on the operation of transactions relating to the Bursa SBL at such times and in such manner as may be prescribed by the Clearing House;



- (vii) To give effect to any instructions, directives or orders given by the Clearing House to facilitate the operation of any transactions by the Lending Participant or Lender relating to the Bursa SBL or the SBL Conditions; and
  - (viii) Such other functions and responsibilities as may be specified by the Clearing House from time to time.
- (b) The Clearing House may, by notice given to the Clearing Participant from time to time, amend, vary or modify the functions and responsibilities of the Clearing Participant in relation to the Bursa SBL.
- (c) A Clearing Participant seeking approval to act as a Lending Agent or who is approved to act as a Lending Agent must ensure that it has in place, at all times, the requisite systems, infrastructure, functionalities and controls for the performance of the functions and responsibilities stipulated in Rule 7.8(a).
- (d) In performing the functions and responsibilities stipulated in Rule 7.8(a) on behalf of the Said Lending Participant or Said Lender, a Clearing Participant approved as a Lending Agent must comply with the procedures or requirements as may be imposed by the Clearing House from time to time.

## **7.9 ACCESS TO BURSA SBL SYSTEM**

- (a) Upon approval of an application to be a Lending Agent made pursuant to Rule 7.7(a), the Clearing Participant shall be given access to the Bursa SBL System to perform any of its functions and responsibilities as a Lending Agent in relation to the Bursa SBL.
- (b) Such Clearing Participant shall comply with any conditions or requirements prescribed by the Clearing House from time to time in relation to the access to or usage of the Bursa SBL System.

## **7.10 DESIGNATED SECURITIES ACCOUNT**

A Borrower must ensure that all Loaned Securities are held in and where relevant, transferred to, the designated securities accounts as prescribed by the Clearing House and no other securities account.

## **7.11 ACTION BY THE CLEARING HOUSE**

- (a) The Clearing House may exercise any of the powers set out in Rule 7.11(b) immediately without further reference to a Bursa SBL Participant or Lending Agent:
- (i) if the Bursa SBL Participant or Lending Agent commits a breach of any of the conditions or requirements imposed by the Clearing House in relation to the Bursa SBL Transactions;
  - (ii) if the Clearing House determines in its absolute discretion that the Bursa SBL Participant or Lending Agent is unable to conduct any of the Bursa SBL Transactions due to any circumstances including bankruptcy and insolvency;
  - (iii) if the Clearing House determines that the Bursa SBL Participant or Lending Agent is likely to cause damage to other Bursa SBL Participants or Lending Agents as a result of violating any of the requirements or obligations in relation to the Bursa SBL Transactions; or

- (iv) in any such circumstances which may be determined by the Clearing House in consultation with the Commission.
- (b) Without prejudice to any of the powers of the Clearing House contained in the Act, these Rules or any directives, circulars or instructions issued by the Clearing House from time to time, the actions which the Clearing House may take upon the happening of any of the events set out in Rule 7.11(a) include one or more of the following:
  - (i) prohibit the Bursa SBL Participant or Lending Agent from entering into any or all new Bursa SBL Transactions and/or transactions contemplated under any directives, circulars or instructions issued by the Clearing House in relation to the Bursa SBL Transactions;
  - (ii) suspend or terminate the Bursa SBL Participant or Lending Agent as a Bursa SBL Participant or Lending Agent;
  - (iii) notify all Bursa SBL Participants and Lending Agents of the suspension or termination of any Bursa SBL Participant or Lending Agent; or
  - (iv) limit the activities or access of the Bursa SBL Participant or Lending Agent to the services and facilities provided by the Clearing House in relation to the Bursa SBL Transactions on such terms and for such duration as the Clearing House may in its absolute discretion determine.
- (c) Where an action has been taken under Rule 7.11(b), a Bursa SBL Participant or Lending Agent may make representations to the Clearing House for the discontinuance of the action taken. The Clearing House may, after representations have been made, discontinue with the action taken. However, such discontinuance shall not be construed as an omission or error of any kind on the part of the Clearing House in undertaking the action under Rule 7.11(b) in the first place.
- (d) The Clearing House shall not be held liable for any loss or damage suffered by any party arising from or in connection with the action taken by the Clearing House under Rule 7.11(b) provided that the Clearing House has acted in good faith.
- (e) Notwithstanding any provisions to the contrary in these Rules, the Clearing House, where it deems necessary, may:
  - (i) suspend its services and facilities for the Bursa SBL Transactions entirely or partially for such duration as the Clearing House in its absolute discretion deems fit; or
  - (ii) terminate a Bursa SBL Transaction in accordance with any directive or instruction issued by the Commission or required by any written law, and further direct the Borrower to re-deliver the Loaned Securities to the Lender within the timeframe and in the manner as prescribed by the Clearing House.

## **7.12 PROVISION OF INFORMATION**

The Bursa SBL Participants and Lending Agents must furnish to the Clearing House or the Commission any information or Documents in relation to any Bursa SBL Transaction as required by the Clearing House or the Commission from time to time.

## **7.13 DISCLOSURE OF INFORMATION**

Notwithstanding any provisions in these Rules, the Clearing House shall be entitled to:

- (a) disclose any information or to produce any Documents in its possession or control in relation to the Bursa SBL Transaction if required or requested to do so by the Commission; and
- (b) disclose any information in its possession or control to the Commission or authorised personnel of the Exchange by way of granting such persons access to the Bursa SBL System for the purpose of facilitating the performance of their duties and functions under the relevant requirements, rules or laws.

#### **7.14 FEES AND CHARGES**

- (a) A Bursa SBL Participant or Lending Agent must pay to the Clearing House the relevant fees and charges prescribed by the Clearing House in relation to any or all of the services and facilities provided by the Clearing House in relation to the Bursa SBL Transactions.
- (b) The Clearing House may, from time to time where it deems necessary in its absolute discretion, vary or change any of the fees and charges by prescription in the SBL Circulars and without any further notice to the Bursa SBL Participant or Lending Agent.

#### **7.15 LIABILITY**

The Clearing House shall not be liable to any person for any loss or damage that may be incurred or suffered by such person as a result of the exercise or intended exercise of any power or performance of any duty or function conferred or imposed on the Clearing House in relation to the Bursa SBL Transactions and exercised by the Clearing House in good faith.

#### **7.16 FORCE MAJEURE**

- (a) In the event that the Clearing House is required to suspend the operation of the Bursa SBL System, and the provision of all ancillary services where for any reason the Records of the Clearing House, the Central Depository or the Bursa SBL System are unavailable, inaccessible, delayed or hindered in any manner, the Clearing House shall not be liable for any failure, hindrance or delay in the provision of services or for the failure to give or the delay in giving effect to any notice or communication from a Bursa SBL Participant or Lending Agent.
- (b) The Clearing House or its directors, officers, employees or agents shall not be liable for any losses or damages that may be incurred or suffered by the Bursa SBL Participant or Lending Agent arising from causes beyond its reasonable control including, without limitation, acts of God or the public enemy, acts of a civil or military authority, natural disasters, embargoes, industrial action, fires, floods, mechanical breakdowns, computer or system failures or sabotage, delay or inability to act by any registrar, interruptions of power supplies or other utility or services, currency restrictions, any law, regulation or order of any government, competent authority or any court or tribunal, war or terrorism.

#### **7.17 INDEMNITY BY LENDING AGENT**

Each Clearing Participant shall be responsible for its own operations and functions as a Lending Agent in relation to the Bursa SBL Transactions as are required under these Rules, the SBL Circulars or otherwise and must fully indemnify and hold indemnified the Clearing House, whether such indemnity is claimed by the Clearing House during or after the expiry of the tenure of the Clearing Participant as a Lending Agent, for any loss, legal costs (including third party legal costs), damage or liability suffered or incurred by the Clearing House, whether directly or otherwise, as a result of any negligence, omission, mistake, misrepresentation, fraud or error on the part of the Clearing Participant, its servants or agents, provided always that such action or omission were committed during its tenure as a Lending Agent.

#### **7.18 INDEMNITY BY BURSA SBL PARTICIPANT**

Each Bursa SBL Participant must fully indemnify and hold the Clearing House indemnified from and against any loss, damage, claim, liability, cost or expense (including but not limited to legal costs on a solicitor and client basis) suffered or incurred by the Clearing House, whether directly or indirectly, for, on account of, or in respect of anything done, any statement made or omitted to be done or made, by the Clearing House in connection with the discharge or performance or purported discharge or performance of any duties or functions under these Rules or in the exercise or intended exercise of any power under these Rules, including, without limiting the generality of the foregoing, any loss, damage, claim, liability, cost or expense suffered or incurred as a result of the act, statement or omission of the Clearing House in the delivery or re-delivery of Loaned Securities in relation to a Bursa SBL Transaction where such act, statement or omission was done in good faith. This obligation to indemnify the Clearing House shall survive the termination of the Bursa SBL Transaction.

#### **7.19 RULES OF CLEARING HOUSE TO TAKE PRECEDENCE**

The Bursa SBL Participants or Lending Agents must ensure that the provisions of the agreements entered into amongst the Bursa SBL Participants and Lending Agents shall not in any way be inconsistent with any of these Rules or the requirements imposed by the Clearing House or the provisions of the agreements entered into between the Bursa SBL Participants or Lending Agents and the Clearing House in relation to the Bursa SBL Transaction (“the Rules of the Clearing House”), and the Bursa SBL Participants and Lending Agents must give effect to the Rules of the Clearing House.

