

Date : 17 August 2011

Clearing Circular: 19/2011

Acceptance of an Irrevocable Standby Letter of Credit (Pass-Through) as Margin Collateral

1. IRREVOCABLE STANDBY LETTER OF CREDIT (PASS-THROUGH) ("PTLC")

With reference to Rule 613(c) read together with Rule 616(a) of the Rules of Bursa Derivatives Clearing Berhad ("BMDC"), we are pleased to inform you that with effect from **18 August 2011**, BMDC will accept a PTLC as margin collateral. The PTLC must be in the format as prescribed in Appendix 4H of the Clearing Participants' Manual.

2. AMENDMENTS TO THE CLEARING PARTICIPANTS' MANUAL

Kindly refer to "**Annexure 1**" for the updated Chapter 7A and Appendices 4H and 4J of the Clearing Participants' Manual.

The amendments highlighted in the annexure will supersede the contents and procedures contained in the Clearing Participants' Manual.

3. FREQUENTLY ASKED QUESTIONS

We also enclosed a set of questions and answers arising from the introduction of the PTLC ("FAQs"). Please refer to "**Annexure 2**".

If you have any queries on the above matters, kindly contact the following persons:

<u>Name</u>	<u>Contact No.</u>	<u>E-Mail Address</u>
1. Mazlan Yahya	2034 7122	mazlanyahya@bursamalaysia.com
2. Siew Sze Yih	2034 7109	szeyih@bursamalaysia.com
3. Ong Kheng Kok	2034 7627	ongkk@bursamalaysia.com

CLEARING & SETTLEMENT OPERATIONS

7A

Letters of Credit

Purpose of lodging Letter of Credit

Bursa Clearing (D) accepts Irrevocable Standby Letters of Credit issued in the prescribed format for lodgment of security deposit and for coverage of margin only.

Types of Letter of Credit accepted

Bursa Clearing (D) accepts the following types of letter of credit.

⌘ Irrevocable Standby Letter of Credit in RM issued in the prescribed format

+ Applicable for lodgement of Security Deposit and for coverage of margin only

⌘ Irrevocable Standby Letter of Credit in USD issued in the prescribed format

+ Applicable for coverage of margin only

⌘ Irrevocable Standby Letter of Credit (Pass-Through) ("PTLC") in RM issued in the prescribed format

+ Applicable for coverage of margin for Segregated Account only

⌘ Must be in the format prescribed by Bursa Clearing (D).

+ Please refer to Appendix 4A (Security Deposit), 4B (Margin) for format of Letter of Credit and Appendix 4H (Margin) for format of PTLC.

⌘ Must be issued by approved banks specified by Bursa Clearing (D).

+ Please refer to Appendix 5 for a list of approved banks.

⌘ Must be accompanied by an advising bank's certification of the authenticity of the Letter of Credit

+ Please refer to Appendix 5 for a list of advising banks.

+ An issuing bank must not be an advising bank in respect of the same Letter of Credit.

⌘ Where a new Letter of Credit is being lodged to replace an existing Letter of Credit that is due to expire, the new Letter of Credit must be lodged with Bursa Clearing (D) at least seven (7) business days before the expiry of the existing Letter of Credit.

- ⊗ Letters of Credit for margins must have an effective period of at least three (3) months.
Letters of Credit for security deposit must have an effective period of at least six (6) months.
- ⊗ A Clearing Participant must comply with the following directives in relation to a PTLC that is deposited with Bursa Clearing (D) in accordance with this Chapter 7A:
- a) The applicant of the PTLC must be an institutional client of the Clearing Participant.
 - b) Bursa Clearing (D) is entitled to physical possession of the PTLC.
 - c) If the Clearing Participant wishes to draw against the PTLC to satisfy the client's obligations to the Clearing Participant, the Clearing Participant must apply to Bursa Clearing (D) to release possession of the PTLC to the Clearing Participant in exchange for the Clearing Participant placing with Bursa Clearing (D) substitute margin of sufficient value to ensure that the Clearing Participant's margin obligations continue to be satisfied. The decision on whether to release possession made by Bursa Clearing (D) at its sole and absolute discretion and is not subject to challenge to the Clearing Participant.
 - d) Every Clearing Participant must ensure that:
 - i) its client fully understands the implication of the terms of the PTLC provided under this Chapter 7A;
 - ii) its client consents to the use of the PTLC in such form as Bursa Clearing (D) may prescribe;
 - iii) its client has the power and ability to request for the issuance of the PTLC and that the request for the issuance of the PTLC has been duly authorised by all requisite necessary corporate actions (if the client is a corporation); and
 - iv) neither the request for the issuance of the PTLC, the issuance of the PTLC or the execution, delivery or performance of the PTLC will result in the client violating any provision of any laws, regulations, orders, rules or decrees of any regulatory authority.
 - e) A Clearing Participant must furnish a copy of the authorisation referred to in paragraph (d)(iii) above to Bursa Clearing (D).
- ⊗ Clearing participants can also lodge Letters of Credit that are issued by banks other than the approved banks, provided that

