

RULES OF BURSA MALAYSIA SECURITIES CLEARING SDN. BHD.

INTERPRETATION

[Note: Entire section reproduced as the amendments encompass a large part of this section.]

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”	means a 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”	means a 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.
“Articles”	The Articles of Association of the Clearing House.
<u>“ATS”</u>	means <u>The automated and computerised Securities trading system established by the Exchange.</u>
<u>“Book-entry”</u>	<u>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.</u>
“Borrower”	means a 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”	means a 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”	means the <u>The</u> Securities borrowing and lending business established and operated by the Clearing House acting as a central lending agency.
“Bursa SBL Participant”	means the <u>The</u> Lending Participant, Lender or Borrower or any one or more of them, as the context may require.

Comment [B1]: Unless otherwise stated, amendments made to this section have been made for consistency with the rest of the definitions in these Rules.

Comment [B2]: To provide a definition for this term that is used in the definitions of “Contract Date”, “Direct Business Contract” and “On-Market Transaction”.

This definition follows the definition of “ATS” in the Exchange Rules.

Comment [B3]: To provide a definition for this term that is used in Rules 5.1A(b), 5.2A(e) and A5.6(c).

This definition follows, to a certain extent, the definition of “book-entry delivery” in the Depository Rules.

ANNEXURE 3A

"Bursa SBL System"	means the <u>The</u> 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 <u>A</u> 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"	In relation to the ISS, a transaction, being an agreement for the purchase of Securities by: (a) a Non Trading Clearing Participant acting as a principal; or (b) a Client, through a Trading Clearing Participant on the Exchange as a buyer to a Market Contract.
<u>Cash Settlement Amount</u>	The amount referred to in Rules 5.2 <u>BA</u> (b) and 5.2 <u>CB</u> and 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.
"Central Bank"	means the <u>The</u> Central Bank of Malaysia established under section 3 of the Central Bank of Malaysia Act 1958.
"Central Depository"	Shall have the same <u>Same</u> meaning as is assigned to that expression in the Act.
"CDS"	Central Depository System.
"Clearing Guarantee Fund"	means the <u>The</u> 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"	(a) a <u>A</u> facility for the clearing or settlement of transactions in securities traded on a stock exchange; (b) a <u>A</u> facility for the guarantee of settlement of transactions referred to in paragraph (a); or (c) such <u>Such</u> 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.
"Clearing Participant"	<u>A</u> participant as defined in the Act, in relation to the Clearing House.
"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 Non Trading Clearing Participant acts in relation to an ISS Transaction.
<u>"Closing Price"</u>	<u>Same meaning as is assigned to that expression in the Exchange Rules.</u>

Comment [B4]: Consequential amendment to the renumbering of the rules in light of the inclusion of the buying-in provisions.

Comment [B5]: To provide a definition for this term which is used in Rule 5.2A(d).

ANNEXURE 3A

“Commission”	The Securities Commission established under the Securities Commission Act 1993 (Act 498).
<u>“Contract Date”</u>	<u>The day the sell or buy order for an On-Market Transaction is matched in the ATS.</u>
“Contribution”	means the The contribution made or required to be made pursuant to Rule 6.2.1 by a Trading Clearing Participant to the Clearing Guarantee Fund established under Rule 6.1.1.
“Corporation”	Shall have the same 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.
<u>“Depository Rules”</u>	<u>The Rules of the Central Depository.</u>
“Direct Business Comparison System”	(See Rule 5.8(a)(v))
<u>“Direct Business Contract”</u>	Means: (c) (a) a <u>a</u> transaction in securities <u>Securities</u> entered into outside the ATS automated and computerised securities trading system established by the Exchange in accordance with the Exchange Rules; or (d) (b) any <u>Any</u> other transaction in Securities which shall be determined by the Clearing House from time to time as being a Direct Business.
“Director”	[Deleted]
“Eligible Securities”	means the 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.
<u>“Exchange Rules”</u>	<u>The Rules and/or directives by whatever name called and wherever contained governing the participation, management, operations or</u>

Comment [B6]: To provide a definition for this term which is used in Rules 5.2A(a) and 5.3(h)(i).

This definition follows to a large extent, the definition of “Contract Date” in the Exchange Rules.

Comment [B7]: To provide a definition for this term which is used in Rules 1.4(a), B2.1(c) and 5.1(c).

Comment [B8]: “ATS” is now a defined term in these Rules.

