

RULES OF BURSA MALAYSIA SECURITIES CLEARING (“BMSC”)

PROPOSED RULE AMENDMENTS IN RELATION TO THE T+2 SETTLEMENT CYCLE

RULE	EXISTING PROVISION	RULE	AMENDED PROVISION	RATIONALE
Interpretation	<p>“Immediate Basis Contract”</p> <p>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.</p>	Interpretation	<p>“Immediate Basis Contract”</p> <p>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. [Deleted]</p>	<p>Following the proposed shortening of the settlement cycle from T+3 to T+2, BMSC has reviewed the feasibility of Immediate Basis Contracts and find that it would not be feasible if the settlement cycle is “shorter” than the proposed T+2 settlement cycle.</p> <p>The existing settlement period under a T+3 cycle for Immediate Basis Contracts is that settlement is one day earlier, which is on T+2. In this respect, transfers relating to an Immediate Basis Contract is 4pm on T+1. Under the proposed T+2 settlement cycle, the timing of delivery for the Immediate Basis Contract would have to be performed on T day itself before the prescribed cut-off time. To set it at 4pm (which is the cut-off time under the current framework) would not be feasible as trading is allowed up to 5pm.</p> <p>Moreover, the 5pm cut-off time is also the book closure cut-off time to</p>

Annexure B
 Consultation Paper No. 5/2018
AMENDMENTS TO THE RULES OF BMSC
 In relation to the T+2 Settlement Cycle



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				<p>determine the Record of Depositors for all corporate exercise based on announcements by listed issuers. To set a later time beyond 5pm may delay the process of the corporate exercise processing, which in turn may cause further delays in announcements to public.</p> <p>Based on historical records (20 years), we did not process any Immediate Basis Contracts.</p> <p>In this regard, BMSC proposes to remove Immediate Basis Contracts from the BMSC framework.</p>
5.2A(a)	<p>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 following day:</p> <p>(i) in respect of Ready Basis Contracts, on the third Market Day following the Contract Date; and</p>	5.2A(a)	<p>Where a selling Trading Clearing Participant (“selling TCP”) <u>in respect of a Ready Basis Contract</u>, 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 following day:</p> <p>(i) in respect of Ready Basis Contracts, on the third<u>second</u> Market Day following the Contract Date. ; and</p>	<p>Under the existing T+3 settlement cycle, automatic buying-in is on the settlement day, T+3, up to T+8. The remaining securities that is not bought-in will usually be cash settled after T+8. Following the move to a T+2 settlement cycle, BMSC proposes to impose automatic buying-in on T+2, failing which the contract will be cash settled on T+3. The timeframe for the buying-in process is not extended beyond the settlement day as based on statistics, most of the buying-in is done on the</p>



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	(ii) in respect of Immediate Basis Contracts, on the second Market Day following the Contract Date.		(ii) in respect of Immediate Basis Contracts, on the second Market Day following the Contract Date.	settlement day. This provision is amended to reflect the proposed automatic buying-in of Ready Basis Contracts has been brought forward from T+3 to T+2. We are also removing the reference to Immediate Basis Contracts, as the concept is no longer feasible.
5.2A(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	5.2A(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	No change. No change.



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	such Securities, whichever is the higher;		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;		(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;	No change.
	(iii) if the Securities are not obtained on the first Market 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;		(iii) if the Securities are not obtained on the first Market 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; [Deleted]	This rule is no longer applicable as the buying-in period by the Exchange is shortened from six days (T+3 to T+8) to 1 day (T+2 only), which happens on the settlement date itself.
	(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		(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	Consequential to the shortening of the buying-in period by the Exchange from six days (T+3 to T+8) to 1 day (T+2 only), this provision is no longer applicable.



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	bid of the previous Market Day, whichever is the higher;		bid of the previous Market Day, whichever is the higher; [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;		(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;	No changes.
	(vi) such other requirement as specified in the Exchange Rules or as the Clearing House may specify.		(vi) such other requirement as specified in the Exchange Rules or as the Clearing House may specify.	No changes.
5.3(h)	<p>The scheduled financial settlement time referred to in this Rule 5.3 is:</p> <p>(i) For Ready Basis Contracts:</p> <p>(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</p> <p>(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.</p>	5.3(h)	<p>The scheduled financial settlement time referred to in this Rule 5.3 is:</p> <p>(i) For Ready Basis Contracts:</p> <p>(aa) <u>in relation to the first batch settlement-run as prescribed by the Clearing House,</u> in respect of payment by the net buying Clearing Participant to the Clearing House <u>or payment by the Clearing House to the to the net selling Clearing Participant,</u> not later than 10.00 a.m. on the third <u>second</u> Market Day following the Contract Date; and</p>	<p>This rule is amended to specify timing for the payments to be made by either the net buying Clearing Participant or the Clearing House. In light of the 2 processing runs undertaken by the Clearing House in respect of On-Market Transactions, there are 2 different payment times.</p>



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			(bb) <u>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 10.00 a.m. on the third second Market Day following the Contract Date.</u>	
	(ii) For Immediate 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 second 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 second Market Day following the Contract Date.		(ii) [Deleted]For Immediate 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 second 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 second Market Day following the Contract Date.	This rule is deleted consequential to the proposed removal of Immediate Basis Contracts from the BMSC framework.



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	(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.		(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.	No change.

[End of Proposed Rule Amendments]