

## Bursa Malaysia Derivatives Berhad

Date : 5 September 2016

Trading Participant Circular : 16/2016

### **AMENDMENTS TO THE RULES OF BURSA MALAYSIA DERIVATIVES BHD (“RULES OF BURSA DERIVATIVES”) IN RELATION TO THE 5-YEAR MGS FUTURES (“FMG5”) CONTRACT, 3-YEAR MGS FUTURES (“FMG3”) CONTRACT AND 10-YEAR MGS FUTURES (“FMGA”) CONTRACT**

#### **1. INTRODUCTION**

- 1.1 Reference is made to Trading Participant Circular No. 17/2014 dated 2 October 2014, pursuant to which Bursa Malaysia Derivatives Berhad (“**the Exchange**”) introduced the enhanced FMG5 Contract.
- 1.2 The Exchange is making further enhancements to the FMG5 Contract in order to refine the selection criteria by including non-benchmark bonds in the basket of eligible MGS.
- 1.3 In addition to the further enhancements to the FMG5 Contract, the Exchange is introducing the enhanced FMG3 and FMGA Contracts. The FMG3 and FMGA Contracts are enhanced by adopting similar features from the enhanced FMG5 Contract.

#### **2. RULE AMENDMENTS**

- 2.1 The salient amendments to the Rules of Bursa Derivatives are set out below:

##### **Contract Specifications of the FMG5 Contract**

- 2.2 The description of the Final Settlement Value in the contract specifications of the FMG5 Contract as set out in item 2703 of Schedule 27 has been amended to refine the selection criteria by including non-benchmark bonds in the basket of eligible MGS. The specific changes include the following:
  - (a) limiting the number of non-benchmark bonds in the basket of eligible MGS for the FMG5 Contract to a maximum of 2 bonds (currently there are no limits);
  - (b) applying the following criteria in the following sequence for the selection of the 2 bonds:
    - (i) only transactions with a notional value of RM10 million and above will be considered;
    - (ii) the 2 highest traded bonds by cumulative volume over the past 3 months prior to the announcement of the basket will be selected;
    - (iii) if the bonds have the same aggregate volume, a further selection will be made based on the highest aggregate transacted value; and

- (iv) if the bonds have the same aggregate transacted value, a further selection will be made based on bonds with a remaining maturity period closest to 5 years; and
- (c) stating that in the event that the Exchange is unable to select a maximum of 2 non-benchmark bonds using the criteria referred to in (b) above, the Exchange has absolute discretion to decide on the selection including deciding to exclude non-benchmark bonds from the basket of eligible MGS.

### **Contract Specifications of the FMG3 and FMGA Contracts**

2.3 The description of the Trading Hours, Final Trading Day and Final Settlement Value in the contract specifications of the FMG3 Contract and FMGA Contract as set out in items 2702 and 2704 of Schedule 27 has been amended as follows:

- (a) the second trading session of a trading day and the close of trading on the Final Trading Day will be extended to 6.00pm;
- (b) prices reported in the Electronic Trading Platform (“ETP”) of Bursa Malaysia Bonds Sdn Bhd (“**Bursa Bonds**”) will be used as the reference to compute the final settlement value, instead of prices from Thomson Reuters;
- (c) the volume weighted average prices (“**VWAP**”) of each MGS in the basket will be used instead of the arithmetic mean of the eligible MGS mid-price to give a fairer view of the prices;
- (d) the characteristics of MGS in the basket of eligible MGS have been revised (e.g. the term to maturity has been changed from 2 ½ years – 3 ½ years to 2 – 4 years for the FMG3 Contract, and from 9 – 11 years to 8 – 11 years for the FMGA Contract), and for non benchmark bonds, the minimum issuance size is increased from RM500 million to RM5 billion for the FMG5 Contract and from RM500 million to RM3 billion for the FMGA Contract); and
- (e) the selection criteria for non-benchmark bonds to be included in the basket of eligible MGS has been refined, in the same manner as set out in paragraph 2.2 above in respect of the further enhancement to the FMG5 Contract.

### **Contract Months**

2.4 A new Appendix H has been inserted into the Rules of Bursa Derivatives to set out the schedule of contract months for the FMG5, FMG3 and FMGA Contracts.

2.5 The detailed amendments to the Rules of Bursa Derivatives in relation to the contract specifications of the FMG5 Contract, and in relation to the contract specifications of the FMG3 and FMGA Contracts are attached respectively as **Annexures 1 and 2**. The new Appendix H is attached as **Annexure 3**. These amendments have been approved by the Securities Commission.

### 3. TRADING MANUAL AMENDMENTS

- 3.1 The Trading Manual has been amended to reflect the further enhancement to the FMG5 Contract and the enhanced FMG3 and FMGA Contracts, as described above.
- 3.2 The updated version of the Trading Manual is attached as **Annexure 4**.

### 4. AMENDMENT TO DIRECTIVE ON FEES AND CHARGES

- 4.1 Directive No. 301.12-001 (Directive on Fees and Charges) has been amended as follows:
- (a) the table of facility charges for Negotiated Large Trades set out in Schedule 4 has been reorganized so that the Contracts are set out according to their respective groupings (i.e. Agriculture Contracts, Equity Contracts, etc); and
  - (b) the fees for Negotiated Large Transactions for the FMG3 and FMGA Contracts have been inserted.
- 4.2 The amendment to Directive No. 301.12-001 is set out in **Annexure 5**.

### 5. EFFECTIVE DATE

- 5.1 The amendments to the Rules of Bursa Derivatives, the Trading Manual and Directive No. 301.12-001 as set out in paragraphs 2 to 4 above take effect on **13 September 2016** (“Effective Date”).
- 5.2 All rules, directives or circulars in force which make references to or contain provisions relating to the above matters shall have effect from the Effective Date as if such reference or provisions relate to the amended provisions aforesaid.

### 6. CONTACT PERSONS

In the event of any queries in relation to the above matter, kindly contact the following persons:

Name	Contact Details
Kenneth Chan (Contract Specifications)	<a href="mailto:KennethChan@bursamalaysia.com">KennethChan@bursamalaysia.com</a> (03 – 2034 7743)
Edmund Koh (Trading Manual)	<a href="mailto:KohYeeLoong@bursamalaysia.com">KohYeeLoong@bursamalaysia.com</a> (03 – 2034 7200)

**This Circular is available at**

<http://www.bursamalaysia.com/market/regulation/rules/bursa-malaysia-rules/derivatives/rules-of-bursa-malaysia-derivatives/>

---

**Regulation**