**Conditions for
depositing
Letter of Credit
confirmed by
approved bank**

these Letters of Credit are confirmed by an approved bank in the prescribed manner.

- ⌘ Letters of Credit issued by non-approved banks must be advised and confirmed in the manner specified by Bursa Clearing (D).
 - + The approved bank must advise and confirm the Letter of Credit issued by the non-approved bank. Please refer to Appendix 4C (Margin) and 4D (Security Deposit) for format of Letter of Credit issued by non-approved bank and advised and confirmed by approved bank.
 - + The approved bank must also issue a separate Confirmation of the Letter of Credit. Please refer to Appendix 4E for the format of Confirmation issued by approved bank.
- ⌘ The confirmed Letter of Credit and the approved bank's Confirmation must be accompanied by an advising bank's certification of the authenticity of both documents.
 - + Please refer to Appendix 5 for a list of advising banks.
 - + The confirming bank cannot be the advising bank for its own Confirmation.
- ⌘ Where a new Letter of Credit is being lodged to replace an existing Letter of Credit that is due to expire, the new Letter of Credit must be lodged with Bursa Clearing (D) at least seven (7) business days before the expiry of the existing Letter of Credit.
- ⊗ Letters of Credit for margins must have an effective period of at least three (3) months.
Letters of Credit for security deposit must have an effective period of at least six (6) months.
- ⌘ Must be in the format prescribed by Bursa Clearing (D).
 - + Please refer to Appendix 4F (Margin), 4G (Security Deposit) and 4J (PTLC) (Margin) for format of extension of expiry date of the Letter of Credit
- ⌘ Must be accompanied by an advising bank's certification of the authenticity of the extension of the expiry date of the existing Letter of Credit.
 - + Please refer to Appendix 5 for a list of advising banks
- ⌘ Received Bursa Clearing (D) approval in writing on the renewal of the Letter of Credit
 - + Clearing participants are required to write to Bursa Clearing (D) for approval to renew the Letter of Credit at least two (2) weeks before the expiry of the Letter of Credit

**Conditions for
depositing
extension of expiry
date of Letter of
Credit**

- ⊗ Extensions of expiry date for Letters of Credit for margins must have an effective period of at least three (3) months.
Extensions of expiry date for Letters of Credit for security deposit must have an effective period of at least six (6) months.

Acceptance of Letter of Credit

Any Letter of Credit accepted by Bursa Clearing (D) will be issued with a Lodgment ID.

A depositing clearing participant will receive the Collateral Activity Statement via the DCS.

† Please refer to Chapter 11 for explanation of the report

Depositing Letter of Credit and extension of expiry date of the Letter of Credit

- ⊗ It is advisable for clearing participants to inquire with Bursa Clearing (D) on the acceptability of an issuing or confirming bank prior to obtaining any Letter of Credit or extension of expiry date of the Letter of Credit.

Bursa Clearing (D) reserves the right to reject the lodgment of any Letter of Credit issued or confirmed by a particular bank, whenever it has a concern as to:

- the creditworthiness of the issuing or confirming bank;
- the aggregate amount of the Letter of Credit issued or confirmed by any one bank; OR
- the aggregate exposure of Bursa Clearing (D) to an issuing or confirming bank.

- ⊗ Clearing participants should lodge the Letter of Credit together with a Collateral Deposit-Letter of Credit form.

† For margin requirement cover, the clearing participant has the option to allocate the amount of the Letter of Credit as a general cover to either its segregated or unsegregated Account Group or as a specific cover to the accounts within the relevant account groups.

† The clearing participant may also use a combination of all the three options mentioned above for its margin requirement cover.

Reallocation of Letter of Credit deposited to cover margin

Clearing participants have the option to re-allocate the entire amount of the Letter of Credit which they have previously allocated to accounts or as a general cover under segregated or unsegregated Account Groups.