## APPENDIX 1

To:

Bursa Malaysia Securities Clearing Sdn Bhd  
Exchange Square  
Bukit Kewangan  
50200 Kuala Lumpur

**COMPLIANCE WITH REQUIREMENTS IMPOSED BY BURSA MALAYSIA SECURITIES CLEARING SDN BHD (“BURSA CLEARING (S)”) IN RELATION TO THE LENDING AGENT**

Pursuant to the requirements of Rule 7.7(a) of the Rules of Bursa Malaysia Securities Clearing Sdn Bhd (“Bursa Clearing (S) Rules”), we [name of Clearing Participant applying to be a Lending Agent] hereby declare and undertake as follows:

- 1) we must provide to Bursa Clearing (S) or the Securities Commission Malaysia, upon request, any information or document required by Bursa Clearing (S) or the Securities Commission Malaysia pertaining to the Lending Participants or Lenders for whom we are acting;
- 2) we have formulated a set of Internal Guidelines for Acting as a Lending Agent which has been approved by our board of directors;
- 3) the Internal Guidelines for Acting as a Lending Agent have been brought to the notice of the relevant employees who have read and understood the contents therein;
- 4) the Internal Guidelines for Acting as a Lending Agent comply with the requirements set out in Bursa Clearing (S) Rules; and
- 5) all relevant systems and infrastructure including front office and/or back office systems have been verified and assessed in terms of application as well as software and the hardware capabilities and are confirmed to be operational and have all the functionalities, requirements and controls in place for the purpose of carrying out activities as a Lending Agent in accordance with Bursa Clearing (S) Rules, the Bursa SBL (Terms and Conditions for Lending Participant and Lender) or directives, circulars or instructions issued by Bursa Clearing (S).

Dated this [ ] day of [ ] [ ].

Signed [ ]  
Name:  
Designation:  
Date:

[ End of Appendix ]

## **APPENDIX 2**

Matters which must be contained in the written agreement between the Lending Agent and the Lending Participant/Lender  
(Rule 7.7(f))

- (1) The Lending Agent is the agent of the Lending Participant/Lender in performing the functions and responsibilities stipulated in these Rules or any directives, circulars or instructions issued by the Clearing House in relation to the Bursa SBL;
- (2) The functions and responsibilities of the Lending Agent stipulated in these Rules or any directives, circulars or instructions issued by the Clearing House in relation to the Bursa SBL, as the same may be amended, modified or varied from time to time; and
- (3) The Lending Agent must comply with the obligations imposed on a Lending Agent, as contained in the SBL Conditions and these Rules.

[ End of Appendix ]

## CHAPTER 8

### SBL NEGOTIATED TRANSACTIONS

#### 8.1 PARTIES WHO MAY ENTER INTO A SBL NEGOTIATED TRANSACTION

Only a SBLNT Participant may enter into a SBL Negotiated Transaction subject to compliance with the relevant requirements set out in these Rules.

#### 8.2 APPLICATION TO BE AN APPROVED SBLNT LENDER

Any person who wishes to be an Approved SBLNT Lender must:

- (i) submit a complete and duly executed application and undertaking in the prescribed form via its Lending Representative to the Clearing House; and
- (ii) comply with all requirements prescribed by the Clearing House for an Approved SBLNT Lender as contained in these Rules, the SBL Conditions or as prescribed by the Clearing House from time to time in relation to Securities borrowing and lending.

#### 8.3 APPLICATION TO BE AN APPROVED SBLNT BORROWER

To become an Approved SBLNT Borrower, the person must:–

- (a) fall within one of the categories of persons prescribed by the Clearing House to be eligible to become an Approved SBLNT Borrower;
- (b) submit a complete and duly executed application and undertaking in the prescribed form via its Borrowing Representative to the Clearing House;
- (c) comply with all requirements prescribed by the Clearing House for an Approved SBLNT Borrower as contained in these Rules or as prescribed by the Clearing House from time to time in relation to the SBL Negotiated Transactions; and
- (d) comply with Rule 7.20 of the Exchange Rules as if it were the Participating Organisation referred to in such Rules.

#### 8.4 DISCRETION OF THE CLEARING HOUSE

- (a) The Clearing House may exercise discretion over the approval of an application to be a SBLNT Participant and may approve or reject such application as it deems fit. The Clearing House may also approve an application unconditionally or subject to such conditions, as it deems fit.
- (b) The Clearing House may revoke the approval given to a SBLNT Participant, at any time without further reference to the SBLNT Participant when any one or more of the following events occurs:
  - (i) When a SBLNT Participant applies for revocation;

- (ii) When a SBLNT Participant is no longer eligible under Rule 8.2 or Rule 8.3, as the case may be, to continue as an Approved SBLNT Lender or Approved SBLNT Borrower; or
- (iii) Where the Clearing House deems necessary in consultation with the Commission.

Where the Clearing House has revoked the approval given to a SBLNT Participant, the Clearing House may direct such SBLNT Participant to terminate its SBL Negotiated Transaction and, in the case of an Approved SBLNT Borrower, to re-deliver the Loaned Securities to the Approved SBLNT Lender within the timeframe and in the manner as prescribed by the Clearing House.

## **8.5 PURPOSES OF SECURITIES BORROWING**

- (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:
  - (i) to facilitate the settlement of a regulated short sale in Eligible Securities executed in accordance with the Exchange Rules;
  - (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) (“potential failed trade”) 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 been executed;
  - (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:
    - (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
    - (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 Borrower’s client in accordance with the rules on Permitted Short Selling as contained in the Exchange Rules;
  - (iv) 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
  - (v) for such other purposes as may be determined by the Clearing House in consultation with the Commission.



- (b) Where the Loaned Securities are borrowed to facilitate the settlement of a potential failed trade as provided in Rule 8.5(a)(ii) above, the Approved SBLNT Borrower must return such Loaned Securities within the time prescribed by the Clearing House.
- (c) For the purpose of this sub-rule (a), unless the context otherwise requires –
  - (i) “Constituent Securities” shall have the meaning as is assigned to that expression in the Exchange Rules;
  - (ii) “ETF” means exchange traded fund as defined in the Commission’s Guidelines on Exchange Traded Funds;
  - (iii) “Market Maker” shall have the meaning as is assigned to that expression in the Exchange Rules;
  - (iv) “Permitted Short Selling” shall have the meaning as is assigned to that expression in the Exchange Rules; and
  - (v) “regulated short sale” shall have the same meaning as is assigned to that expression in the Exchange Rules.

## **8.6 APPROVAL AS LENDING REPRESENTATIVE**

- (a) A Clearing Participant seeking approval to act as a Lending Representative must:
  - (i) satisfy the requirements of Rule 8.7(c);
  - (ii) apply to the Clearing House to be approved as a Lending Representative and specify it is applying to be a Lending Representative for SBL Negotiated Transactions; and
  - (iii) submit to the Clearing House a written declaration in the form prescribed in Appendix 1 together with its application as referred to above.
- (b) Without prejudice to the power conferred on the Clearing House in Rule 2A.2 pertaining to the conduct of inspection on a Clearing Participant, the Clearing House may, at any time and/or from time to time prior to or after the receipt of the prescribed declaration in Appendix 1, undertake any inspection and/or audit on the Clearing Participant seeking approval to act as a Lending Representative in the manner determined by the Clearing House.
- (c) The Clearing House may, in approving any application made by a Clearing Participant pursuant to Rule 8.6(a), impose such requirements or conditions as it deems necessary to ensure the smooth operation of the SBL Negotiated Transactions.
- (d) Notwithstanding and without prejudice to any other provisions in this Chapter, the Clearing House shall not be obligated to approve the application of every Clearing Participant to be a Lending Representative.
- (e) A Clearing Participant who has been approved to act as a Lending Representative must act as the duly appointed representative of the Approved SBLNT Lender when performing the functions and responsibilities set out under Rule 8.7(a) and as may be specified by the Clearing House from time to time.
- (f) A Clearing Participant must not perform the functions and responsibilities set out under Rule 8.7(a) for any Approved SBLNT Lender, as its representative, unless it has first been approved as a Lending Representative and has entered into a written

agreement with such Approved SBLNT Lender to be appointed as his or its Lending Representative, which agreement must include the matters specified in Appendix 2.

