

CHAPTER 8 DELIVERY AND SETTLEMENT

RULE 801 GENERAL

RULE 801.1 DEFINITION

- (1) For the purposes of this Chapter 8 –
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| book entry | in relation to any transaction made or effected in respect of securities, prescribed by the Exchange pursuant to Section 14 of Securities Industries (Central Depositories) Act, means the simultaneous debiting of the selling client's CDS Account with the number of securities sold and the crediting of the buying client's CDS Account with the number of securities purchased. |
| clearing bank accounts | in relation to a Participating Organisation, means the bank account established by the Participating Organisation with a clearing bank designated by the Clearing House for the purposes of enabling the Clearing House to settle all amounts due to the Participating Organisation pursuant to Rule 801.1(4). |
- (2) In this Chapter 8, the expression "in immediately available funds" shall include payments by way of electronic fund transfers to an account from time to time specified by the Clearing House or any other instrument which can be cleared within the same day and the Clearing House shall obtain value on the same day.

RULE 801.2 CLEARING HOUSE

- (1) **Designation of clearing house:** The Exchange may, from time to time, upon approval of the Commission, designate any clearing house for the clearing and settlement of transactions in securities listed on the stock market maintained by the Exchange which are effected through the trading facilities established by the Exchange or otherwise.
- (2) **Notification to members:** A designation by the Exchange of a clearing house pursuant to Rule 801.2(1) shall be notified by circulars to all Participating Organisations not less than fourteen (14) days prior to the date on, and from, which transactions in securities or any type or class thereof will be effected by the clearing house so designated.

RULE 801.3 CLEARING AND SETTLEMENT

Clearing and settlement between Participating Organisations in respect of transactions in securities effected through the trading facilities of the Exchange shall be effected through the Clearing House wherein securities are delivered by way of book entries in CDS Accounts by Depository in accordance with these Rules, the Clearing House Rules and/or the Depository Rules, as the case may be.

RULE 802 DELIVERY

RULE 802.1 READY AND IMMEDIATE BASIS CONTRACTS

- (1) Ready and Immediate Basis Contracts shall be due for delivery by the Scheduled Delivery Time relating thereto.
- (2) Delivery of securities from selling clients to buying clients shall be effected by Depository by means of book entries in the relevant CDS Accounts in accordance with Depository Rules.

RULE 802.2 GOOD DELIVERY

- (1) The deposit or transfer of securities into or from a CDS Account as evidenced by book entries made therein in accordance with Depository Rules shall constitute good delivery provided that the deposit or transfer of the securities has been entered into the computer system (as defined in the Depository Rules) and has not been rejected by Depository.

RULE 802.3 PARTIAL DELIVERY

- (1) Delivery of securities, including special lots, shall represent the exact quantity sold as between the selling client and Participating Organisation.
- (2) Partial deliveries may, however, be made by a selling client provided that such deliveries are in board lots but in such circumstances the delivery obligation of the selling client is extinguished only to the extent of that number of securities so delivered.

RULE 802.4 SECURITIES WITH MULTIPLE QUOTATIONS

- (1) No cross settlement of securities shall be permitted in the case of securities having separate quotations.

RULE 803 BUYING-IN

RULE 803.1 AUTOMATIC BUYING-IN

- (1) Where a Participating Organisation, having sold securities, fails by the Scheduled Delivery Time to make available in the relevant securities account, securities as tradeable balance the Exchange shall upon being advised by the Clearing House, automatically buy-in against the Participating Organisation concerned without notice, on the market day specified in Schedule 2 A of these Rules.
- (2) Where, the Exchange institute an automatic buying-in against the Participating Organisation -
 - (a) no withdrawal from, or suspension of, buying-in is permitted except as provided for under Rule 803.1(3); and
 - (b) the Participating Organisation shall have the right to be fully indemnified by the selling client for all losses and consequential expenses thereby suffered or incurred by the Participating Organisation.
- (3) No withdrawal from buying-in is permitted except under the following circumstances -
 - (a) automatic withdrawal from buying-in will be allowed where the seller has an outstanding purchase contract for the same type of securities sold; and/or
 - (b) where the Exchange receives instructions from the Clearing House on the due date to withdraw the buying-in.