A fee will be charged for the reallocation of Collateral.

† Please refer to Chapter 16 for the Collateral Reallocation Fee.

Utilisation of Letter of Credit to cover margin

The Collateral Deposit form lodged together with the Letter of Credit for the purpose of margin under the specific cover option must correctly state the account code.

† Applicable to Letters of Credit deposited under the specific cover option.

Withdrawing Letter of Credit

Clearing participants may withdraw Letters of Credit lodged with Bursa Clearing (D) only if there is sufficient cash and/or other forms of Collateral available to cover the margin requirements and/or security deposit of the clearing participant.

ℵ Clearing participant should forward the request using the Collateral Withdrawal-Letter of Credit form.

℥ A Letter of Credit withdrawn before its expiry date will be ready for collection by the clearing participant on the following business day.

℞ A Letter of Credit automatically withdrawn by the system due to its expiration will be sent directly to the issuing bank and the clearing participant will be informed via fax.

Withdrawing cash and replacing with Letter of Credit

Clearing participants may withdraw cash lodged with Bursa Clearing (D) for security deposit and replace it with a Letter of Credit.

ℵ A clearing participant should forward a letter advising Bursa Clearing (D) of its intention to withdraw the cash and replace it with a Letter(s) of Credit.

℥ Submit the Collateral Deposit - Letter of Credit form together with the Letter(s) of Credit.

Forms to be used

FORM 301

Depositing Letter of Credit

- to be used for margin and security deposit purposes

FORM 302

Withdrawing Letter of Credit

- to withdraw Letter of Credit currently deposited with Bursa Clearing (D)
- used for margin and security deposit purposes

FORM 303

To reallocate Collateral amount to other account(s)

- to be used for Letter of Credit lodged for margin purposes

FORM 304

Depositing Cash as Collateral

- to be used for security deposit purposes

FORM 305

Depositing extension of the expiry date of existing letter of credit

Important cut-off times

For same day processing, clearing participants are required to observe the following cut-off times:

By

10.00 AM

Letter of advice to withdraw cash from security deposit and Clearing Fund Contribution

10.30 AM

⌘ Depositing cash for security deposit and Clearing Fund Contribution to earn interest for the business day

12.00 PM

- ⌘ Depositing Letter of Credit
- ⌘ Depositing extension of the expiry date of existing Letter of Credit
- ⌘ Withdrawing Letter of Credit

⌘ Clearing participants should note that the same day processing for Letters of Credit deposited with Bursa Clearing (D) within the above cut-off time is only applicable once Bursa Clearing (D) has verified that the contents of the Letter of Credit or cover letter for extension of expiry date of the Letter of Credit are in order and conform to the Bursa Clearing (D) format

6.45 PM

Re-allocation of collateral amounts as general cover and/or to different account codes for Letter of Credit used for margin

9.00 AM
next business day

Collection of Letter of Credit from Bursa Clearing (D) custody

☞ Applicable for Letter of Credit withdrawn before its expiry date

APPENDIX 4H

Format of Irrevocable Standby Letter of Credit (Pass-Through) - Margin

[Prescribed form of irrevocable standby letter of credit (pass-through) as initial margin]

Note: Words in square brackets are instructions, and are not to be reproduced in the pass-through letter of credit

[Date]

To: Bursa Malaysia Derivatives Clearing Berhad
15th Floor Exchange Square
Bukit Kewangan
50200 Kuala Lumpur

and

[Fill in name and address of Clearing Participant]

Dear Sirs

IRREVOCABLE STANDBY LETTER OF CREDIT (PASS-THROUGH) NO.

[Fill in PTLC number]

FOR RM

[Fill in amount, minimum is RM100,000].

1. At the request of [Fill in name of client of Clearing Participant], we issue in favour of you:-

(i) Bursa Malaysia Derivatives Clearing Berhad (“**First Beneficiary**”);
and

(ii) [Fill in name of Clearing Participant] (“**Second Beneficiary**”)

(each of you individually a “**Beneficiary**” and collectively “**the Beneficiaries**”)

our Irrevocable Standby Letter of Credit (Pass-Through) No. [Fill in PTLC number] (“**PTLC**”) limited to demands made under this PTLC not exceeding in aggregate RM [Fill in PTLC amount] which is available for payment at sight, of any Demand for Payment (as defined below) presented to us at any time and from time to time by any of the Beneficiaries on or before the Expiry Date (as defined below).