## **8.7 FUNCTIONS AND RESPONSIBILITIES OF LENDING REPRESENTATIVE**

- (a) A Clearing Participant who is approved and appointed to be a Lending Representative for an Approved SBLNT Lender must have, amongst others, the following functions and responsibilities:
- (i) To process the application of any person applying to be an Approved SBLNT Lender (hereinafter in this Rule referred to as "the Said Approved SBLNT Lender");
  - (ii) To transmit or forward to the Said Approved SBLNT Lender any notification or update communicated by the Clearing House in relation to the Said Approved SBLNT Lender's SBL Negotiated Transactions or received by the Lending Representative from the Clearing House for the information of the Said Approved SBLNT Lender;
  - (iii) To collect all Documents, forms, agreements, deeds including any amendments or variations thereof relating to or governing the SBL Negotiated Transactions as the Clearing House may require from time to time, from the Said Approved SBLNT Lender for submission to the Clearing House and from the Clearing House for transmission to the Said Approved SBLNT Lender;
  - (iv) To receive any fees and charges due and payable by the Said Approved SBLNT Lender to the Clearing House arising with respect to any of the services and facilities provided by the Clearing House in relation to the SBL Negotiated Transactions and to pay to the Clearing House such fees and charges in relation to the SBL Negotiated Transactions;
  - (v) To furnish to the Clearing House such information or Documents relating to the SBL Negotiated Transactions and such advice, statement and report on the operation of the SBL Negotiated Transactions at such times and in such manner as may be prescribed by the Clearing House;
  - (vi) To give effect to any instructions, directives or orders given by the Clearing House to facilitate the operation of any transactions by the Said Approved SBLNT Lender relating to the SBL Negotiated Transactions;
  - (vii) To immediately notify the Clearing House upon it becoming aware of any breach committed or likely to be committed by the Said Approved SBLNT Lender of any of these Rules or requirements imposed by the Clearing House on the Said Approved SBLNT Lender in relation to the SBL Negotiated Transactions; and
  - (viii) Such other functions and responsibilities as may be specified by the Clearing House from time to time.
- (b) The Clearing House may, by notice given to the Clearing Participant from time to time, amend, vary or modify the functions and responsibilities of the Clearing Participant as a Lending Representative in relation to the SBL Negotiated Transactions.
- (c) A Clearing Participant seeking approval to act as a Lending Representative or who is approved to act as a Lending Representative must ensure that it has in place, at all times, the requisite systems, infrastructure, functionalities and controls for the performance of the functions and responsibilities stipulated in Rule 8.7(a).

- (d) In performing the functions and responsibilities stipulated in Rule 8.7(a) on behalf of the Said Approved SBLNT Lender, a Clearing Participant approved as a Lending Representative must comply with the procedures or requirements as may be imposed by the Clearing House from time to time.

## **8.8 APPROVAL AS BORROWING REPRESENTATIVE**

- (a) A Clearing Participant seeking approval to act as a Borrowing Representative in relation to the SBL Negotiated Transactions must:
  - (i) satisfy the requirements of Rule 8.9(c) below;
  - (ii) apply to the Clearing House to be approved as a Borrowing Representative; and
  - (iii) submit to the Clearing House a written declaration in the form prescribed in Appendix 3, together with its application as referred to above.
- (b) Without prejudice to the power conferred on the Clearing House in Rule 2A.2 pertaining to the conduct of inspection on a Clearing Participant, the Clearing House may, at any time and/or from time to time prior to or after the receipt of the prescribed declaration in Appendix 3, undertake any inspection and/or audit on the Clearing Participant seeking approval to act as a Borrowing Representative in the manner determined by the Clearing House.
- (c) The Clearing House may, in approving any application made by a Clearing Participant pursuant to Rule 8.8(a), impose such requirements or conditions as it deems necessary to ensure the smooth operation of the SBL Negotiated Transactions.
- (d) Notwithstanding and without prejudice to any other provisions in this Chapter, the Clearing House shall not be obligated to approve the application of every eligible Clearing Participant to be a Borrowing Representative.
- (e) A Clearing Participant who has been approved to act as a Borrowing Representative must act as the duly appointed Representative of the Approved SBLNT Borrower when performing the functions and responsibilities set out under Rule 8.9(a) and as may be specified from time to time.
- (f) A Clearing Participant must not perform the functions and responsibilities set out under Rule 8.9(a) for any Approved SBLNT Borrower as its representative, unless it has first been approved as a Borrowing Representative and has entered into a written agreement with such Approved SBLNT Borrower to be appointed as his or its Borrowing Representative, which agreement must include the matters specified in Appendix 4.

## **8.9 FUNCTIONS AND RESPONSIBILITIES OF BORROWING REPRESENTATIVE**

- (a) A Clearing Participant who is approved and appointed to be a Borrowing Representative for an Approved SBLNT Borrower must have, amongst others, the following functions and responsibilities:
  - (i) To process the application of any eligible person applying to be an Approved SBLNT Borrower (hereinafter in this Rule referred to as “the Said Approved SBLNT Borrower”);

- (ii) To transmit or forward to the Said Approved SBLNT Borrower any notification or update communicated by the Clearing House in relation to the Said Approved SBLNT Borrower's SBL Negotiated Transactions or received by the Borrowing Representative from the Clearing House for the information of the Said Approved SBLNT Borrower;
  - (iii) To collect all Documents, forms, agreements, deeds including any amendments or variations thereof relating to or governing the SBL Negotiated Transactions as the Clearing House may require from time to time, from the Said Approved SBLNT Borrower for submission to the Clearing House and from the Clearing House for transmission to the Said Approved SBLNT Borrower;
  - (iv) To receive any fees and charges due and payable by the Said Approved SBLNT Borrower to the Clearing House arising with respect to any of the services and facilities provided by the Clearing House in relation to the SBL Negotiated Transactions and to pay to the Clearing House such fees, charges in relation to the SBL Negotiated Transactions;
  - (v) To furnish to the Clearing House such information or Documents relating to the SBL Negotiated Transactions and such advice, statement and report on the operation of the SBL Negotiated Transactions at such times and in such manner as may be prescribed by the Clearing House;
  - (vi) To give effect to any instructions, directives or orders given by the Clearing House to facilitate the operation of any transactions by the Said Approved SBLNT Borrower relating to the SBL Negotiated Transactions;
  - (vii) To immediately notify the Clearing House upon it becoming aware of any breach committed or likely to be committed by the Said Approved SBLNT Borrower of any of these Rules or requirements imposed by the Clearing House on the Said Approved SBLNT Borrower in relation to the SBL Negotiated Transactions; and
  - (viii) Such other functions and responsibilities as may be specified by the Clearing House from time to time.
- (b) The Clearing House may, by notice given to the Clearing Participant from time to time, amend, vary or modify the functions and responsibilities of the Clearing Participant as a Borrowing Representative in relation to the SBL Negotiated Transactions.
- (c) A Clearing Participant seeking approval to act as a Borrowing Representative or who is approved to act as a Borrowing Representative must ensure that it has in place, at all times, the requisite systems, infrastructure, functionalities and controls for the performance of the functions and responsibilities stipulated in Rule 8.9(a).
- (d) In performing the functions and responsibilities stipulated in Rule 8.9(a) on behalf of the Said Approved SBLNT Borrower, a Clearing Participant must comply with the procedures or requirements as may be imposed by the Clearing House from time to time.

## **8.10 SECURITIES BORROWING AND LENDING AGREEMENT APPROVED BY THE COMMISSION**

SBLNT Participants or their clients may include the matters set out in Appendix 5 in the agreement that governs the terms and conditions of the Securities borrowing and lending transaction that is facilitated by the Clearing House under Chapter 8 and if they do, such

agreement will be deemed a Securities borrowing and lending agreement approved by the Commission as referred to in the Securities Borrowing and Lending Guidelines issued by the Commission.

### **8.11 ACCESS TO SBLNT SYSTEM**

- (a) Upon approval of an application to be a Lending Representative or a Borrowing Representative made pursuant to Rule 8.6(a) or Rule 8.8(a), as the case may be, the Clearing Participant shall be given access to the SBLNT System to perform any of its functions and responsibilities as a Lending Representative or a Borrowing Representative in relation to the SBL Negotiated Transactions.
- (b) Such Clearing Participant must comply with any conditions or requirements prescribed by the Clearing House from time to time in relation to the access to or usage of the SBLNT System

### **8.12 REQUIREMENTS OF SBL NEGOTIATED TRANSACTIONS**

- (a) The Approved SBLNT Borrower must ensure that it obtains a confirmation from the Approved SBLNT Lender that the Approved SBLNT Lender has the Eligible Securities available to be lent to the Approved SBLNT Borrower. Such confirmation must contain such details and be maintained in such manner as prescribed by the Clearing House.
- (b) SBLNT Participants who have agreed on a SBL Negotiated Transaction and wish to have the Loaned Securities delivered must each notify the Clearing House of the prescribed details of the SBL Negotiated Transaction through their respective appointed Lending Representative or Borrowing Representative and in the manner as prescribed by the Clearing House.
- (c) Upon receipt of the relevant notifications from both the SBLNT Participants, the Clearing House shall be authorised by the Approved SBLNT Lender and Approved SBLNT Borrower, respectively, to instruct the Central Depository to debit or credit the securities accounts provided by the Approved SBLNT Lender and Approved SBLNT Borrower, as the case may be, for the purpose of delivery of the Loaned Securities to the Approved SBLNT Borrower provided that:
  - (i) the relevant details provided by the SBLNT Participants are validated in the manner prescribed by the Clearing House; and
  - (ii) there are sufficient Securities in the securities account of the Approved SBLNT Lender at the relevant time as stipulated by the Clearing House to satisfy the delivery of the Loaned Securities.
- (d) The SBLNT Participants may, at any time prior to the termination of the loan and in the manner prescribed by the Clearing House, adjust or vary the Securities comprised in the Loaned Securities (including the amount of the Securities) pursuant to any action taken by the issuer of the Loaned Securities in relation to or arising from its Securities.
- (e) SBLNT Participants who wish to return the Loaned Securities partially or in full must notify the Clearing House of the prescribed details of the return through their appointed Lending Representative or Borrowing Representative, respectively. Upon receipt of the relevant notifications from both the SBLNT Participants, the Clearing House shall be authorised by the Approved SBLNT Lender and Approved SBLNT Borrower, respectively, to instruct the Central Depository to debit or credit the securities accounts provided by the Approved SBLNT Lender and Approved SBLNT

