BURSA MALAYSIA DERIVATIVES BERHAD

Date: 9 September 2010	Trading Participant Circular: 23/2010

AMENDMENTS TO THE RULES OF BURSA MALAYSIA DERIVATIVES BERHAD ("RULES OF BURSA DERIVATIVES") IN RELATION TO THE CHANGE OF TRADING PLATFROM FROM BURSA TRADE DERIVATIVES ("BTD") TO CME GLOBEX

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1. INTRODUCTION

1.1 Please be informed that the products of Bursa Malaysia Derivatives Bhd ("the Exchange") will be traded on the trading platform operated by the CME Group Inc. ("CME Group") known as CME Globex, with effect from a date to be notified by the Exchange later ("the Effective Date"). The Exchange will cease to use BTD as its trading platform from the Effective Date.

1.2 Pursuant to the change in the trading platform from BTD to CME Globex, the following amendments are made to the Rules of Bursa Derivatives:

(a) amendments in relation to new trading functionalities available on CME Globex;

(b) the removal of "DMA Infrastructure" as defined in the Rules of Bursa Derivatives ; and

(c) amendments in relation error trades which introduce the option of price adjusting an error trade in addition to cancelling an error trade and a process for claiming against an error maker.

1.3 The rule amendments are explained in item 2 below.

1.4 Arising from the amendments to the Rules of Bursa Derivatives and the use of CME Globex, the following amendments are also issued:

a) amendments to the Trading Participants' Manual;

b) amendments to the DMA Operations Directive; and

c) amendments to the DMA Handbook.

Please refer to items 3 and 4 below for further details on the above.

2. AMENDMENTS TO THE RULES OF BURSA DERIVATIVES

2.1 The salient amendments to the Rules of Bursa Derivatives include the following:

(a) <u>DMA Infrastructure</u>

Removal of references to "DMA Infrastructure" in Rule 201, Rule 617.2 to 617.4. There will be no references to the infrastructure enabling direct market access ("DMA") to the trading platform. Instead Rule 6017.3 has been amended to impose an obligation on a Trading Participant to have appropriate automated risk filters to check or screen a DMA order before the DMA order is executed in the trading system, for the purpose of ensuring that the DMA order does not affect the integrity and proper functioning of the market.

With the above amendment a Trading Participant must determine the "appropriate" risk filters for their business and the infrastructure to be used to establish the automated risk filters. The nature and scope of the filters adopted is a matter for the Trading Participant to determine based upon the size and risk profile of its business.

CME Globex offers a pre-execution credit check functionality ("Globex Credit Controls"). Trading Participants have the option of utilising the Globex Credit Controls to set the 'appropriate' risk filters for their DMA clients. In this respect Trading

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Participants will have to make the necessary arrangements with the Clearing Participants to ensure that the Globex Credit Controls are activated. Clearing Participants in arrangement with the Trading Participants will access the Globex Credit Controls tools to set pre-execution credit checks for the Trading Participants and their clients. Please refer to section 2.2 of the DMA Handbook.

(b) Preference Shares
Trading Participants must trade in products of the Exchange on CME Globex according to the preference shares that they hold. Failure to do so will constitute a major offence punishable by a fine not exceeding RM1 Million. CME Globex does not restrict trade in the different products of the Exchange according to the preference shares held by a Trading Participant and thus Trading Participants must self-regulate their trades. The amendments are found in Rule 302.3, Rule 510.2(z) and Rule 511.1.

(c) Trading Functionalities
In line with the Exchange's principle-based approach, the broad principles in relation to trading functionalities are stated in the Rules of Bursa Derivatives, with the operational details, which includes trading phases, market states and types of orders, prescribed in the Trading Participants' Manual. Even though the Exchange is changing trading platforms, the Rules of Bursa Derivatives will continue to refer to the trading platform as the "ATS" without specific reference to the name of the trading platform. This is to make the rule neutral and broad to cater for any changes to the use of trading platforms and name changes of trading platforms. The specific references to the name of the trading platform, in this case CME Globex are in the Trading Participants' Manual. These amendments are found in Rule 700 (Trading Rules), including Rule 702.1, Rule 702B.1, Rule 703.1, Rule 703.7 and Rule 707.1(c).