APPENDIX 4H

2. Any one of the Beneficiaries may request a drawing under this PTLC in its favour in the manner set out below:-
 - 2.1 The First Beneficiary may request a drawing under this PTLC in its favour by giving to us a duly completed demand for payment substantially in the form attached as Appendix 1(a) ("**Demand for Payment by First Beneficiary**").
 - 2.2 The Second Beneficiary may request a drawing under this PTLC in its favour only upon giving to us a duly completed demand for payment substantially in the form attached as Appendix 1(b) ("**Demand for Payment by Second Beneficiary**") together with a written consent from the First Beneficiary for such demand in the form attached as Appendix 2 ("**Clearing House Consent**") AND the originally signed PTLC.

The phrase "Demand for Payment" shall mean either the Demand for Payment by the First Beneficiary or the Demand for Payment by the Second Beneficiary as the case may be.

3. The Demand for Payment shall be signed by two authorised signatories of the Beneficiary requesting the drawing, the receipt of each of whose specimen signature has been previously acknowledged by us and the revocation of whose authority has not been notified in writing to us. Each Demand for Payment may be delivered to us by letter or fax and must be received by us in legible form by the particular department at our address or fax number set out below:

[Insert department, designation of officer (e. officer-in charge or Manager), address and fax number of issuer]

We agree to promptly notify the Beneficiaries in the event of any change in the particular department, designation of officer, address and fax/telephone number stated above by way of letter in the form attached as Appendix 3 hereto.

4. We agree and undertake upon presentation to us of any Demand for Payment duly signed and delivered in accordance with paragraph 3 above to:
 - (a) in respect of a demand made in accordance with this PTLC on or before 12.00 noon local time at our office on any Banking Day, honour that demand on or before 3.00 pm local time of the same day;
 - (b) in respect of a demand made in accordance with this PTLC after 12.00 noon local time but on or before 5.00 pm local time at our office on

APPENDIX 4H

any Banking Day, honour that demand on or before 11.00 am local time of the next Banking Day following presentation;

by paying to the Beneficiary requesting the drawing in cleared and immediately available funds the amount of the Beneficiary's demand. Payments under this PTLC shall be made at the above times to the Beneficiary's account specified in the Demand for Payment and for the amount specified by the Beneficiary in the Demand for Payment.

The term "Banking Day", as used in this paragraph, means any day other than a Saturday, Sunday or public holiday in Kuala Lumpur.

5. Special Conditions

- 5.1 This PTLC expires on *[Fill in expiry date which must be at least 3 months from the date of this PTLC]* ("Expiry Date").
 - 5.2 For the avoidance of doubt, partial drawings are permitted.
 - 5.3 This PTLC may not be revoked or amended without the First Beneficiary's prior written approval.
6. We agree that any demands made under and in compliance with the terms of this PTLC will be honoured on due presentation without the requirement for any other document or the fulfilment of any other condition by the Beneficiary or any other person and despite any claim of illegality, unenforceability or fraud in connection with such presentation save as expressed in this PTLC. We waive any right to defer the honouring of any such demand.
 7. If at any time any of the provisions herein becomes invalid, illegal or unenforceable in any respect whether by reason of fraud or otherwise, such provision shall be ineffective to the extent necessary without affecting or impairing the validity, legality and/or enforceability of the remaining provisions herein.
 8. We further agree that the demands made under and in compliance with the terms of this PTLC will be honoured on due presentation notwithstanding the fact that the applicant of this PTLC has not defaulted in respect of any obligations owed to any of the Beneficiaries.
 9. If at any time prior to the termination of this PTLC in accordance with paragraph 5.1, we receive a letter signed by the First Beneficiary stating that this PTLC has been lost, stolen or destroyed, we must immediately issue to the First Beneficiary a replacement Irrevocable Standby Letter of Credit (Pass-Through) bearing the same number and containing the same terms and

APPENDIX 4H

conditions as set out in this PTLC. Such replacement pass-through letter of credit and the original pass-through letter of credit will constitute one and the same instrument for the purpose of any drawing or demand made under it. Any loss or destruction of this PTLC will not affect the validity of or our obligation to honour demands made and presented to us in accordance with the terms of this PTLC.