Borrower, as the case may be, for re-delivery of the Loaned Securities to the Approved SBLNT Lender provided that—

- (i) the relevant details provided by the SBLNT Participants are validated in the manner prescribed by the Clearing House; and
  - (ii) there are sufficient Securities in the securities account of the Approved SBLNT Borrower at the relevant time as stipulated by the Clearing House to satisfy the re-delivery of the Loaned Securities.
- (f) Upon termination of the loan by the Approved SBLNT Lender or the Approved SBLNT Borrower, the Approved SBLNT Borrower must return the Loaned Securities to the Approved SBLNT Lender within the timeframe and in the manner prescribed by the Clearing House.
- (g) Notwithstanding Rule 8.12(f), a non-defaulting SBLNT Participant may terminate the loan without the return of the Loaned Securities if any of the events of default under the agreement between the SBLNT Participants setting out the terms and conditions of that loan are triggered with respect to the defaulting SBLNT Participant.
- (h) A SBLNT Participant who intends to terminate the loan without returning the Loaned Securities under Rule 8.12(g) must do so in the manner specified by the Clearing House.
- (i) The Clearing House may prohibit the non-delivery of Loaned Securities referred to in Rule 8.12(g) without assigning any ground or reason for its decision.
- (j) The Clearing House's facilitation of the non-delivery of Loaned Securities under Rule 8.12(g) does not prejudice the Clearing House's right or power to take action for breach of any of these Rules or the Clearing House's requirements in relation to SBL Negotiated Transactions.
- (k) Each SBLNT Participant who is involved in a termination of a loan without returning the Loaned Securities must fully indemnify and hold indemnified the Clearing House, whether such indemnity is claimed by the Clearing House during or after the expiry of the tenure of the SBLNT Participant as an Approved SBLNT Lender or Approved SBLNT Borrower, from and against any loss, damage, claim, liability, cost or expense (including but not limited to legal costs on a solicitor and client basis) suffered or incurred by the Clearing House, whether directly or indirectly, arising from or in connection with the termination of the loan without returning the Loaned Securities.
- (l) SBLNT Participants are solely responsible for all rights and obligations arising from, and must assume all default and recovery risks associated with the loan relationship between the SBLNT Participants. The Clearing House shall in no event be held liable for the performance of any obligation arising from the loan relationship between the SBLNT Participants.

### **8.13 DESIGNATED SECURITIES ACCOUNT**

An Approved SBLNT Borrower must ensure that all Loaned Securities are held in and where relevant, transferred to, the designated securities accounts as prescribed by the Clearing House and no other securities account.

### **8.14 ACTION BY THE CLEARING HOUSE**

- (a) The Clearing House may exercise any of the powers set out in Rule 8.14(b) immediately without further reference to a SBLNT Participant / Representative:



- (i) if the SBLNT Participant / Representative commits a breach of any of the conditions or requirements imposed by the Clearing House in relation to the SBL Negotiated Transactions;
  - (ii) if the Clearing House determines in its absolute discretion that the SBLNT Participant / Representative is unable to conduct any of the SBL Negotiated Transactions due to any circumstances including bankruptcy and insolvency;
  - (iii) if the Clearing House determines that the SBLNT Participant / Representative is likely to cause damage to other SBLNT Participants/Representatives as a result of violating any of the requirements or obligations in relation to the SBL Negotiated Transactions; or
  - (iv) in any such circumstances which the Clearing House in its absolute discretion deems fit.
- (b) Without prejudice to any of the powers of the Clearing House contained in the Act, these Rules or any directives, circulars or instructions issued by the Clearing House from time to time, the actions which the Clearing House may take upon the happening of any of the events set out in Rule 8.14(a) include one or more of the following:
- (i) prohibit the SBLNT Participant / Representative from entering into any or all new SBL Negotiated Transactions and/or transactions contemplated under any directives, circulars or instructions issued by the Clearing House in relation to the SBL Negotiated Transactions;
  - (ii) suspend or terminate the SBLNT Participant / Representative as a SBLNT Participant / Representative;
  - (iii) notify all SBLNT Participants / Representatives of the suspension or termination of any SBLNT Participant / Representative ; or
  - (iv) limit the activities or access of the SBLNT Participant / Representative to the services and facilities provided by the Clearing House in relation to the SBL Negotiations Transactions on such terms and for such duration as the Clearing House may in its absolute discretion determine.
- (c) Where an action has been taken under Rule 8.14(b), a SBLNT Participant / Representative may make representations to the Clearing House for discontinuance of the action taken. The Clearing House may after representations have been made, discontinue with the action taken. However, such discontinuance shall not be construed as an omission or error of any kind on the part of the Clearing House in undertaking the action under Rule 8.14(b) in the first place.
- (d) The Clearing House shall not be held liable for any loss or damage suffered by any party arising from or in connection with the action taken by the Clearing House under Rule 8.14(b) provided that the Clearing House has acted in good faith.
- (e) Notwithstanding any provisions to the contrary in these Rules, the Clearing House, where it deems necessary, may:
- (i) suspend its services and facilities for the SBL Negotiated Transactions entirely or partially for such duration as the Clearing House in its absolute discretion deems fit; or
  - (ii) direct a SBLNT Participant to terminate its SBL Negotiated Transaction in accordance with any directive or instruction issued by the Commission or required by any written law, and further direct the Approved SBLNT Borrower to re-deliver the Loaned Securities to the Approved SBLNT Lender within the timeframe and in the manner as prescribed by the Clearing House.

## 8.15 PROVISION OF INFORMATION

The SBLNT Participants / Representatives must furnish to the Clearing House or the Commission any information or Document in relation to any SBL Negotiated Transaction as required by the Clearing House or the Commission from time to time.

## 8.16 DISCLOSURE OF INFORMATION

Notwithstanding any provisions in these Rules, the Clearing House shall be entitled to:

- (a) disclose any information or to produce any document in its possession or control in relation to the SBL Negotiated Transaction if required or requested to do so by the Commission; and
- (b) disclose any information in its possession or control to the Commission or authorised personnel of the Exchange by way of granting such persons access to the SBLNT System for the purpose of facilitating the performance of their duties and functions under the relevant requirements, rules or laws.

## 8.17 FEES AND CHARGES

- (a) A SBLNT Participant / Representative must pay to the Clearing House the relevant fees and charges prescribed by the Clearing House in relation to any or all of the services and facilities provided by the Clearing House in relation to the SBL Negotiated Transactions.
- (b) The Clearing House may, from time to time where it deems necessary in its absolute discretion, vary or change any of the fees and charges by prescription in the SBL Circulars and without any further notice to the SBLNT Participant / Representative.

## 8.18 LIABILITY

The Clearing House shall not be liable to any person for any loss or damage that may be incurred or suffered by such person as a result of the exercise or intended exercise of any power or performance of any duty or function conferred or imposed on the Clearing House in relation to the SBL Negotiated Transactions and exercised by the Clearing House in good faith.

## 8.19 FORCE MAJEURE

- (a) In the event that the Clearing House is required to suspend the operation of the SBLNT System, as the case may be, and the provision of all ancillary services where for any reason the Records of the Clearing House, the Central Depository or the SBLNT System are unavailable, inaccessible, delayed or hindered in any manner, the Clearing House shall not be liable for any failure, hindrance or delay in the provision of services or for the failure to give or the delay in giving effect to any notice or communication from a SBLNT Participant/Representative.
- (b) The Clearing House or its directors, officers, employees or agents shall not be liable for any losses or damages that may be incurred or suffered by the SBLNT Participant / Representative arising from causes beyond its reasonable control including, without limitation, acts of God or the public enemy, acts of a civil or military authority, natural



disasters, embargoes, industrial action, fires, floods, mechanical breakdowns, computer or system failures or sabotage, delay or inability to act by any registrar, interruptions of power supplies or other utility or services, currency restrictions, any law, regulation or order of any government, competent authority or any court or tribunal, war or terrorism.

## **8.20 INDEMNITY BY LENDING REPRESENTATIVE OR BORROWING REPRESENTATIVE**

Each Clearing Participant shall be responsible for its own operations and functions as a Lending Representative or Borrowing Representative in relation to the SBL Negotiated Transactions as are required under these Rules, the SBL Circulars or otherwise and must fully indemnify and hold indemnified the Clearing House, whether such indemnity is claimed by the Clearing House during or after the expiry of the tenure of the Clearing Participant as a Lending Representative or Borrowing Representative, for any loss, legal costs (including third party legal costs), damage or liability suffered or incurred by the Clearing House, whether directly or otherwise, as a result of any negligence, omission, mistake, misrepresentation, fraud or error on the part of the Clearing Participant, its servants or agents, provided always that such action or omission was committed during its tenure as a Lending Representative or Borrowing Representative.