RULE 803.2 BUYING-IN PROCEDURES

- (1) The name, quantity and bidding price of the securities for buying-in shall be announced or published by the Exchange through its on-line electronic display system half an hour before the commencement of trading on every market day.
- (2) Unless otherwise determined by the Exchange, buying-in shall be conducted through ATS from 8.30 a.m. to 12.30 p.m and 2.00 pm to 5.00 p.m. and in the event that the buying-in is not fully executed during that period, the buying-in may be continued on the following market day during the same period.
- (3) Allocation of contracts to Participating Organisations offering to sell to the buying-in shall be on a "first come first served" basis provided that in the case of securities, the Participating Organisations or their client (hereinafter referred to as "new sellers") shall have the relevant securities in their CDS Accounts to fulfil their delivery obligation at the time when the offer was made. In the event that the available balance in the CDS Accounts of the new sellers differs from the offer quantity, the allocation for buying-in shall be for the lesser of those two quantities.
- (4) The bidding price for buying-in of any securities by the Exchange shall be ten (10) minimum bids as specified in Schedule 4, above -
 - (a) the last recorded sale at the close of trading on previous market day; or
 - (b) the closing price for the previous trading session,
 of such securities, whichever is higher.
- (5) The bidding price for buying-in by the Exchange of any securities officially quoted as "cum entitlement" shall be ten (10) minimum bids above the last "cum entitlement" price or last recorded sale, whichever is higher, from the date the securities were quoted "ex entitlement" up to the close of business on the lodgement date.

- (6) If the securities are not obtained on the first day, the buying-in shall be continued on the second and each succeeding market day and the bidding price shall be raised by at least five (5) minimum bids until the securities are bought.
- (7) The Exchange 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 recorded sale or the last buying price bid of the previous market day, whichever is the higher.
- (8) The twenty-five percent (25%) limit imposed under Rule 803.2(7) shall not be applicable to buying-in for special lots and the Exchange may increase the bidding price by five (5) minimum bids daily until the securities are obtained.
- (9) A trading halt or suspension from trading on a counter imposed pursuant to these Rules or the Listing Requirements shall not affect the Exchange's decision to proceed with the buying-in of the affected securities.
- (10) Delivery on buying-in shall be effected by way of book entry on the date of the buying-in contract itself. Payment of securities shall be effected on the first (1st) market day following the date of buying-in contract.
- (11) Securities sold by a new seller to any buying-in between the period the securities were quoted "ex entitlement" up to the lodgement date (inclusive) shall be on a "cum entitlement" basis.
- (12) Participating Organisations are prohibited from charging brokerage on their clients against whom buying-in have been instituted.
- (13) A levy of one percent (1%) of the buying-in contract value shall be charged by the Exchange to the defaulting Participating Organisation. The Participating Organisation concerned shall have the right to recover such levy from the defaulting client and shall be entitled to a rebate of fifty percent (50%) from that levy.

RULE 803.3 DEATH OF SELLER

- (1) In the event of the death of a seller after his order to sell securities has been executed and by the Scheduled Delivery Date there were insufficient or no tradeable balance of such securities in his CDS Account, the executors or administrators of the deceased seller shall be liable to pay for all losses and expenses incurred by the Participating Organisation as a result of any buying-in instituted in respect thereof.

