

**ANNEXURE 1**

**RULES OF BURSA MALAYSIA DEPOSITORY SDN BHD**

**RULE AMENDMENTS ARISING FROM THE SECURITIES COMMISSION'S  
GUIDELINES ON OUTSOURCING FOR CAPITAL MARKET INTERMEDIARIES**

EXISTING PROVISIONS		AMENDED PROVISIONS
<b>Rule 1.01</b>	<p><b>Rule 1.01 Definition</b></p> <p>“Back Office Functions” means the back office functions as envisaged under clause 4 of the Guiding Principles.</p> <p>“Guiding Principles” means the “Guiding Principles For Outsourcing Of Back Office Functions For Capital Market Intermediaries” issued by the Commission on 29 June 2005 including subsequent amendments, modifications, variations, supplements or substitutes thereto and any directives or guidelines as may be issued thereunder.</p> <p>“Market Intermediary” shall have the same meaning as is assigned to it in the Guiding Principles.</p>	<p><b>Rule 1.01 Definition</b></p> <p><del>“Back Office Functions” means the back office functions as envisaged under clause 4 of the Guiding Principles.</del></p> <p><del>“Guiding Principles” means the “Guiding Principles For Outsourcing Of Back Office Functions For Capital Market Intermediaries” issued by the Commission on 29 June 2005 including subsequent amendments, modifications, variations, supplements or substitutes thereto and any directives or guidelines as may be issued thereunder.</del></p> <p><del>“Market Intermediary” shall have the same meaning as is assigned to it in the Guiding Principles.</del></p>
<b>Rule 2.12</b>	<b>Rule 2.12 Outsourcing of Back Office Functions</b>	<b>Rule 2.12 Outsourcing of Back Office Functions by <u>Authorised Depository Agents</u></b>
<b>Rule 2.12</b>	New provision	<del>(1) <b>Prohibition:</b> An authorised depository agent is not permitted to outsource any of its functions as an authorised depository agent except in accordance with these Rules.</del>
<b>Rule 2.12</b>	(1) <b>Outsourcing:</b> An authorised depository agent may be permitted to outsource its Back Office Functions subject to the prior approval of the Depository and compliance with the Guiding Principles as though the authorised depository agent is the Market Intermediary mentioned	<del>(1) <b>Outsourcing:</b> An authorised depository agent may be permitted to outsource its Back Office Functions if it:</del>  <del>(a) subject to the prior approval of the Depository and compliance complies with the requirements that must be met prior to the outsourcing as set out under the Guiding</del>

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	therein.	<del>Principles</del> <u>Guidelines on Outsourcing</u> as though the authorised depository agent is the <del>M</del> market <del>h</del> intermediary mentioned <del>therein</del> <u>in the Guidelines on Outsourcing</u> ; and  (b) <u>has obtained the prior written approval of the Depository for any material outsourcing arrangement as required under the Guidelines on Outsourcing.</u>
<b>Rule 2.12</b>	(2) <b>Breaching of Guiding Principles:</b> The Guiding Principles shall be regarded as part of these Rules and consequently any breach by an authorised depository agent of the Guiding Principles shall be deemed to be a breach of these Rules.	<del>(2) [Deleted]Breaching of Guiding Principles: The Guiding Principles shall be regarded as part of these Rules and consequently any breach by an authorised depository agent of the Guiding Principles shall be deemed to be a breach of these Rules.</del>
<b>Rule 2.12</b>	New provision	<del>(3) Back Office Functions involving decision making or interaction with clients: In relation to paragraph 3.02 of the Guidelines on Outsourcing, an authorised depository agent may outsource a Back Office Function that involves decision making or interaction with clients where the function relates to post trade, financing or custody services.</del>
<b>Rule 2.12</b>	(3) <b>Directions:</b> The Depository may, in consultation with the Commission, issue any directives in relation to the outsourcing of the Back Office Functions of an authorised depository agent, as it deems fit, from time to time.	<del>(34) Directions: The Depository may, in consultation with the Commission, issue any directives, instructions or guidelines in relation to the outsourcing of the Back Office Functions of an authorised depository agent, as it deems fit, from time to time. An authorised depository agent which has outsourced its Back Office Functions under this Rule 2.12 must, in relation to such functions:</del>  (a) <u>comply with these Rules, the Guidelines on Outsourcing (as though the authorised depository agent is the market intermediary mentioned in the Guidelines on Outsourcing) and any directives that may be issued by the Depository on this matter; and</u>  (b) <u>ensure that its service provider or sub-contractor complies with the Rules that are applicable to the outsourced</u>