Comment [B9]: Consequential to the amendment to the definition of “Rules” below.

Note that the definition of “Rules” in the CMSA would cover the memorandum and articles of association and directives.

ANNEXURE 3A

	procedures of the Exchange and includes the Memorandum and Articles of Association.
"Guidelines on Investment Banks"	means the <u>The</u> 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 Non Trading 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 Non Trading Clearing Participant for which an ISS Confirmation is to be or has been issued.
"ISS Confirmation"	One or more written input from a Non Trading 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 Non Trading 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 Non Trading Clearing Participant for settlement of the said ISS Transaction.
"ISS Instruction"	A written input from a Trading 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 Trading Clearing Participant.
"ISS Transaction"	A Buy Transaction or Sell Transaction in respect of which a Trading Clearing Participant and/or one or more Non Trading 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.
"Investment Bank"	means an <u>An</u> Investment Bank as referred to in the Guidelines on Investment Banks.
"Investment Bank Capital Adequacy Framework"	means the <u>The</u> Investment Bank Capital Adequacy Framework referred to in the Guidelines on Investment Banks.
<u>"Last Done Price"</u>	<u>Same meaning as is assigned to that expression in the Exchange Rules.</u>
"Lender"	means a <u>A</u> 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"	means a <u>A</u> 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.

Comment [B10]: To provide a definition for this term which is used in Rule 5.2A(d).

ANNEXURE 3A

“Lending Participant” ~~means 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” ~~means 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” ~~means 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 Main Market and ACE Market.~~

Comment [B11]: To provide a definition for this term which is used in Rule 5.2A.

This definition follows to a large extent, the definition of “Listing Requirements” in the Exchange Rules.

“Loaned Securities” ~~means the~~ The Eligible Securities that are lent or borrowed.

“Market Day” The day on which both the Clearing House and the Exchange are open for business.

“Market Contracts” ~~Means:~~

- (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 Contracts” ~~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). A contract which is subject to the rules of the Clearing House and entered into by the Clearing House with a Trading Clearing Participant pursuant to a novation for the purpose of the clearing and settlement of transactions in Securities using the clearing facility of the Clearing House. For the avoidance of doubt, this includes a contract for an on market transaction as defined in the Exchange Rules.~~

Comment [B12]: To clarify this definition in light of the new provisions clarifying the novation of an On-Market Transaction.

“Officer” ~~Shall have the same~~ 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 801.3 of the Exchange Rules; or
- (b) a transaction that is concluded in accordance with Rule 801.12 of the Exchange Rules.

Comment [B13]: To provide a definition for this term which is used in Rules 5.1A and 5.1B and the definition of “Novated Contract”.

This definition mirrors the definition of “On-Market Transaction” in the Exchange Rules except for the inclusion of the words “in Securities” after the words “means a transaction”.

ANNEXURE 3A

"Operational Procedure"	<p>Means the 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.</p>
"Ready Basis Contract"	<p><u>A contract where the delivery and settlement time for buying or selling of Securities are as stipulated in Schedule 3 of the Exchange Rules.</u></p>
"Relevant Details"	<p>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.</p>
"Relevant office-holder"	<p>Means:</p> <ul style="list-style-type: none">(i) the The Director General of Insolvency appointed under section 70 of the Bankruptcy Act 1967 [Act 360];(ii) any Any person acting in relation to a company as its liquidator, provisional liquidator, receiver or manager;(iii) any Any person acting in relation to an individual as his trustee in bankruptcy or interim receiver of his property;(iv) any Any person appointed pursuant to an order for the administration in bankruptcy of an insolvent estate of a deceased person; or(v) a A Special Administrator appointed under the Pengurusan Danaharta Nasional Berhad Act 1998 [Act 587].
"Rules"	<p>Shall have the same Same meaning as is assigned to that expression in the Act, in relation to the Clearing House.</p>
"SBL Circulars"	<p>means any 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.</p>
"SBL Conditions"	<p>means the 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.</p>
"SBL Negotiated Transaction or SBLNT"	<p>means a 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.</p>

Comment [B14]: To provide a definition for this term which is used in Rules 5.3(h)(i).

This definition mirrors to a certain extent that of the Exchange Rules.

Comment [B15]: Consequential to the introduction of the definition of the Depository Rules.

Note that Exchange Rules and these Rules have their own separate definitions.