(d) Error Trade Policy
Rule 707.2 is amended to include the option of price adjusting error trades in addition to cancelling trades. Please refer to section 6.6.3 of the Trading Participants' Manual for the formula in respect of price adjustments. The No Cancellation Range is stated in section 6.6.2 of the Trading Participants' Manual.

(e) Error Maker Rule
Rule 707.2A is amended to include a claim process whereby a Trading Participant who has suffered actual loss may make a claim through the Exchange against the Trading Participant whose order was responsible for the trade being adjusted or cancelled. Please refer to section 14 of the Trading Participants' Manual for the claims process.

(f) Systems Malfunction or Error
Rule 709A states that Participants must not take advantage of any system malfunction or error and must inform the Exchange if it encounters any system malfunction or error.

(g) Maintenance of an Orderly and Fair Market
Rule 401.4(l) empowers the Exchange to exercise all such other powers and take any action to ensure the existence or continuance of an orderly and fair Market.

(h) Conduct of Trading Participants
Rule 601.2C-E states that Trading Participants must put in place policies and procedures in relation to standard of conduct, conflict of interest, risk management and internal controls.

(i) Exchange of Futures for Physical trades
Rule 700B.4(c) and 700B.5 are amended. CME Globex does not facilitate the entry of Exchange of Futures for Physical ("EFP") trades. The entries will be made into the clearing system by the Clearing House upon the instructions of the Exchange.

2,2 The text of the amendments to the Rules of Bursa Derivatives is set out in **Annexure 1**.

3. TRADING PARTICIPANTS' MANUAL

3.1 The Trading Participants' Manual issued prior to the Effective Date is revoked and replaced by the Trading Participants' Manual marked as **Annexure 2**.

4. DMA OPERATIONS DIRECTIVE AND DMA HANDBOOK

4.1 The DMA Operations Directive issued on 10 March 2008 vide Trading Participant Circular No.15/2008 is revoked in view of the removal of the rule pertaining to 'DMA Infrastructure' as stated in paragraph 2.1.

4.2 The DMA Handbook issued on 10 March 2008 is accordingly amended for the reasons stated in 4.1. The amended DMA Handbook is marked as **Annexure 3**.

5. EFFECTIVE DATE

5.1 The amendments set out in paragraphs 2, 3 and 4 come into effect from the Effective Date. The Effective Date will be notified by the Exchange later.

6. RELATED RULES, DIRECTIVES AND CIRCULARS

6.1 All rules, directives and circulars in force which make reference or contain provisions relating to the rule amendments set out here shall have effect from the Effective Date as if such reference or provisions relate to the rule amendments.

7. CONTACT DETAILS

7.1 In the event of any queries in relation to this circular kindly contact the following persons:

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Please be informed that this circular is available on Bursa Malaysia's website at:
http://www.bursamalaysia.com/website/bm/regulation/rules/bursa_rules/bm_derivatives.html

REGULATION

ANNEXURE 1

RULE AMENDMENTS
in relation to the change of trading platform from
Bursa Trade Derivatives to CME Globex

RULES OF BURSA MALAYSIA DERIVATIVES BERHAD
RULE AMENDMENTS IN RELATION TO THE CHANGE OF TRADING PLATFORM FROM BURSA TRADE DERIVATIVES TO CME GLOBEX