EXISTING PROVISIONS		AMENDED PROVISIONS
		<u>functions in the same manner as the authorised depository agent is required to.</u>
<b>Rule 2.12</b>	New provision	<u>(5) <b>Revocation of approval:</b> The Depository may, at any time, revoke any approval given to an authorised depository agent for its material outsourcing or direct the authorised depository agent to discontinue the outsourcing of the Back Office Functions, partly or wholly, for any reason whatsoever.</u>
<b>Rule 2.12</b>	New provision	<u>(6) <b>Definitions:</b> For the purpose of this Rule, unless the context otherwise requires:</u>  <u>(a) “Back Office Functions” means back office functions as defined under the Guidelines on Outsourcing.</u>  <u>(b) “Guidelines on Outsourcing” means the “Guidelines on Outsourcing For Capital Market Intermediaries” issued by the Commission including subsequent amendments, modifications, variations, supplements or substitutes and any directives or guidelines as may be issued pursuant to the Guidelines on Outsourcing.</u>  <u>(c) “service provider” has the same meaning as is assigned to it in the Guidelines on Outsourcing.</u>  <u>(d) “sub-contractor” means the service provider to whom the initial service provider has further contracted the Back Office Functions.</u>
<b>Rule 2.12</b>	(4) <b>Investment Bank:</b> Rules 2.12(1), (2) and (3) above shall not apply to an authorised depository agent which is an Investment Bank. An authorised depository agent which is an Investment Bank shall comply with the Guidelines on Investment Banks and such other requirements of the Central Bank relating to the outsourcing of back-office functions, if any,	<u>(47) <b>Investment Bank:</b></u>  <u>(a) <del>This Rules 2.12(1), (2) and (3) above shall is</del> not apply applicable to an authorised depository agent which is an Investment Bank.</u>  <u>(b) An authorised depository agent which is an Investment Bank <del>shall</del> must instead comply with the Guidelines on</u>

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	insofar as the same are applicable to an Investment Bank (“the Relevant Guidelines and Requirements”). The Relevant Guidelines and Requirements shall be regarded as part of these Rules and consequently any breach by an authorised depository agent which is an Investment Bank of the Relevant Guidelines and Requirements shall be deemed to be a breach of these Rules.	Investment Banks and such other requirements of the Central Bank relating to the <del>matter, outsourcing of back office functions, if any, insofar as the same are applicable to an Investment Bank (“the Relevant Guidelines and Requirements”).</del> The Relevant Guidelines and Requirements shall be regarded as part of these Rules and consequently any breach by an authorised depository agent which is an Investment Bank of the Relevant Guidelines and Requirements shall be deemed to be a breach of these Rules.
<b>Rule 4A.05</b>	New provision	<b><u>Rule 4A.05 Authorised Depository Agent to include other persons</u></b>  <u>An authorised depository agent is responsible to the Depository for all acts or omissions of its owners, principals, directors, officers, employees, trainees, agents, service providers and sub-contractors.</u>
<b>Rule 14.13</b>	<b>Rule 14.13 Outsourcing of Back Office Functions</b>	<b>Rule 14.13 Outsourcing of Back Office Functions by Authorised Direct Members</b>
<b>Rule 14.13</b>	New provision	<b><u>(1) Definitions:</u></b> For the purposes of this Rule, unless the context otherwise requires:  <u>(a) “Back Office Functions” in this rule encompasses only the operational or administrative aspects of the entity’s functions as an authorised direct member, including account management and processing requests for transfers, deposits or withdrawals;</u>  <u>(b) “service provider” means any entity which carries out the outsourced Back Office Functions; and</u>  <u>(c) “sub-contractor” means the service provider to whom the initial service provider has further contracted the Back Office Functions.</u>