ANNEXURE 3A

“SBL Participant/Agent”	means the <u>The</u> 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”	means the <u>The</u> Approved SBLNT Lender or Approved SBLNT Borrower, or both, as the context may require.
“SBL Participant/ Representative”	means the <u>The</u> Approved SBLNT Lender, Approved SBLNT Borrower, Lending Representative or Borrowing Representative, or any one or more of then, as the context may require.
“SBLNT System”	means the <u>The</u> system operated by the Clearing House to facilitate SBL Negotiated Transactions.
<u>“Scheduled Financial Settlement Time”</u>	<u>The scheduled financial settlement time referred to in Rule 5.3(h).</u>
“Sell Transaction”	In relation to ISS, a transaction, being an agreement for the sale of Securities by: (a) a Non Trading 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”	Shall have the same <u>Same</u> meaning as is assigned to that expression in the Act.
“Specified Eligible Securities”	means the <u>The</u> 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.
<u>“Tick”</u>	<u>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.</u>
<u>“These Rules” or “The Rules”</u>	<u>The Rules of the Clearing House.</u>
<u>“Tradeable Balance”</u>	(a) <u>Securities marked as “free” in the relevant securities accounts; or</u> (b) <u>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.</u>
“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.

Comment [B16]: To provide a definition for this term which is used in Rule 5.3.

Comment [B17]: Introducing a definition of the defined term "Tick" which is referred to in Rule 5.2A(d). This definition defers from the definition of "Tick" in the Exchange Rules as the reference to "Tick" in these Rules only relates to tick sizes for buying-in.

Comment [B18]: To clarify the terms "these Rules" or "the Rules" used in these Rules of the Clearing House. Moving forward, for consistency, we are proposing to amend all references to "the Rules" to read "these Rules". This definition will be amended accordingly.

Comment [B19]: To provide a definition for this term which is used in Rule 5.2A(a). This definition is similar to the definition of "Tradeable Balance" in the Exchange Rules.

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.

ANNEXURE 3A

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.

CHAPTER 1

GENERAL RULES

[Note: Only Rule 1.4 from this chapter is reproduced as the amendments relate only to this rule.]

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 ~~rules of the~~ Exchange Rules and the ~~rules of the Central~~ 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.

Comment [B20]: Consequential to the Exchange Rules and the Depository Rules being defined terms.

CHAPTER 2

SECTION B

NON TRADING CLEARING PARTICIPANT

[Note: Only Rule B2.1 from this chapter is reproduced as the amendments relate only to this rule.]

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
- (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
- (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 ~~rules of the Central~~ Depository Rules.

Comment [B21]: Consequential to the Exchange Rules and the Depository Rules being defined terms.

CHAPTER 5

CLEARING AND SETTLEMENT

GENERAL SECTION

[Note: Entire Chapter 5 is reproduced as this chapter has been substantially amended.]

5.1 CLEARING AND SETTLEMENT OF MARKET CONTRACTS

- (a) Clearing Participants must clear and settle all ~~Market—Contracts~~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 ~~Securities in respect of transactions in a particular Market Day~~ shall be effected pursuant to these Rules, the Exchanges' Rules ~~and the Depository Rules~~.

Comment [B22]: To clarify that delivery and settlement of On-Market Transactions and Direct Business Contracts will be effected pursuant to these Rules, the Exchange Rules and the Depository Rules. For example, Chapter 9 of the Exchange Rules which relates to the delivery and settlement obligations of Participating Organisations and Chapter 10 of the Depository Rules which set out the depository trade delivery and settlement requirements.

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.

Comment [B23]: To clarify the provisions relating to the novation of an On-Market Transaction especially in relation to the exact point in time the novation occurs and what happens upon novation of the On-Market Transaction.

(c) The obligations 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 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.

(b) The Clearing House's obligation to deliver Securities to a buying Clearing Participant pursuant to a Novated Contract on any due settlement day shall be discharged by the crediting of such Securities to the relevant securities account of the buying Clearing Participant or the buying Clearing Participant's client by 9.00am on the due settlement day.

Comment [B24]: To reflect the existing practice by clarifying that the Clearing House's obligations in respect of delivery of Securities required to be delivered pursuant to a Novated Contract. To also clearly set out the authority of the Clearing House to credit the relevant securities account of either the buying Clearing Participant or the buying Clearing Participant's client.

Comment [B25]: Consequential to reflecting some of the buying-in provisions that will be removed from the Exchange Rules and included in Rule 5.2A below.