## **8.21 RULES OF CLEARING HOUSE TO TAKE PRECEDENCE**

The SBLNT Participants / Representatives must ensure that the provisions of the agreements entered into amongst the SBLNT Participants / Representatives shall not in any way be inconsistent with any of these Rules or the requirements imposed by the Clearing House or the provisions of the agreements entered into between the SBLNT Participants/Representatives and the Clearing House in relation to the SBL Negotiated Transaction ("the Rules of the Clearing House"), and the SBLNT Participants/Representatives must give effect to the Rules of the Clearing House.

## APPENDIX 1

To:

Bursa Malaysia Securities Clearing Sdn Bhd  
Exchange Square  
Bukit Kewangan  
50200 Kuala Lumpur

**COMPLIANCE WITH REQUIREMENTS IMPOSED BY BURSA MALAYSIA SECURITIES CLEARING SDN BHD (“BURSA CLEARING (S)”) IN RELATION TO THE LENDING REPRESENTATIVE**

Pursuant to the requirements of Rule 8.6(a) of the Rules of Bursa Malaysia Securities Clearing Sdn Bhd (“Bursa Clearing (S) Rules”), we [name of Clearing Participant applying to be a Lending Representative] hereby declare and undertake as follows:

- (1) we must provide to Bursa Clearing (S) or the Securities Commission Malaysia, upon request, any information or document in relation to SBL required by Bursa Clearing (S) or the Securities Commission Malaysia pertaining to the Approved SBLNT Lenders for whom we are acting;
- (2) we have formulated a set of Internal Guidelines for Acting as a Lending Representative which has been approved by our board of directors;
- (3) the Internal Guidelines for Acting as a Lending Representative have been brought to the notice of the relevant employees who have read and understood the contents therein;
- (4) the Internal Guidelines for Acting as a Lending Representative comply with the requirements set out in Bursa Clearing (S) Rules; and
- (5) all relevant systems and infrastructure including front office and/or back office systems have been verified and assessed in terms of application as well as software and the hardware capabilities and are confirmed to be operational and have all the functionalities, requirements and controls in place for the purpose of carrying out activities as a Lending Representative in accordance with Bursa Clearing (S) Rules or directives, circulars or instructions issued by Bursa Clearing (S).

Dated this [ ] day of [ ] [ ].

Signed [ ]

Name:

Designation:

Date:

[ End of Appendix ]

## APPENDIX 2

Matters which must be contained in the written agreement between the Lending Representative and the Approved SBLNT Lender  
(Rule 8.6(f))

- (1) The Lending Representative is the representative of the Approved SBLNT Lender in performing the functions and responsibilities stipulated in these Rules or any requirements, directives, circulars or instructions issued by the Clearing House in relation to the SBL Negotiated Transactions;
- (2) The functions and responsibilities of the Lending Representative stipulated in these Rules or any directives, circulars or instructions issued by the Clearing House in relation to the SBL Negotiated Transactions, as the same may be amended, modified or varied from time to time; and
- (3) The Lending Representative must comply with the obligations imposed on a Lending Representative, as contained in these Rules and as prescribed by the Clearing House from time to time.
- (4) The Approved SBLNT Lender expressly consents to the Lending Representative providing the Clearing House or the Securities Commission Malaysia with any information or document in relation to any loan entered into by the Approved SBLNT Lender pursuant to the SBL Negotiated Transactions as required by the Clearing House from time to time.

[ End of Appendix ]

### APPENDIX 3

To:

Bursa Malaysia Securities Clearing Sdn Bhd  
Exchange Square  
Bukit Kewangan  
50200 Kuala Lumpur

**COMPLIANCE WITH REQUIREMENTS IMPOSED BY BURSA MALAYSIA SECURITIES CLEARING SDN BHD (“BURSA CLEARING (S)”) IN RELATION TO THE BORROWING REPRESENTATIVE**

Pursuant to the requirements of Rule 8.8(a) of the Rules of Bursa Malaysia Securities Clearing Sdn Bhd (“Bursa Clearing (S) Rules”), we [name of Clearing Participant applying to be a Borrowing Representative] hereby declare and undertake as follows:

- (1) we must provide to Bursa Clearing (S) or the Securities Commission Malaysia, upon request, any information or document required by Bursa Clearing (S) or the Securities Commission Malaysia pertaining to the Approved SBLNT Borrowers for whom we are acting;
- (2) we have formulated a set of Internal Guidelines for Acting as a Borrowing Representative which has been approved by our board of directors;
- (3) the Internal Guidelines for Acting as a Borrowing Representative have been brought to the notice of the relevant employees who have read and understood the contents therein;
- (4) the Internal Guidelines for Acting as a Borrowing Representative comply with the requirements set out in Bursa Clearing (S) Rules; and
- (5) all relevant systems and infrastructure including front office and/or back office systems have been verified and assessed in terms of application as well as software and the hardware capabilities and are confirmed to be operational and have all the functionalities, requirements and controls in place for the purpose of carrying out activities as a Borrowing Representative in accordance with Bursa Clearing (S) Rules or any directives, circulars or instructions issued by Bursa Clearing (S) in relation to the SBL Negotiated Transactions.

Dated this [ ] day of [ ] [ ] [ ].

Signed [ ]  
Name:  
Designation:  
Date:

[ End of Appendix ]

## **APPENDIX 4**

Matters which must be contained in the written agreement between the Borrowing Representative and the Approved SBLNT Borrower  
(Rule 8.8(f))

- (1) The Borrowing Representative is the Representative of the Approved SBLNT Borrower in performing the functions and responsibilities stipulated in these Rules or any directives, circulars or instructions issued by the Clearing House in relation to the SBL Negotiated Transactions;
- (2) The functions and responsibilities of the Borrowing Representative stipulated in these Rules or any requirements, directives, circulars or instructions issued by the Clearing House in relation to the SBL Negotiated Transactions, as the same may be amended, modified or varied from time to time; and
- (3) The Borrowing Representative must comply with the obligations imposed on a Borrowing Representative, as contained in these Rules and as prescribed by the Clearing House from time to time.
- (4) The Approved SBLNT Borrower expressly consents to the Borrowing Representative providing the Clearing House or the Securities Commission Malaysia with any information or document in relation to any loan entered into by the Approved SBLNT Borrower pursuant to the SBL Negotiated Transactions as required by the Clearing House from time to time.

[ End of Appendix ]

## **APPENDIX 5**

Matters to be included in an agreement for SBL Negotiated Transactions  
(Rule 8.10)

- (1) Unless the parties agree otherwise, the Eligible Securities must not be lent unless collateral has been received or will be received simultaneously with the loan. As a minimum step towards the lender's interest, collateral (if applicable) must be delivered directly to the lender or the lender's representative or a designated third party authorised by the lender or the lender's representative;
- (2) The Loaned Securities and the collateral (if applicable) must be marked to market (at least daily) and the amount of collateral must be adjusted, if necessary;
- (3) How the Securities borrowing and lending transaction may be terminated by the lender or the borrower, and how such termination may be effected;
- (4) Which party shall be entitled to any dividends or other benefits or distributions accumulating on the Loaned Securities and any Securities provided as collateral;
- (5) The rights and obligations of the lender or borrower in the event of either the Loaned Securities or any Securities provided as collateral, as the case may be, being affected by a conversion, sub-division, consolidation, pre-emption, take-over of the issuer of the Securities comprised in the Loaned Securities or by other corporate actions affecting such Securities;
- (6) The Loaned Securities must be delivered to the borrower free of any encumbrances or restrictions;
- (7) Provisions governing fees to be paid by either party under the agreement that governs the terms and conditions of the Securities borrowing and lending transaction; and
- (8) The rights and remedies of either party in the event of a default by the other party.

[ End of Appendix ]

## CHAPTER 9

# ISLAMIC SECURITIES SELLING AND BUYING NEGOTIATED TRANSACTION

### 9.1 PARTIES WHO MAY ENTER INTO AN ISSBNT

Only an ISSBNT Participant may enter into an ISSBNT.

### 9.2 APPLICATION TO BE AN APPROVED SUPPLIER

A person applying to participate as a supplier in ISSBNT either to sell its own Securities or Securities owned by its client must:

- (i) submit a complete and duly executed application and undertaking in the prescribed form via its Supplier Representative to the Clearing House; and
- (ii) comply with all requirements prescribed by the Clearing House for an Approved Supplier as contained in these Rules or as prescribed by the Clearing House in relation to ISSBNT.

### 9.3 APPLICATION TO BE AN APPROVED USER

Any person applying to participate as a user in ISSBNT either to buy Securities for itself or its client must:

- (a) fall within one of the categories of persons prescribed by the Clearing House to be eligible to become an Approved User;
- (b) submit a complete and duly executed application and undertaking in the prescribed form via its User Representative to the Clearing House;
- (c) comply with all requirements prescribed by the Clearing House for an Approved User as contained in these Rules or as prescribed by the Clearing House in relation to the ISSBNT; and
- (d) comply with Rule 7.37 of the Exchange Rules as if it were the Participating Organisation referred to in such Rule.