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<b>Rule 14.13</b>	New provision	<u>(2) <b>Prohibition:</b> An authorised direct member is not permitted to outsource any of its functions as an authorised direct member except in accordance with this Rule.</u>
<b>Rule 14.13</b>	(1) <b>Conditions:</b> An authorised direct member may outsource its back office functions to a service provider provided that the authorised direct member complies with the following conditions :-	<u>(34) <b>Compliance with Conditions:</b> An authorised direct member may outsource its <del>b</del>Back <del>e</del>Office <del>f</del>Functions relating to its function as an authorised direct member to a service provider or a sub-contractor provided that the authorised direct member complies with the following conditions set out in this Rule 14.13.</u>
<b>Rule 14.13</b>	(a) The back office functions that are outsourced shall encompass only the operational or administrative aspects of the entity's functions as an authorised direct member, including account management, processing requests for transfers, deposits or withdrawals and shall exclude the authorised direct member's decision making and management function and its role of liaising with regulatory authorities and fulfilling regulatory requirements;	<u><del>(a) [Deleted]The back office functions that are outsourced shall encompass only the operational or administrative aspects of the entity's functions as an authorised direct member, including account management, processing requests for transfers, deposits or withdrawals and shall exclude the authorised direct member's decision making and management function and its role of liaising with regulatory authorities and fulfilling regulatory requirements;</del></u>
<b>Rule 14.13</b>	(b) The service provider must be either one of the following :-  (i) A company within the group of companies to which the authorised direct member belongs; or  (ii) An independent company which is located in Malaysia and has its operations conducted in Malaysia.	<u><del>(b) [Deleted]The service provider must be either one of the following :-  (i) A company within the group of companies to which the authorised direct member belongs; or  (ii) An independent company which is located in Malaysia and has its operations conducted in Malaysia.</del></u>
<b>Rule 14.13</b>	(c) The service provider shall not further assign or sub-contract the back office functions to another party;	<u>(e4) <b>Sub-contracting:</b> The authorised direct member must ensure that:  (a) the service provider does not further assign the Back</u>

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		<p><u>Office Functions to a sub-contractor unless the prior approval of the authorised direct member is first obtained; and</u></p> <p><u>(b) the sub-contractor does not further assign the Back Office Functions to any party. The service provider shall not further assign or sub-contract the back-office functions to another party;</u></p>
<b>Rule 14.13</b>	(d) The legal relationship between the authorised direct member and the service provider shall be a principal-agent relationship;	<del>(d)</del> <del>[Deleted] The legal relationship between the authorised direct member and the service provider shall be a principal-agent relationship;</del>
<b>Rule 14.13</b>	(e) The authorised direct member must ensure compliance by the service provider with all relevant requirements stipulated in any provision in these Rules, agreement between the authorised direct member and the Depository and direction issued by the Depository;	<del>(e)</del> <b><u>Compliance by service provider and sub-contractor:</u></b> The authorised direct member must ensure compliance by the service provider <u>and if applicable, the sub-contractor of</u> <del>with</del> all relevant requirements stipulated in any provision in these Rules, agreement between the authorised direct member and the Depository and direction issued by the Depository.;
<b>Rule 14.13</b>	(f) The authorised direct member shall be deemed liable as a principal in relation to any breach by the service provider of any provision in these Rules, agreement between the authorised direct member and the Depository and direction issued by the Depository;	<del>(f)</del> <b><u>Liable as a principal:</u></b> The authorised direct member <del>shall</del> <b><u>will</u></b> be deemed liable as a principal in relation to any breach by the service provider <u>or the sub-contractor</u> of any provision in these Rules, agreement between the authorised direct member and the Depository and direction issued by the Depository.;
<b>Rule 14.13</b>	(g) Any direction issued by the Depository and directed to the authorised direct member is deemed to have also been issued and directed to the service provider and shall be regarded to be within the knowledge of the service provider;	<del>(g)</del> <b><u>Directions:</u></b> Any direction issued by the Depository and directed to the authorised direct member, <u>where applicable</u> , is deemed to have also been issued and directed to the service provider <u>and the sub-contractor</u> and shall be regarded to be within the knowledge of the service provider <u>and the sub-contractor</u> .;