Comment [B26]: Consequential to reflecting some of the buying-in provisions that will be removed from the Exchange Rules. The previous rules in the Exchange Rules are mapped against the new rules in the Rules of Bursa Securities Clearing for ease of reference:

Exchange Rules	Clearing House Rules
705.4	5.2A(f)
803.1(1)	5.2A(a)
803.1(3)	5.2A(b)
803.2(4) & (4A)	5.2A(d)(i)
803.2(5)	5.2A(d)(ii)
803.2(6)	5.2A(d)(iii)
803.2(7)	5.2A(d)(iv)
803.2(9)	5.2A(d)(v)
803.2(10)	5.2A(e)
803.2(13)	5.2A(f)

Rule 5.2A(d)(vi) has been included as there are buying-in provisions relating to the relationship between the Participating Organisation and its clients which are reflected in the Exchange Rules for example, that a Participating Organisation against whom buying-in is carried out must not charge brokerage for the buying-in against the seller in a failed contract [Rule 903.2(9) of the revamped Exchange Rules].

Note that Rule 803.1(3)(a) does not need to be replicated in the Rules of Bursa Securities Clearing as the definition of "Tradeable Balance" covers securities due to be delivered pursuant to an outstanding purchase contract. This means that if there is an outstanding purchase contract, the selling TCP will not be considered as having failed to deliver the securities.

5.2 DEFAULT IN DELIVERY

Where a Trading Clearing Participant, in respect of a Novated Contract, fails to deliver ~~securities~~ Securities to the Clearing House by the due ~~settlement day date~~ and in the manner as prescribed under the Exchange Rules, the Clearing House may:

(a) in the case of securities sold in board lots (as defined in the Exchange Rules) ("Board Lot Securities"), ~~advise the Exchange to~~ institute buying-in against the Trading Clearing Participant concerned ~~on the Market Day following the due date to the Clearing House~~ in accordance with Rule 5.2A ~~the Exchange Rules~~; or

(b) 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.

5.2A BUYING-IN

(a) Where a selling Trading Clearing Participant ("selling TCP"), 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 third 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) if the Securities are not obtained on the first day, the Exchange will continue the buying-in on the second and each succeeding Market Day and the bidding price shall be raised by at least five (5) Ticks every Market Day until the Securities are bought;
- (iv) the Clearing House may, if it deems necessary, suspend the daily increase in the bidding price or revise the bid so that the bidding price shall be not more than twenty-five percent (25%) above the Last Done Price or the last buying price bid of the previous Market Day, whichever is the higher;
- (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.
- (f) The Clearing House will charge the defaulting selling TCP against whom a buying-in is carried out, a buying-in levy in the amount as may be specified by the Clearing House in the Operational Procedures and unless otherwise determined by the Clearing House, such levy must be payable in the currency in which the Securities are transacted in.

Comment [B27]: This rule expands on the proposed Rule 903.2(11) of the Exchange Rules. The right of the PO to recover this levy from the seller of a failed contract is set out in the Exchange Rules.

The levy of 1% of the buying-in contract value will be stipulated in the Operational Procedures.

5.2BA 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

Comment [B28]: Included since the buying-in requirements are also contained in these Rules.

- (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 5.2BA(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 5.2BA(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.

5.2CB 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 date and in the manner as prescribed under the Exchange 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.

5.3 FINANCIAL SETTLEMENT BETWEEN CLEARING PARTICIPANTS 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 ~~sub-rule~~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.
- (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 ~~the form of transfer instructions via the clearing bank~~ or any other instruments which can be cleared within the same day and the ~~clearing bank~~ Clearing House is able to ~~shall~~ obtain value on the same day.

Comment [B29]: To incorporate the relevant provisions in Rule 804.1 of the Exchange Rules into the Clearing House Rules as these provisions relate to clearing and settlement of trades.

The previous rules in the Exchange Rules are mapped against the new rules in the Clearing House Rules for ease of reference:

Exchange Rules	Clearing House Rules
804.1(1)	5.3(e)
804.1(2)	5.3(f)
804.1(3)	5.3(c) & (d)
804.1(4)	5.3(g)
Schedule 2A, Part 2 (in relation to the scheduled settlement time for Ready Basis Contracts and Buying-In Contracts)	5.3(h)

There is no need to reflect in the Rules of Bursa Securities Clearing, Rule 804.1(5) of the Exchange Rules (which states that default in settlement of amounts due from Participating Organisations to the Clearing House shall be dealt with in accordance with the Rules of Bursa Securities Clearing) as this would be covered under Chapter 4 of the Rules of Bursa Securities Clearing.