### 9.4 DISCRETION OF THE CLEARING HOUSE

- (a) The Clearing House may approve or reject such application as it deems fit. The Clearing House may also approve an application unconditionally or subject to such conditions, as it deems fit.
- (b) The Clearing House may revoke the approval given to an ISSBNT Participant, at any time without further reference to the ISSBNT Participant when any one or more of the following events occurs:
  - (i) when an ISSBNT Participant applies for revocation;

- (ii) when an ISSBNT Participant is no longer eligible under Rule 9.2 or Rule 9.3, as the case may be, to continue as an Approved Supplier or Approved User; or
  - (iii) where the Clearing House deems necessary in consultation with the Commission.
- (c) Where the Clearing House has revoked the approval given to an ISSBNT Participant, the Clearing House may direct such ISSBNT Participant to Extinguish the ISSBNT or to take such other action as may be determined by the Clearing House within the timeframe and in the manner as prescribed by the Clearing House.

## **9.5 PURPOSES OF ISLAMIC SECURITIES SELLING AND BUYING**

- (a) An Approved User may buy ISSBNT Eligible Securities only for any one of the following purposes:
- (i) to settle a Regulated Short Sale in ISSBNT Eligible Securities;
  - (ii) to settle a sale of ISSBNT 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 (“potential failed trade”) 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 been executed;
  - (iii) in relation to ISSBNT 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 settle a sale in the ETF Related Securities where the following requirements are complied with:
    - (aa) the sale was executed by the Approved User in its capacity as Market Maker for that particular ETF Related Securities or executed by the Approved User for its client who is a Market Maker for that particular ETF Related Securities; and
    - (bb) the Approved User executed the sale as part of its Permitted Short Selling activities or as part of the Permitted Short Selling activities of the Approved User’s client;
  - (iii) to perform an SBLNT or another ISSBNT, provided that the participants in such transactions comply with these Rules; or
  - (iv) for such other purposes as may be determined by the Clearing House in consultation with the Commission.
- (b) Where the ISSBNT Securities are bought to settle a potential failed trade as provided in Rule 9.5(a)(ii), the Approved User must execute Leg 2 of the ISSBNT within the time prescribed by the Clearing House.
- (c) For the purpose of sub-rule (a), unless the context otherwise requires –
- (i) “Constituent Securities” shall have the meaning as is assigned to that expression in the Exchange Rules;
  - (ii) “ETF” means exchange traded fund as defined in the Commission’s Guidelines on Exchange Traded Funds;



- (iii) “Market Maker” shall have the meaning as is assigned to that expression in the Exchange Rules;
- (iv) “Permitted Short Selling” shall have the meaning as is assigned to that expression in the Exchange Rules; and
- (v) “Regulated Short Sale” shall have the same meaning as is assigned to that expression in the Exchange Rules.

## **9.6 APPROVAL AS SUPPLIER REPRESENTATIVE**

- (a) To become a Supplier Representative, the person must:
  - (i) be a Trading Clearing Participant, a Non Trading Clearing Participant or fall within such other category of persons prescribed by the Clearing House as being eligible to become a Supplier Representative;
  - (ii) satisfy the requirements of Rule 9.7(c);
  - (iii) apply to the Clearing House to be approved as a Supplier Representative; and
  - (iv) submit to the Clearing House a written declaration in the form prescribed in Appendix 1 together with its application as referred to above.
- (b) Without prejudice to the power conferred on the Clearing House in Rule 2A.2, the Clearing House may, at any time prior to or after the receipt of the prescribed declaration in Appendix 1, undertake any inspection or audit on the person seeking approval to act as a Supplier Representative in the manner determined by the Clearing House.
- (c) The Clearing House may approve or reject the application to be a Supplier Representative as it deems fit.
- (d) The Clearing House may also approve the application to be a Supplier Representative unconditionally or subject to such conditions, as it deems necessary to ensure the smooth operation of the ISSBNT.
- (e) A Supplier Representative must act as the duly appointed representative of the Approved Supplier when performing the functions and responsibilities set out under Rule 9.7(a) and as may be specified by the Clearing House.
- (f) A person must not perform the functions and responsibilities set out under Rule 9.7(a) for any Approved Supplier, as its representative, unless it has first been approved as a Supplier Representative and has entered into a written agreement with such Approved Supplier to be appointed as its Supplier Representative, which agreement must include the matters specified in Appendix 2.

## **9.7 FUNCTIONS AND RESPONSIBILITIES OF SUPPLIER REPRESENTATIVE**

- (a) A Supplier Representative appointed by an Approved Supplier must have the following functions and responsibilities:
  - (i) to process the application of any person to be an Approved Supplier (“Said Approved Supplier”);

- (ii) to transmit or forward to the Said Approved Supplier any notification or update communicated by the Clearing House in relation to the Said Approved SBLNT Supplier's ISSBNTs or received by the Supplier Representative from the Clearing House for the information of the Said Approved Supplier;
  - (iii) to collect all documents, forms, agreements, deeds including any amendments or variations to such documents relating to or governing the ISSBNTs as the Clearing House may require, from the Said Approved Supplier for submission to the Clearing House and from the Clearing House for transmission to the Said Approved Supplier;
  - (iv) to receive any fees and charges due and payable by the Said Approved Supplier to the Clearing House arising with respect to any of the services and facilities provided by the Clearing House in relation to the ISSBNTs and to pay to the Clearing House such fees and charges in relation to the ISSBNTs;
  - (v) to furnish to the Clearing House such information or documents relating to the ISSBNTs and such advice, statement and report on the operation of the ISSBNTs at such times and in such manner as may be prescribed by the Clearing House;
  - (vi) to give effect to any instructions, directives or orders given by the Clearing House to facilitate the operation of any transactions by the Said Approved Supplier relating to the ISSBNTs;
  - (vii) to immediately notify the Clearing House upon it becoming aware of any breach committed or likely to be committed by the Said Approved Supplier of any of these Rules or requirements imposed by the Clearing House on the Said Approved Supplier in relation to the ISSBNTs; and
  - (viii) such other functions and responsibilities as may be specified by the Clearing House.
- (b) The Clearing House may, by notice given to the Supplier Representative, amend, vary or modify the functions and responsibilities of a Supplier Representative.
  - (c) A Supplier Representative must ensure that it has in place, at all times, the requisite systems, infrastructure, functionalities and controls for the performance of the functions and responsibilities stipulated in Rule 9.7(a).
  - (d) In performing the functions and responsibilities stipulated in Rule 9.7(a) on behalf of the Approved Supplier, a Supplier Representative must comply with the procedures or requirements as may be imposed by the Clearing House.

## **9.8 APPROVAL AS USER REPRESENTATIVE**

- (a) To become a User Representative, the person must:
  - (i) be a Trading Clearing Participant or fall within such other category of persons prescribed by the Clearing House as being eligible to become a User Representative;
  - (ii) satisfy the requirements of Rule 9.9(c) below;
  - (iii) apply to the Clearing House to be approved as a User Representative; and
  - (iii) submit to the Clearing House a written declaration in the form prescribed in Appendix 3, together with its application as referred to above.

- (b) Without prejudice to the power conferred on the Clearing House in Rule 2A.2 pertaining to the conduct of inspection on a Clearing Participant, the Clearing House may, prior to or after the receipt of the prescribed declaration in Appendix 3, undertake any inspection or audit on the person seeking approval to act as a User Representative in the manner determined by the Clearing House.
- (c) The Clearing House may approve or reject the application to be a User Representative as it deems fit.
- (d) The Clearing House may also approve the application to be a User Representative unconditionally or subject to such conditions as it deems necessary to ensure the smooth operation of the ISSBNT.
- (e) A User Representative must act as the duly appointed representative of the Approved User when performing the functions and responsibilities set out under Rule 9.9(a) and as may be specified by the Clearing House.
- (f) A person must not perform the functions and responsibilities set out under Rule 9.9(a) for any Approved User as its representative, unless it has first been approved as a User Representative and has entered into a written agreement with such Approved User to be appointed as its User Representative, which agreement must include the matters specified in Appendix 4.

## **9.9 FUNCTIONS AND RESPONSIBILITIES OF USER REPRESENTATIVE**

- (a) A User Representative appointed by an Approved User must have the following functions and responsibilities:
  - (i) to process the application of any eligible person applying to be an Approved User ( "Said Approved User");
  - (ii) to transmit or forward to the Approved User any notification or update communicated by the Clearing House in relation to the Said Approved User's ISSBNTs or received by the User Representative from the Clearing House for the information of the Said Approved User;
  - (iii) to collect all documents, forms, agreements, deeds including any amendments or variations to such documents relating to or governing the ISSBNTs as the Clearing House may require from the Said Approved User for submission to the Clearing House and from the Clearing House for transmission to the Said Approved User;
  - (iv) to receive any fees and charges due and payable by the Said Approved User to the Clearing House arising with respect to any of the services and facilities provided by the Clearing House in relation to the ISSBNTs and to pay to the Clearing House such fees and charges in relation to the ISSBNTs;
  - (v) to furnish to the Clearing House such information or documents relating to the ISSBNTs and such advice, statement and report on the operation of the ISSBNTs at such times and in such manner as may be prescribed by the Clearing House;
  - (vi) to give effect to any instructions, directives or orders given by the Clearing House to facilitate the operation of any transactions by the Approved User relating to the ISSBNTs;
  - (vii) to immediately notify the Clearing House upon it becoming aware of any breach committed or likely to be committed by the Approved User of any of

these Rules or requirements imposed by the Clearing House on the Approved User in relation to the ISSBNTs; and

- (viii) such other functions and responsibilities as may be specified by the Clearing House from time to time.
- (b) The Clearing House may, by notice given to the User Representative, amend, vary or modify the functions and responsibilities of a User Representative.
- (c) A User Representative must ensure that it has in place, at all times, the requisite systems, infrastructure, functionalities and controls for the performance of the functions and responsibilities stipulated in Rule 9.9(a).
- (d) In performing the functions and responsibilities stipulated in Rule 9.9(a) on behalf of the Approved User, a User Representative must comply with the procedures or requirements as may be imposed by the Clearing House.