10. We will notify either Beneficiary promptly of any drawing (whether partial or full) and the amount drawn by the other Beneficiary and we will provide a copy of such notification to the Beneficiary requesting the drawing.
11. This PTLC is issued subject to the provisions of the International Standby Practices (ISP 98, 1998 edition), International Chamber of Commerce Publication No. 590 (1999) insofar as they are applicable and are not modified by the terms of this PTLC.
12. This PTLC is governed by and shall be construed in accordance with the laws of Malaysia. The courts of Malaysia shall have exclusive jurisdiction to settle any dispute arising out of or in connection with this PTLC.

Yours faithfully

[Name of authorised signatory]
[Name of Issuing Bank]

APPENDIX 4H

APPENDIX 1(a) [*Where Demand for Payment is made by the First Beneficiary*]

Demand for Payment by First Beneficiary

[Date]

To: [Issuing Bank]

Dear Sirs,

IRREVOCABLE STANDBY LETTER OF CREDIT (PASS-THROUGH) NO.
[Fill in PTLC number]

This is a Demand for Payment drawn under [Fill in name and address of Issuing Bank] Irrevocable Standby Letter of Credit (Pass-Through) No. [Fill in PTLC number] ("PTLC").

We, Bursa Malaysia Derivatives Clearing Berhad ("**Company**"), require the payment of RM [To be filled in by Bursa Malaysia Derivatives Clearing Berhad] to be made within the time set out in paragraph 4 of the PTLC and to the account set out below..

We certify that total previous drawings under this PTLC, aggregated with this drawing, does not exceed RM [Fill in PTLC amount].

Payment should be made to the following account:-

Name : [To be filled in by Bursa Malaysia Derivatives Clearing Berhad at time of demand]

Account Number : [To be filled in by Bursa Malaysia Derivatives Clearing Berhad at time of demand]

Bank : [To be filled in by Bursa Malaysia Derivatives Clearing Berhad at time of demand]

Yours faithfully,

As duly authorized signatories
for Bursa Malaysia Derivatives Clearing Berhad

APPENDIX 4H

APPENDIX 1(b) [*Where Demand for Payment is made by the Second Beneficiary*]

Demand for Payment by Second Beneficiary

[Date]

To: [*Issuing Bank*]

Dear Sirs,

IRREVOCABLE STANDBY LETTER OF CREDIT (PASS-THROUGH) NO.
[*Fill in PTLC number*]

This is a Demand for Payment drawn under [*Fill in name and address of Issuing Bank*] Irrevocable Standby Letter of Credit (Pass-Through) No. [*Fill in PTLC number*] (“PTLC”).

We, [*Fill in name of Clearing Participant*] (“**Company**”), require the payment of RM [*To be filled in by Clearing Participant*] to be made within the time set out in paragraph 4 of the PTLC and to the account set out below.

We certify that total previous drawings under this PTLC, aggregated with this drawing, does not exceed RM [*Fill in PTLC amount*].

We attach herewith a written consent from Bursa Malaysia Derivatives Clearing Berhad to us making this demand substantially in the form attached as Appendix 2 to the PTLC and the originally signed PTLC.

Payment should be made to the following account:-

Name : [*To be filled in by Clearing Participant at time of demand*]

Account : [*To be filled in by Clearing Participant at time of demand*]
Number

Bank : [*To be filled in by Clearing Participant at time of demand*]

Yours faithfully,

As duly authorized signatories
for [*Fill in name of Clearing Participant*]

APPENDIX 4H

APPENDIX 2

Clearing House Consent

[Date]

To: [Issuing Bank]

Dear Sirs,

**CONSENT FOR DRAWING UPON THE IRREVOCABLE STANDBY
LETTER OF CREDIT (PASS-THROUGH) NO. [Fill in PTLC number]**

We, Bursa Malaysia Derivatives Clearing Berhad hereby issue our consent to
[Fill in name of Clearing Participant] making a request to you for a drawing
upon the Irrevocable Standby Letter of Credit (Pass-Through) No. [Fill in PTLC
number].

Yours faithfully,

As duly authorized signatories
for Bursa Malaysia Derivatives Clearing Berhad.

APPENDIX 4H

APPENDIX 3

Notice of Change in Particulars of Issuing Bank

[Date]

To: Bursa Malaysia Derivatives Clearing Berhad
15th Floor Exchange Square
Bukit Kewangan
50200 Kuala Lumpur

and

[Fill in name and address of Clearing Participant]

Dear Sirs,

IRREVOCABLE STANDBY LETTER OF CREDIT (PASS-THROUGH) NO.