	EXISTING PROVISIONS	AMENDED PROVISIONS
RULE 200	**DEFINITIONS AND INTERPRETATION**	
Rule 201	"**Arbitration**" means the resolution of Disputes pursuant to these Rules, whether such Dispute is placed before the Dispute Sub-Committee or the Arbitration Panel or the Appeal Board established by these Rules and the word "arbitrate" shall have a corresponding meaning;	"**Arbitration**" means the resolution of Disputes pursuant to ~~these Rules, whether such Dispute is placed before the Dispute Sub-Committee or the Arbitration Panel or the Appeal Board established by these Rules~~ Rule 513 and the word "arbitrate" shall have a corresponding meaning;
Rule 201	"**Arbitrators**" mean the persons sitting on the Dispute Sub-Committee or the Arbitration Panel and/or the Appeal Board in their capacity as adjudicators of any Dispute;	"**Arbitrators**" mean the persons sitting on the ~~Dispute Sub-Committee or the~~ Arbitration Panel ~~and/or the Appeal Board~~ or the persons from the Exchange in their capacity as adjudicators of any Dispute;
Rule 201	"**Award**" means a decision of the Arbitration Panel or Dispute Sub-Committee;	"**Award**" means a decision of the Arbitration Panel or the Exchange pursuant to an Arbitration under Rule 513 ~~or Dispute Sub-Committee~~;
Rule 201	New Provision	**"Directives"** means instructions, rulings or guidelines the Exchange issues by whatever name called for or in connection with any of the Rules including: (a) any decision, request or requirement the Exchange makes or imposes pursuant to any act or thing done under the Rules; (b) any terms and conditions imposed pursuant to any act or thing done under the Rules; and (c) any requirement the Exchange imposes for the proper operation and management of the Market and the Exchange's facilities;

	EXISTING PROVISIONS	AMENDED PROVISIONS
Rule 201	**"Direct Market Access" or "DMA"** means the process by which orders to buy or sell Contracts including any modifications and cancellations thereof are submitted into a DMA Infrastructure for execution in the ATS by persons referred to in Rule 617.4 without any intervention by a Registered Representative and/or being entered or re-entered by a Registered Representative.	**"Direct Market Access" or "DMA"** means the process by which orders to buy or sell Contracts including any modifications and cancellations thereof are submitted ~~into a DMA Infrastructure~~ for execution in the ATS by persons referred to in Rule 617.4 without any intervention by a Registered Representative and/or being entered or re-entered by a Registered Representative.
Rule 201	**"DMA Infrastructure"** means the infrastructure established and/or maintained by or for the Trading Participant which facilitates Direct Market Access.	~~**"DMA Infrastructure"** means the infrastructure established and/or maintained by or for the Trading Participant which facilitates Direct Market Access.~~
Rule 201	New provision	**"Messages"** means entries submitted into the ATS relating to trading functions as permitted by the Exchange such as orders, amendments or cancellation of orders.
Rule 201	"**No Cancellation Range**" means the range of prices as specified in Rule 707.2B (2) within which trades will not be cancelled by the Exchange;	"**No Cancellation Range**" means the range of prices as specified in ~~Rule 707.2B (2)~~the Trading Procedures ~~within which trades will not be cancelled by the Exchange~~for the purposes of Rule 707.2;
Rule 201	"**Trading Loss"** in relation to Rule 707.2B means the difference between the value of the trade if executed based on the price indicated in the 'Price' column in Rule 707.2B(2) and the value of the trade executed arising from the mistake by the Trading Participant as described in Rule707.2B	~~"**Trading Loss in relation to Rule 707.2B**", means the difference between the value of the trade if executed based on the price indicated in the 'Price' column in Rule 707.2B(2) and the value of the trade executed arising from the mistake by the Trading Participant as described in Rule707.2B~~
Rule 201	New provision	"**Trading Procedures**" means the procedures, processes and all other matters issued, in whatsoever form and manner by the Exchange, in relation to the trading of Contracts on the Market and include any amendments and modifications made thereto.
Rule	**Rule 202.7**	**Rule 202.7** [Deleted]