## **9.10 ISSBNT AGREEMENT**

ISSBNT Participants or their clients may include the matters set out in Appendix 5 in the agreement that governs the terms and conditions of the ISSBNT that is facilitated by the Clearing House under Chapter 9 and if they do, such agreement will be deemed an ISSBNT agreement for the purposes of the relevant tax exemption order(s) applicable to ISSBNT.

## **9.11 ACCESS TO ISSBNT SYSTEM**

- (a) A Supplier Representative or a User Representative will be given access to the ISSBNT System to perform any of its functions and responsibilities.
- (b) A Supplier Representative and a User Representative must comply with any conditions or requirements prescribed by the Clearing House in relation to the access to or usage of the ISSBNT System

## **9.12 REQUIREMENTS OF ISSBNT**

- (a) The Approved User must ensure that it obtains a confirmation from the Approved Supplier that the Approved Supplier has the ISSBNT Eligible Securities available to be sold to the Approved User. Such confirmation must contain such details and be maintained in such manner as prescribed by the Clearing House.
- (b) ISSBNT Participants who have agreed on an ISSBNT and wish to have the ISSBNT Securities delivered, whether pursuant to Leg 1 or Leg 2 of the ISSBNT, must each notify the Clearing House of the prescribed details of the ISSBNT through their respective appointed Supplier Representative or User Representative and in the manner as prescribed by the Clearing House.
- (c) ISSBNT Participants who have agreed to cancel Leg 1 of the ISSBNT pursuant to the ISSBNT Model and wish to have the ISSBNT Securities re-delivered to the Approved Supplier must each notify the Clearing House of the prescribed details through their respective appointed Supplier Representative or User Representative within the time frame and in the manner as prescribed by the Clearing House.
- (d) Upon receipt of the relevant notifications from both the ISSBNT Participants, the Clearing House shall be authorised by the Approved Supplier and Approved User, respectively, to instruct the Central Depository to debit or credit the securities

accounts provided by the Approved Supplier and Approved User, as the case may be, for the purpose of delivery of the ISSBNT Securities, provided that:

- (i) the relevant details provided by the ISSBNT Participants are validated in the manner prescribed by the Clearing House; and
  - (ii) there are sufficient Securities in the securities account of the Approved Supplier or Approved User, as the case may be, at the relevant time as stipulated by the Clearing House to satisfy the delivery of the ISSBNT Securities.
- (e) The ISSBNT Participants may, at any time prior to the Extinguishment of the ISSBNT and in the manner prescribed by the Clearing House, adjust or vary the Securities comprised in the ISSBNT Securities (including the amount of the Securities) pursuant to any action taken by the issuer of the ISSBNT Securities in relation to or arising from its Securities.
- (f) Upon the execution of Leg 2 of the ISSBNT by the ISSBNT Participants, the Approved User must deliver the ISSBNT Securities to the Approved Supplier within the timeframe and in the manner prescribed by the Clearing House.
- (g) Notwithstanding anything in these Rules, an ISSBNT Participant may Extinguish an ISSBNT without the execution of Leg 2 of the ISSBNT in any of the circumstances as may be prescribed by the Clearing House.
- (h) An ISSBNT Participant who intends to Extinguish the ISSBNT without the execution of Leg 2 of the ISSBNT under Rule 9.12(g) must do so in the manner specified by the Clearing House.
- (i) The Clearing House may prohibit the Extinguishment of the ISSBNT without the execution of Leg 2 of the ISSBNT referred to in Rule 9.12(g).
- (j) The Clearing House's facilitation of the Extinguishment of the ISSBNT without the execution of Leg 2 of the ISSBNT under Rule 9.12(g) does not prejudice the Clearing House's right or power to take action for breach of any of these Rules or the Clearing House's requirements in relation to ISSBNT.
- (k) Each ISSBNT Participant who is involved in an Extinguishment of the ISSBNT without the execution of Leg 2 of the ISSBNT must fully indemnify and hold indemnified the Clearing House, whether such indemnity is claimed by the Clearing House during or after the expiry of the tenure of the ISSBNT Participant as an Approved Supplier or Approved User, from and against any loss, damage, claim, liability, cost or expense (including but not limited to legal costs on a solicitor and client basis) suffered or incurred by the Clearing House, whether directly or indirectly, arising from or in connection with the Extinguishment of the ISSBNT without the execution of Leg 2 of the ISSBNT.
- (l) ISSBNT Participants are solely responsible for all rights and obligations arising from, and must assume all default and recovery risks associated with the relationship between the ISSBNT Participants. The Clearing House shall in no event be held liable for the performance of any obligation arising from the relationship between the ISSBNT Participants.

### **9.13 DESIGNATED SECURITIES ACCOUNT**

An Approved User must ensure that all ISSBNT Securities are held in and where relevant, transferred to, the designated securities accounts as prescribed by the Clearing House and no other securities account.

## **9.14 ACTION BY THE CLEARING HOUSE**

- (a) The Clearing House may exercise any of the powers set out in Rule 9.14(b) immediately without further reference to an ISSBNT Participant/Representative:
  - (i) if the SBLNT Participant/Representative commits a breach of any of the conditions or requirements imposed by the Clearing House in relation to the ISSBNTs;
  - (ii) if the Clearing House determines in its absolute discretion that the ISSBNT Participant/Representative is unable to conduct any of the ISSBNTs due to any circumstances including bankruptcy and insolvency;
  - (iii) if the Clearing House determines that the ISSBNT Participant/Representative is likely to cause damage to other ISSBNT Participant/Representative as a result of violating any of the requirements or obligations in relation to the ISSBNTs; or
  - (iv) in any such circumstances which the Clearing House in its absolute discretion deems fit.
- (b) Without prejudice to any of the powers of the Clearing House contained in the Act, these Rules or any directives, circulars or instructions issued by the Clearing House, the actions which the Clearing House may take upon the happening of any of the events set out in Rule 9.14(a) include one or more of the following:
  - (i) prohibit the ISSBNT Participant/Representative from entering into any or all new ISSBNTs and/or transactions contemplated under any directives, circulars or instructions issued by the Clearing House in relation to the ISSBNTs;
  - (ii) suspend or terminate the ISSBNT Participant/Representative as an ISSBNT Participant/Representative;
  - (iii) notify all ISSBNT Participants/Representatives of the suspension or termination of any ISSBNT Participant/Representative; or
  - (iv) limit the activities or access of the ISSBNT Participant/Representative to the services and facilities provided by the Clearing House in relation to the ISSBNT on such terms and for such duration as the Clearing House may in its absolute discretion determine.
- (c) Where an action has been taken under Rule 9.14(b), an ISSBNT Participant/Representative may make representations to the Clearing House for discontinuance of the action taken. The Clearing House may after representations have been made, discontinue with the action taken. However, such discontinuance shall not be construed as an omission or error of any kind on the part of the Clearing House in undertaking the action under Rule 9.14(b) in the first place.
- (d) The Clearing House shall not be held liable for any loss or damage suffered by any party arising from or in connection with the action taken by the Clearing House under Rule 9.14(b) provided that the Clearing House has acted in good faith.
- (e) Notwithstanding any provisions to the contrary in these Rules, the Clearing House, where it deems necessary, may:
  - (i) suspend its services and facilities for the ISSBNTs entirely or partially for such duration as the Clearing House in its absolute discretion deems fit; or



- (ii) direct an ISSBNT Participant to Extinguish its ISSBNTs in accordance with any directive or instruction issued by the Commission or required by any written law, and take such further action as may be determined by the Clearing House, the timeframe and in the manner as prescribed by the Clearing House.

### **9.15 PROVISION OF INFORMATION**

The ISSBNT Participants/Representatives must furnish to the Clearing House or the Commission any information or Document in relation to any ISSBNT as required by the Clearing House or the Commission.

### **9.16 DISCLOSURE OF INFORMATION**

Notwithstanding any provisions in these Rules, the Clearing House shall be entitled to:

- (a) disclose any information or to produce any document in its possession or control in relation to the ISSBNT if required or requested to do so by the Commission; and
- (b) disclose any information in its possession or control to the Commission or authorised personnel of the Exchange by way of granting such persons access to the ISSBNT System for the purpose of facilitating the performance of their duties and functions under the relevant requirements, rules or laws.

### **9.17 FEES AND CHARGES**

- (a) An ISSBNT Participant/Representative must pay to the Clearing House the relevant fees and charges prescribed by the Clearing House in relation to any or all of the services and facilities provided by the Clearing House in relation to the ISSBNT.
- (b) The Clearing House may, from time to time where it deems necessary in its absolute discretion, vary or change any of the fees and charges by prescription in the ISSBNT Circulars and without any further notice to ISSBNT Participants/Representatives.

### **9.18 LIABILITY**

The Clearing House shall not be liable to any person for any loss or damage that may be incurred or suffered by such person as a result of the exercise or intended exercise of any power or performance of any duty or function conferred or imposed on the Clearing House in relation to the ISSBNT and exercised by the Clearing House in good faith.