[Fill in PTLC number]

Please take notice that the information appearing at Paragraph 3 of our Irrevocable Standby Letter of Credit (Pass-Through) No. [Fill in PTLC number] is hereby amended as follows:

Issuing Bank

Department : [Insert new department]
Designation of Officer : [Insert new designation (eg. officer-in-charge or Manager)]
Address : [Insert new address]
Telephone No. : [Insert new telephone number]
Fax No. : [Insert new fax number]

This amendment shall be effective only upon your written acknowledged receipt of this notice.

Yours faithfully,

[Issuing Bank]

By: [Signature]
[Name of Officer]

As its: [Title]

Contents

	Page
Preface	0.1
Contents	0.2 – 0.4
1 Introduction	1.1 - 1.2
2 Participantship	2.1 - 2.4
3A Security Deposit	3A.1 - 3A.3
3B Direct Clearing Participant Deposit	3B.1 – 3B.2
4 Clearing Fund	4.1 - 4.3
5 Account Information	5.1 - 5.3
6 Contract Registration	6.1
7 Collateral Management	7.1 - 7.2
7A Letters of Credit	7A.1 - 7A.6
7B Foreign Currency	7B.1 - 7B.2
7C Shares	7C.1 – 7C.3
8 Trade & Position Adjustment/Transfer	8.1 - 8.4
9 Daily Settlement Prices	9.1
10 Margin Calculation Methodology	10.1 - 10.14
11 Clearing Reports & Listings	11.1 - 11.4
12 Banks And Settlement	12.1 - 12.8

13	Intraday Margin	13.1 – 13.2
14	Interest Policy	14.1 – 14.3
15	Unplanned Holiday	15.1 - 15.2
16	Fees, Rebates, and Charges	16.1 - 16.5
17	Standard Operating Forms	17.1 - 17.6
18A	Theoretical Valuation of Foreign Currency Collateral	18A.1 - 18A.2
18B	Theoretical Valuation of Shares As Collateral	18B.1
19	FKLI Contract	19.1 - 19.2
20	FKB3 Contract	20.1 - 20.2
21	FCPO & FPKO Contracts	21.1 - 21.6
22	OKLI Contract	22.1 - 22.4
23	FMG3, FMG5 & FMGA Contracts	23.1 - 23.2
24	SSF Contract	24.1 – 24.9
25	FUPO Contract	25.1 – 25.3

APPENDICES

- Appendix 1** - Bursa Clearing (D) Contact Details
- Appendix 2** - Bursa Clearing (D) Clearing Participants
- Appendix 3** - Bursa Clearing (D) Margin Rates
- Appendix 4A** - Format of Letter of Credit - Security Deposit
- Appendix 4B** - Format of Letter of Credit - Margin
- Appendix 4C** - Format of Confirmed Letter of Credit - Margin
- Appendix 4D** - Format of Confirmed Letter of Credit - Security Deposit
- Appendix 4E** - Format of Confirmation of Letter of Credit
- Appendix 4F** - Format for Extension of Expiry Date of Letter of Credit - Margin
- Appendix 4G** - Format for Extension of Expiry Date of Letter of Credit - Security Deposit
- Appendix 4H** - Format of Letter of Credit (Pass-Through) - Margin
- Appendix 4J** - Format for Extension of Expiry Date of Letter of Credit (Pass-Through) - Margin
- Appendix 5** - List of Approved and Advising Banks for Letter of Credit
- Appendix 6A** - Ringgit Settlement Banks

- Appendix 6B** - US Dollar Settlement Banks
- Appendix 6C** - Foreign Currency Settlement Banks
- Appendix 7** - Step-by-Step Guide: Filling the Bursa Clearing (D) Forms
- Appendix 8** - DCS Cut-Off Times
- Appendix 9** - Bursa Clearing (D) Cut-Off Times (At a Glance)
- Appendix 11** - Foreign Currency Collateral Haircut Rates
- Appendix 11B** - Shares Collateral Haircut Rate
- Appendix 12** - CM-TIMS™ Margining Parameters

FREQUENTLY ASK QUESTIONS

1. What is a Pass-Through Letter of Credit ("PTLC") in the context of Bursa Derivatives Clearing ("the Clearing House")?

A PTLC is a type of letter of credit, which is to be in the form prescribed by the Clearing House, which can be lodged with the Clearing House as a form of margin collateral. The PTLC would be issued by the client's bank at the request of the client for the benefit of both the Clearing House and the Clearing Participant ("CP").