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<b>Rule 14.13</b>	(h) The authorised direct member shall procure from the service provider a written undertaking that the service provider shall maintain the secrecy and confidentiality of the documents and information of clients that the service provider shall have access to, from any intentional or inadvertent disclosure to unauthorised person(s), and that the service provider's security policies, procedures and controls enable the protection of such confidentiality and security of client information;	(h8) <b>Confidentiality:</b> The authorised direct member <del>shall</del> <u>must ensure that:</u>  (a) <del>procure from</del> the service provider <u>and if applicable, the sub-contractor protects the a written undertaking that the service provider shall maintain the secrecy and confidentiality and security of the documents and information of clients, and that the authorised direct member is immediately notified of any breach of this requirement by the service provider or the sub-contractor; and that the service provider shall have access to, from any intentional or inadvertent disclosure to unauthorised person(s), and that the service provider's</u>  (b) <u>the service provider and if applicable, the sub-contractor has policies and procedures in place to maintain the confidentiality of clients' information and where there is a need to do so pursuant to any written law or contractual obligation, seek approval for or notify clients that their information may be disclosed to a service provider or a sub-contractor, as the case may be security policies, procedures and controls enable the protection of such confidentiality and security of client information.;</u>	
<b>Rule 14.13</b>	(i) The authorised direct member must have in place an insurance policy to protect it against any liability, loss or damage arising from any action or omission of the service provider in performing the said back office functions;	(i9) <b>Insurance:</b> The authorised direct member must have in place an insurance policy to protect it against any liability, loss or damage arising from any action or omission of the service provider <u>and if applicable, the sub-contractor</u> in performing the said <del>back office</del> <u>functions.;</u>	
<b>Rule 14.13</b>	(j) The authorised direct member must ensure that the Depository or its agent shall at all times :-  (i) have access to and be allowed to make copies of the books (as defined	(j10) <b>Access to books:</b> The authorised direct member must ensure that the Depository or its agent shall at all times:  (a) <del>have access to and be allowed to make copies of the books</del> (as defined in the Capital Markets and Services Act 2007)	

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	<p>in the Capital Markets and Services Act 2007) of the authorised direct member or the service provider and further to obtain promptly any other information concerning activities that are relevant for the performance of its regulatory duties; and</p> <p>(ii) have access to the premises of the authorised direct member or the service provider for the purposes of conducting any audit, inspection or investigation.</p> <p>The authorised direct member shall procure a written consent from the service provider to allow the Depository to exercise its powers as stated above; and</p>	<p>of the authorised direct member, <del>or the service provider</del> <u>or the sub-contractor</u> and further to obtain promptly any other information concerning <del>activities that are relevant for the performance of its regulatory duties;</del> <u>and</u></p> <p><del>(b) have access to the premises of the authorised direct member or the service provider for the purposes of conducting any audit, inspection or investigation.</del></p> <p>The authorised direct member shall procure a written consent <u>through a letter of undertaking</u> from the service provider <u>or the sub-contractor</u> to allow the Depository <u>or its agent</u> to exercise its powers as stated above; <u>and</u></p>
<b>Rule 14.13</b>	<p>(k) The authorised direct member shall provide a letter of undertaking to the Depository on an annual basis, that the service provider has complied with all relevant requirements imposed on the authorised direct member under any provision in these Rules, agreement between the authorised direct member and the Depository and direction issued by the Depository.</p>	<p><del>(k) [Deleted] The authorised direct member shall provide a letter of undertaking to the Depository on an annual basis, that the service provider has complied with all relevant requirements imposed on the authorised direct member under any provision in these Rules, agreement between the authorised direct member and the Depository and direction issued by the Depository.</del></p>
<b>Rule 14.13</b>	<p>(2) <b>Amendments to conditions:</b> The Depository reserves the right to add, delete or amend any of the conditions set out in Rule 14.13(1).</p>	<p><del>(21)</del> <b>Amendments to conditions:</b> The Depository reserves the right to add, delete or amend any of the conditions set out in Rule 14.13<del>(1)</del>.</p>
<b>Rule 14.13</b>	<p>(3) <b>Commencement of outsourcing:</b> Save as otherwise approved by the Depository, no authorised direct member shall commence outsourcing its back office functions as</p>	<p><del>(312)</del> <b>Commencement of outsourcing:</b> Save as otherwise approved by the Depository, <del>no an</del> authorised direct member <u>must not shall</u> commence outsourcing <u>of its bBack eOffice fFunctions</u> as permitted under Rule 14.13<del>(43)</del> unless it has</p>