RULE 804 SETTLEMENT

RULE 804.1 BETWEEN PARTICIPATING ORGANISATIONS AND CLEARING HOUSE

- (1) All amounts -
 - (a) payable by Participating Organisations to the Clearing House ; and
 - (b) receivable by Participating Organisations from the Clearing House,on every market day shall be netted in accordance with the Clearing House Rules.
- (2) By the Scheduled Settlement Time, 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 the difference between -
 - (a) the amount due to the Participating Organisation in respect of securities delivered by the Participating Organisation to the Clearing House; and
 - (b) the amount due from the Participating Organisation in respect of securities received by the Participating Organisations from Clearing House.
- (3) Settlement of amounts due from Participating Organisations to the Clearing House under Rule 804.1(2) shall be effected in immediately available funds by the Participating Organisations not later than the Scheduled Settlement Time.
- (4) Settlement of amounts due from Clearing House to Participating Organisations pursuant to Rule 804.1(2) shall be effected by the Clearing House by the Scheduled Settlement Time by way of remittances of funds through banks to the clearing bank accounts of the respective Participating Organisations.
- (5) Default in settlement of amounts due from Participating Organisations to the Clearing House shall be dealt with in accordance with the Clearing House Rules.

RULE 804.2 READY AND IMMEDIATE BASIS CONTRACTS

- (1) **Ready and Immediate Basis Contracts:** Payment for Ready and Immediate Basis Contracts shall be effected by the Scheduled Settlement Time relating thereto.
- (2) **Settlement by way of "Contra":**
 - (a) Settlement by way of "contra" may only be effected in respect of Ready Basis Contracts.
 - (b) Settlement between Participating Organisations and their clients for outstanding purchase positions against outstanding sale positions of the same securities on a "contra" basis shall be at the discretion of the Participating Organisations concerned, subject however to the terms and conditions set out in Schedule 2B. Participating Organisations shall have in place internal guidelines to ensure that a client permitted to engage in contra transactions does not incur outstanding losses deemed not within the financial ability of the client.
 - (c) No Participating Organisation may allow or permit any of its clients to effect settlement by way of "contra" unless it has issued "contra" guidelines to its clients.

RULE 804.3 MISCELLANEOUS

- (1) **Currency On Settlement Of Securities:**
- (a) **Securities quoted on the Official List:** All securities quoted on the Official List and all settlement for transactions relating to such securities shall be denominated in Ringgit Malaysia.
 - (b) **Securities quoted overseas:**
 - (i) Where shares are quoted overseas in an approved market place and in foreign currencies, settlement shall be in such foreign currencies converted to Ringgit Malaysia at the official rate of exchange on the date of settlement except where the rate of settlement is clearly and adequately specified and incorporated into a contract, settlement shall be as specified in such a contract.
 - (ii) Settlement of dividend, bonus or rights issue, or claims and adjustments declared or made on shares quoted overseas shall be in such foreign currencies converted to Ringgit Malaysia at the official rate of exchange on the date of settlement except where the rate of settlement is clearly and adequately specified and incorporated into a contract, settlement shall be as specified in such a contract.
- (2) **Stamp Duty:** Duty payable on contracts shall be borne by the client for whose account the purchase or sale is made.
- (3) **Payment:** Payment to selling clients from the trust account maintained by the Participating Organisation in respect of any sale of securities shall be made by Participating Organisations after delivery of the securities.
- (4) **Interest:** A Participating Organisation which fails to make payment of any amount due to its selling client by the Scheduled Settlement Time shall pay interest on such amount at such rate as shall be determined by the Exchange save that nothing herein shall affect the right of the Exchange to take action against the Participating Organisation for such breach under any other provisions of these Rules.

RULE 805 SELLING-OUT

RULE 805.1 DEFAULT IN PAYMENT

- (1) Participating Organisations shall, in relation to FDSS contracts, close off the purchase positions of their respective clients ("Defaulting Clients") who fail to pay for their purchases by the Scheduled Settlement Time and shall institute a selling-out on the market day prescribed in Schedule 2A on any such securities for which the Defaulting Clients have not made full payment by the Scheduled Settlement Time.

RULE 805.2 NOTICE NOT REQUIRED

- (1) It shall not be necessary for Participating Organisations to give notice of a selling-out.

RULE 805.3 DEATH OF PURCHASER

- (1) In the event of the death of a purchaser of securities between the time of his placing the order to buy but before he has paid for such securities, the Participating Organisation's right to institute selling-out proceedings against the purchaser shall not be impaired and the executors or administrators, as the case may be, of the deceased purchaser shall be liable to pay for all losses and expenses incurred by the Participating Organisation as a result of the selling-out.