2. What is the procedure to submit the PTLC to Clearing House?

The process of submitting a PTLC to the Clearing House is similar to that of the existing irrevocable Standby Letters of Credit ("SBLC"):

- (a) **Before submitting the PTLC to the Clearing House, the CP must write to the Clearing House for consent to lodge the PTLC, indicating the issuing bank, client's name & account, amount of LC and tenure.**
- (b) **With the consent from the Clearing House, CP & client may proceed to obtain the PTLC from the issuing bank and the confirmation from the advising bank.**
- (c) **Once the document is received by the Clearing House together with Form 301 and confirmed in order, the Clearing House will process the lodgement as a specific cover for the client's segregated account.**

3. Can the Clearing House reject any submission of PTLC?

Yes, the Clearing House may reject a PTLC if:

- (a) **the PTLC is not in the prescribed format as required by the Clearing House; or**
- (b) **the CP fails to satisfy any other requirement in connection with the PTLC; or**
- (c) **the acceptance of the PTLC may give rise to a breach of the concentration limits imposed by the Clearing House, taking into account its risk exposures.**

In this regard, CPs are advised to obtain the consent of the Clearing House prior to requesting their clients to obtain the PTLC from the bank.

4. Which banks can issue this PTLC?

The Clearing House will accept a PTLC from the approved banks specified by the Clearing House for the purpose of issuing a SBLC. Kindly refer to the circulars issued by the Clearing House from time to time. You are advised to check with your preferred banker on the issuance of a PTLC.

5. Is the PTLC applicable for retail clients?

No.

6. Is the PTLC applicable for institutional clients?

Yes.

7. What is the minimum amount for the PTLC?

RM100,000 per PTLC

8. What is the shortest tenure for the PTLC?

3 months

9. Can a PTLC be used for Security Deposit purposes?

No

10. What is ISP98?

International Standby Practices ("ISP98") is a set of rules designed to facilitate the use of standby letters of credit issued by the International Chamber of Commerce.

11. Why is the PTLC subject to the provisions of ISP98 instead of UCP 500 which is what is currently applied to the existing format of the SBLC required by the Clearing House?

We understand that ISP98 is a more appropriate set of rules to be used for SBLC and other letters of credit whilst UCP 500, which has been revised and replaced by UCP 600, may be applied to any documentary credits including a standby. Please note that

we are reviewing the existing format of the SBLCs and will inform the industry once this is finalised.

12. Is this PTLC format going to replace the SBLC format used currently?

No. The PTLC is an alternative form of margin collateral and is different from the SBLC. The existing SBLC format as prescribed in Derivatives Clearing & Settlement Clearing Participant's Manual will continue to apply.

13. Will there be any situations where the Clearing House will refuse to give consent to CP, in the event the CP requests to withdraw the PTLC to make a demand under the PTLC?

One of the situations where the Clearing House will not release the PTLC is when there is insufficient collateral to cover margin requirement.

14. How should the PTLC be treated in the computation of Adjusted Net Capital ("ANC")?

In the CP's ANC computation, the PTLC should be treated in the same manner as any other letter of credit or bank guarantee.

15. Will the Clearing House drawdown on the PTLC in the event of the CP's default?

Yes. In the event of the CP's default, the PTLC could be one of the types of collateral that could be liquidated pursuant to a default action that may be taken by the Clearing House.

16. Will there be any charges imposed on the lodgement and withdrawal of a PTLC with the Clearing House?

No. However if there are any charges from the advising bank, the charges will be posted to the CP's Unsegregated account.

17. What are the requirements for a CP to take note of as regards to a PTLC?

Prior to the issuance of a PTLC, every CP must ensure that:

- (a) its client fully understands the implications of the terms of the PTLC provided to the Clearing House;**

- (b) its client consents to the use of the PTLC in such form as the Clearing House may prescribe;**
- (c) its client has the power and ability to request for the issuance of the PTLC and that the request for the issuance of the PTLC has been duly authorised by all requisite necessary corporate actions (if the client is a corporation);**
- (d) its client furnishes a copy of the authorisation referred to in item (c) above to the CP as the CP is required to furnish the same to the Clearing House; and**
- (e) the request for the issuance of the PTLC, the issuance of the PTLC and the execution, delivery or performance of the PTLC will not result in the client violating any provision of any laws, regulations, orders, rules or decrees of any regulatory authority.**