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	permitted under Rule 14.13(1) unless it has given prior notification to the Depository of its intention to outsource and provided a letter of undertaking that it has complied with the conditions set out in Rule 14.13(1).	given prior notification to the Depository of its intention to outsource <del>and provided a letter of undertaking that it has complied with the conditions set out in Rule 214B(a).</del>
Rule 14.13	(4) <b>Termination of services of service provider by authorised direct member:</b> If the authorised direct member terminates the services of its service provider, it shall notify the Depository within 14 days from the date of the termination notice.	(413) <b>Termination <u>or variation</u> of services of service provider <u>or sub-contractor</u> by authorised direct member:</b> <del>The</del> <u>if the</u> authorised direct member <u>must notify the Depository of the termination or any variation of the</u> <del>terminates the</del> services of <u>its</u> <del>the</del> authorised direct member's service provider <u>or any sub-contractor not later than 10 market days from the date of the termination or variation notice or the effective date of termination or variation, whichever the earlier,</u> <del>it shall notify the Depository within 14 days from the date of the termination notice.</del>
Rule 14.13	(5) <b>Revocation of right to outsource:</b> Notwithstanding any provision herein to the contrary, the Depository may, where it deems fit, revoke the right of the authorised direct member to outsource its back office functions pursuant to this Rule, without assigning any reason for such revocation.	(514) <b>Revocation of right to outsource:</b> Notwithstanding any provision <u>in these Rules herein</u> to the contrary, the Depository may, where it deems fit, revoke the right of the authorised direct member to outsource its <del>b</del> Back <del>e</del> Office <del>f</del> Functions pursuant to this Rule, without assigning any reason for such revocation.
Rule 14.13	(6) <b>Non-application:</b> The above provisions shall not apply to an authorised direct member who is also a Market Intermediary. Such authorised direct member may outsource its Back Office Functions subject to compliance with the Guiding Principles and the provisions in Rule 2.12 which shall apply, mutatis mutandis, to such authorised direct member as if it were an authorised depository agent mentioned therein.	(615) <b>Non-application:</b> The above provisions shall not apply to an authorised direct member who is also a <del>M</del> market <del>I</del> intermediary <u>as mentioned in the Guidelines on Outsourcing.</u> Such authorised direct member may outsource its Back Office Functions subject to compliance with the <del>Guiding Principles</del> <u>Guidelines on Outsourcing</u> and the provisions in Rule 2.12 which shall apply, mutatis mutandis, to such authorised direct member as if it were an authorised depository agent mentioned therein.

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<b>Rule 16.09</b>	New provision	<p><u><b>Rule 16.09 Authorised Direct Member to include other persons</b></u></p> <p><u>An authorised direct member is responsible to the Depository for all acts or omissions of its owners, principals, directors, officers, employees, trainees, agents, service providers and sub-contractors.</u></p>

[End of Rule Amendments]