### **8.19 FORCE MAJEURE**

- (a) In the event that the Clearing House is required to suspend the operation of the ISSBNT System, as the case may be, and the provision of all ancillary services where for any reason the records of the Clearing House, the Central Depository or the ISSBNT System are unavailable, inaccessible, delayed or hindered in any manner, the Clearing House shall not be liable for any failure, hindrance or delay in the provision of services or for the failure to give or the delay in giving effect to any notice or communication from an ISSBNT Participant/Representative.
- (b) The Clearing House or its directors, officers, employees or agents shall not be liable for any losses or damages that may be incurred or suffered by the ISSBNT Participant/Representative arising from causes beyond its reasonable control

including, without limitation, acts of God or the public enemy, acts of a civil or military authority, natural disasters, embargoes, industrial action, fires, floods, mechanical breakdowns, computer or system failures or sabotage, delay or inability to act by any registrar, interruptions of power supplies or other utility or services, currency restrictions, any law, regulation or order of any government, competent authority or any court or tribunal, war or terrorism.

## **9.20 INDEMNITY BY SUPPLIER REPRESENTATIVE OR USER REPRESENTATIVE**

Each Supplier Representative or User Representative shall be responsible for its own operations and functions as are required under these Rules, the ISSBNT Circulars or otherwise and must fully indemnify and hold indemnified the Clearing House, whether such indemnity is claimed by the Clearing House during or after the expiry of the tenure of such person as a Supplier Representative or User Representative, for any loss, legal costs (including third party legal costs), damage or liability suffered or incurred by the Clearing House, whether directly or otherwise, as a result of any negligence, omission, mistake, misrepresentation, fraud or error on the part of the Supplier Representative or User Representative, its servants or agents, provided always that such action or omission was committed during its tenure as a Supplier Representative or User Representative.

## **9.21 RULES OF CLEARING HOUSE TO TAKE PRECEDENCE**

The ISSBNT Participants/Representatives must ensure that the provisions of the agreements entered into amongst the ISSBNT Participants/Representatives shall not in any way be inconsistent with any of these Rules or the requirements imposed by the Clearing House or the provisions of the agreements entered into between the ISSBNT Participants/Representatives and the Clearing House in relation to the ISSBNT ("the Rules of the Clearing House"), and the ISSBNT Participants/Representatives must give effect to the Rules of the Clearing House.



## APPENDIX 1

To:

Bursa Malaysia Securities Clearing Sdn Bhd  
Exchange Square  
Bukit Kewangan  
50200 Kuala Lumpur

**COMPLIANCE WITH REQUIREMENTS IMPOSED BY BURSA MALAYSIA SECURITIES CLEARING SDN BHD (“BURSA CLEARING (S)”) IN RELATION TO THE SUPPLIER REPRESENTATIVE**

Pursuant to the requirements of Rule 9.6(a) of the Rules of Bursa Malaysia Securities Clearing Sdn Bhd (“Bursa Clearing (S) Rules”), we [name of person applying to be a Supplier Representative] hereby declare and undertake as follows:

- (1) we must provide to Bursa Clearing (S) or the Securities Commission Malaysia, upon request, any information or document in relation to ISSBNT required by Bursa Clearing (S) or the Securities Commission Malaysia pertaining to the Approved Suppliers for whom we are acting;
- (2) we have formulated a set of Internal Guidelines for Acting as a Supplier Representative which has been approved by our board of directors;
- (3) the Internal Guidelines for Acting as a Supplier Representative have been brought to the notice of the relevant employees who have read and understood the contents therein;
- (4) the Internal Guidelines for Acting as a Supplier Representative comply with the requirements set out in Bursa Clearing (S) Rules; and
- (5) all relevant systems and infrastructure including front office and/or back office systems have been verified and assessed in terms of application as well as software and the hardware capabilities and are confirmed to be operational and have all the functionalities, requirements and controls in place for the purpose of carrying out activities as a Supplier Representative in accordance with Bursa Clearing (S) Rules or directives, circulars or instructions issued by Bursa Clearing (S).

Dated this [ ] day of [ ] [ ].

Signed [ ]

Name:

Designation:

Date:

[ End of Appendix ]

## APPENDIX 2

Matters which must be contained in the written agreement between the Supplier Representative and the Approved Supplier  
(Rule 9.6(f))

- (1) The Supplier Representative is the representative of the Approved Supplier in performing the functions and responsibilities stipulated in these Rules or any requirements, directives, circulars or instructions issued by the Clearing House in relation to the ISSBNTs;
- (2) The functions and responsibilities of the Supplier Representative stipulated in these Rules or any directives, circulars or instructions issued by the Clearing House in relation to the ISSBNTs, as the same may be amended, modified or varied from time to time; and
- (3) The Supplier Representative must comply with the obligations imposed on a Supplier Representative, as contained in these Rules and as prescribed by the Clearing House from time to time.
- (4) The Approved Supplier expressly consents to the Supplier Representative providing the Clearing House or the Securities Commission Malaysia with any information or document in relation to any loan entered into by the Approved Supplier pursuant to the ISSBNT as required by the Clearing House from time to time.

[ End of Appendix ]

### APPENDIX 3

To:

Bursa Malaysia Securities Clearing Sdn Bhd  
Exchange Square  
Bukit Kewangan  
50200 Kuala Lumpur

**COMPLIANCE WITH REQUIREMENTS IMPOSED BY BURSA MALAYSIA SECURITIES CLEARING SDN BHD (“BURSA CLEARING (S)”) IN RELATION TO THE USER REPRESENTATIVE**

Pursuant to the requirements of Rule 9.8(a) of the Rules of Bursa Malaysia Securities Clearing Sdn Bhd (“Bursa Clearing (S) Rules”), we [name of person applying to be a User Representative] hereby declare and undertake as follows:

- (1) we must provide to Bursa Clearing (S) or the Securities Commission Malaysia, upon request, any information or document required by Bursa Clearing (S) or the Securities Commission Malaysia pertaining to the Approved Users for whom we are acting;
- (2) we have formulated a set of Internal Guidelines for Acting as a User Representative which has been approved by our board of directors;
- (3) the Internal Guidelines for Acting as a User Representative has been brought to the notice of the relevant employees who have read and understood the contents therein;
- (4) the Internal Guidelines for Acting as a User Representative comply with the requirements set out in Bursa Clearing (S) Rules; and
- (5) all relevant systems and infrastructure including front office and/or back office systems have been verified and assessed in terms of application as well as software and the hardware capabilities and are confirmed to be operational and have all the functionalities, requirements and controls in place for the purpose of carrying out activities as a User Representative in accordance with Bursa Clearing (S) Rules or any directives, circulars or instructions issued by Bursa Clearing (S).

Dated this [ ] day of [ ] [ ].

Signed [ ]  
Name:  
Designation:  
Date:

[ End of Appendix ]

## **APPENDIX 4**

Matters which must be contained in the written agreement between the User Representative and the Approved User  
(Rule 9.8(f))

- (1) The User Representative is the representative of the Approved User in performing the functions and responsibilities stipulated in these Rules or any directives, circulars or instructions issued by the Clearing House in relation to the ISSBNT;
- (2) The functions and responsibilities of the User Representative stipulated in these Rules or any requirements, directives, circulars or instructions issued by the Clearing House in relation to the ISSBNTs, as the same may be amended, modified or varied from time to time; and
- (3) The User Representative must comply with the obligations imposed on a User Representative, as contained in these Rules and as prescribed by the Clearing House from time to time.
- (4) The Approved User expressly consents to the User Representative providing the Clearing House or the Securities Commission Malaysia with any information or document in relation to any transaction entered into by the Approved User pursuant to the ISSBNT as required by the Clearing House from time to time.

[ End of Appendix ]

## APPENDIX 5

Matters to be included in an agreement for ISSBNT  
(Rule 9.10)

- (1) Unless the parties agree otherwise, the ISSBNT Eligible Securities must not be sold under Leg 1 unless collateral has been received or will be received simultaneously with the sale. As a minimum step towards the supplier's interest, collateral (if applicable) must be delivered directly to the supplier or the supplier's representative or a designated third party authorised by the supplier or the supplier's representative;
- (2) The ISSBNT Securities sold under Leg 1 and the collateral (if applicable) must be marked to market (at least daily) and the amount of collateral must be adjusted, if necessary;
- (3) How the ISSBNT may be extinguished by the supplier or the user, and how such extinguishment may be effected;
- (4) Which party shall be entitled to any dividends or other benefits or distributions accumulating on the ISSBNT Securities sold under Leg 1 and any Securities provided as collateral;
- (5) The rights and obligations of the supplier or user in the event of either the ISSBNT Securities or any Securities provided as collateral, as the case may be, being affected by a conversion, sub-division, consolidation, pre-emption, take-over of the issuer of the Securities comprised in the ISSBNT Securities or by other corporate actions affecting such Securities;
- (6) The ISSBNT Securities sold under Leg 1 must be delivered to the user free of any encumbrances or restrictions;
- (7) Provisions governing fees to be paid by either party under the agreement that governs the terms and conditions of the ISSBNT; and
- (8) The rights and remedies of either party in the event of a default by the other party.

[ End of Appendix ]