RULE 805.4 RIGHT OF PARTICIPATING ORGANISATIONS

- (1) Participating Organisations may, at any time after the institution of a selling-out, sue the Defaulting Clients for the difference between the contract price and the market price together with all consequential losses and expenses, and all damages which the Participating Organisation may sustain shall be recoverable from the Defaulting Client as liquidated damages.

RULE 806 ENTITLEMENTS AND CLAIMS**RULE 806.1 CLAIMS ARISING OUT OF FAILURE TO DELIVER****(1) Securities bought "cum entitlements":**

Where -

- (a) securities are bought "cum entitlements" by a buyer;
- (b) there are insufficient or no tradeable balance of such securities in the seller's CDS Account on the Scheduled Delivery Time; and
- (c) as a result of which, the buyer is not registered in the Record of Depositors as at lodgement date,

the buying Participating Organisation shall, at settlement, deduct from the contract price the appropriate amount as determined by the Exchange. If however in the case of securities bought " cum entitlements" other than " cum dividend" or " cum interests" when the buying Participating Organisation claims against the selling Participating Organisation through the Clearing House, the Exchange will thereafter institute a buying-in against the selling Participating Organisation within seven (7) market days from the date of notification of claim by the Clearing House to the selling Participating Organisation.

(2) Securities sold "cum entitlements":

Where –

- (a) securities are sold "cum entitlements";
- (b) there are insufficient or no tradeable balance in the CDS account of the seller on the Scheduled Delivery Time; and
- (c) as a result of which, the buyer is not registered in the Record of Depositors as at lodgement date,

the selling Participating Organisation shall, at settlement, deduct from the contract price any amount permitted under paragraph (b) of Rule 803.1(2) and such other amount as determined by the Exchange.

- (3) Securities sold cum "Restricted Offer on a Ballot basis" entitlement: When securities are sold cum "Restricted Offer on a Ballot basis" entitlement and the securities are not delivered in time for the buyer to register before the closing of the Issuer's books, the Clearing House shall deduct from the sum payable to the selling Participating Organisation an amount which is equivalent to ten per cent (10%) of the offer price for each of the securities so entitled.

RULE 806.2 SUBMISSION OF CLAIMS

- (1) The registered owner of securities shall be solely responsible to the buyer for the amount of dividends, interest, bonus issues or other rights accruing to the securities sold.
- (2) Submission of claims shall be made in the following manner -
 - (a) It shall be the responsibility of the buyer to forthwith advise and instruct the buying Participating Organisation to submit a claim to the Clearing House.
 - (b) All claims for amount of dividend, interest, bonus issues or other rights shall be submitted by claiming Participating Organisations to the Clearing House within three (3) months from the respective books closure date.

- (c) Claims shall be prepared by the claiming Participating Organisation which must contain such information and indemnity as prescribed by the Clearing House under or pursuant to the Clearing House Rules.

RULE 806.3 SECURITIES TRANSACTED "EX ENTITLEMENT" BASIS

- (1) Buyers of securities who transacted on an "ex entitlement" basis shall have no rights to the entitlements declared by the Issuer concerned.

RULE 806.4 CLAIMS ON SALE OF RIGHTS

- (1) The seller of rights, who has not effected delivery in time for the buyer to complete the transfer to enable the buyer to secure or obtain new securities pursuant to the rights, shall do all things necessary to obtain the new securities and in due course deliver them to the buyer, unless otherwise instructed in writing by the buyer. Accordingly, the seller shall -
 - (a) apply to the Issuer for the securities in respect of such rights; and
 - (b) pay the amount of application money payable by the seller in respect thereof but not exceeding the minimum amount required by the Issuer together with any other incidental costs, all of which shall be reimbursed by the buyer.
- (2) If a buyer does not wish the seller to protect him as required under Rule 806.4(1) in the acquisition of rights, he shall notify the seller in writing to that effect, such notice to be given not later than three (3) market days before the closing time for applications for such rights.

[End Of Chapter]