Comment [B30]: To clarify that all remittances and deposits paid to the Clearing House by the Clearing Participants must be in immediately available funds. The definition of immediately available funds follows that in Rule 801.1(2) of the Exchange Rules.

- (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.
- (h) The scheduled financial settlement time referred to in this Rule 5.3 is:
- (i) For Ready Basis Contracts:
 - (aa) in respect of payment by the net buying Clearing Participant to the Clearing House, not later than 10.00 a.m. on the third Market Day following the Contract Date; and
 - (bb) in respect of payment by the Clearing House to the net selling Clearing Participant, not later than 10.00 a.m. on the third Market Day following the Contract Date.
 - (ii) 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.

Comment [B31]: This is currently Rule 804.1(2) of the Exchange Rules which is being proposed to be moved to the Clearing House Rules. Amendments have been made to clarify this rule further. The current Rule 804.1(2) reads:

"... the Clearing House shall inform every Participating Organisation of the net amount payable by the Participating Organisation to the Clearing House or the net amount receivable by the Clearing House from the Participating Organisation, being..."

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 ~~DIVIDENDS, BONUS ISSUE, RIGHTS ISSUE AND OTHER 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 ~~in relation to a Novated Contract may be~~

Comment [B32]: The Clearing House will be prescribing the relevant provisions relating to:

(a) claims on dividends, bonus issue, rights issue and other entitlements arising from failure to deliver Securities; and

(b) claims on rights arising from failure to deliver such rights referred to in Rule 907.3 of the Exchange Rules.

These claims arise as a result of the seller of securities or rights not effecting delivery in time for the buyer to be able to be entitled to the entitlements or new securities pursuant to the rights.

~~prescribed by the Clearing House from time to time in accordance with the Exchange Rules; 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.~~

Comment [B33]: To impose an obligation on a TCP to submit the claims to the Clearing House in the manner prescribed under the Operational Procedures.

The Operational Procedures of the Clearing House will set out the procedures for the claims and this will mirror in essence what is contained in the current Rule 806.2 of the Exchange Rules.

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 CLEARING AND SETTLEMENT OF CONTRACTS FOR SECURITIES PRESCRIBED UNDER THE CENTRAL DEPOSITORY~~ DELETED

~~Delivery and settlement of Securities prescribed under the Central Depository and traded through the Exchange shall be effected in accordance to these Rules and the rules of the Central Depository.~~

Comment [B34]: The delivery and settlement of Securities prescribed under the Central Depository and traded through the Exchange would either be a delivery in respect of either a Novated Contracts or a Direct Business Contract and this is covered under the amended Rule 5.1(c) above. In addition, Rule 5.1(c) has been amended to stated that the delivery and settlement of Market Contracts (which consist of Novated Contracts and Direct Business Contracts) shall be effected pursuant to the Rules of Bursa Securities Clearing, Rules of Bursa Securities and Rules of Bursa Depository.

5.7A 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

Comment [B35]: To clarify that the clearing and settlement obligations of the participants in particular the timing for the delivery of the securities and payment will be in accordance with these Rules and the Operational Procedures.

ANNEXURE 3A

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 then credit the said Securities into the securities account of the buying Trading Clearing Participant’s securities account 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 securities account 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 —

Comment [B36]: For consistency with the new Rule 5.1B which states that the relevant securities account to be credited could be either the buying Clearing Participant’s or the buying Clearing Participant’s client’s securities account.

ANNEXURE 3A

- (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]

SCHEDULE 5-1**TICK SIZE IN RELATION TO BUYING-IN**
[Definition of "Tick" and Rule 5.2A(d)]

Comment [B37]: To set out the minimum change allowed in the bidding price for buying-in of Securities referred to in Rule 5.2A.

Note that the tick size in relation to buying-in has been updated from that currently specified in Schedule 4A of the Exchange Rules to reflect the amendments in relation to tick size effected via PO circular No. R/R 7 of 2009.

(i) Tick Sizes for Securities Quoted in RM

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

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

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

(iii) Tick Sizes for Securities Quoted in GBP

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

CHAPTER 5

SECTION A

INSTITUTIONAL SETTLEMENT SERVICE/ISS

[Note: Only Rule A5.6 reproduced as amendments relate only to this rule.]

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.

Comment [B38]: There is now a definition of "Book-entry" and as such, this will now refer to the defined term.