	EXISTING PROVISIONS	AMENDED PROVISIONS
202.7	Any reference to these Rules to "suspend" or "halt" in relation to the trading of a Contract may be construed to mean "forbidden", "interrupted", "reserved", "suspended" or "frozen" as determined by the Exchange pursuant to Rule 702B.	~~Any reference to these Rules to "suspend" or "halt" in relation to the trading of a Contract may be construed to mean "forbidden", "interrupted", "reserved", "suspended" or "frozen" as determined by the Exchange pursuant to Rule 702B.~~
RULE 300	**PARTICIPANTSHIP**	
Rule 302.3	New provision	(1) An Equity Financial Participant must not trade in contracts other than equity Financial Contracts on the Exchange; (2) A Non-Equity Financial Participant must not trade in Contracts other than non-equity Financial Contracts on the Exchange; and (3) A Commodity Participant must not trade in Contracts other than Commodity Contracts on the Exchange. (4) If a Trading Participant carries out a trade in contravention of Rule 302.3(1), (2) or (3) above, for the avoidance of doubt, the trade remains binding on the Trading Participant.
RULE 400	**ADMINISTRATION**	
Rule 401.4	(f) Subject to Rule 401A, to interpret conclusively any provision of these Rules and the validity of any act or things done pursuant thereto in the event of any dispute or difference over such Rules; (g) Subject to Rule 401A, to exercise all such powers as may be necessary to enforce and	(f) Subject to Rule 401A, ~~to~~ interpret conclusively any provision of these Rules and the validity of any act or things done pursuant thereto in the event of any dispute or difference over such Rules; (g) Subject to Rule 401A, ~~to~~ exercise all such powers as may be necessary to enforce and implement these Rules; (h) ~~to~~ release information regarding a Participant's financial position or

	EXISTING PROVISIONS	AMENDED PROVISIONS
	implement these Rules; (h) to release information regarding a Participant's financial position or otherwise to the Commission or the Clearing House when so requested; (i) to order the Participant to liquidate such portion of the Participant's Open Position on its Proprietary Account and/or Client's Accounts as the Exchange deems necessary to ensure the integrity of any Contract or to ensure an orderly and liquid market; (j) to order the Participant to transfer existing Open Positions to another Clearing Participant or prescribe restrictions on positions as the Exchange deems necessary to ensure the integrity of any Contract to ensure an orderly and liquid market; (k) to require the Participants to submit reports, information and/or documents to the Exchange in the manner, mode and frequency as shall be prescribed by the Exchange;	otherwise to the Commission or the Clearing House when so requested; (i) ~~to~~ order the Participant to liquidate such portion of the Participant's Open Position on its Proprietary Account and/or Client's Accounts as the Exchange deems necessary to ensure the integrity of any Contract or to ensure an orderly and liquid market; (j) ~~to~~ order the Participant to transfer existing Open Positions to another Clearing Participant or prescribe restrictions on positions as the Exchange deems necessary to ensure the integrity of any Contract to ensure an orderly and liquid market; (k) ~~to~~ require the Participants to submit reports, information and/or documents to the Exchange in the manner, mode and frequency as shall be prescribed by the Exchange;
Rule 401.4	New provision	(l) exercise all such other powers and take any action to ensure the existence or continuance of an orderly and fair Market;
Rule 403.1	Without prejudice to any immunity or defence available to the following persons by statute or in law, none of such persons shall be liable in respect of anything done or omitted to be done by such persons in good faith in	(a) Without prejudice to any immunity or defence available to the following persons by statute or in law, none of such persons shall be liable in respect of anything done or omitted to be done by or on behalf of such persons in good faith in connection with the

BURSA MALAYSIA

EXISTING PROVISIONS		AMENDED PROVISIONS
	connection with the discharge or performance or purported discharge or performance of any function or duty, or the exercise or intended exercise of any power under these Rules or any applicable law or in respect of any decision made or enforcement action taken or notice of publication thereof, whether resulting in any loss of profit, costs, damages or damage to reputation or otherwise:- (1) the Exchange or the Exchange holding company; (2) any member of the board of the Exchange or Exchange holding company or any member of any committee of the Exchange or Exchange holding company; (3) any officer of the Exchange or Exchange holding company; or (4) any agent of, or any person acting under the direction of the Exchange or Exchange holding company.	discharge or performance or purported discharge or performance of any function or duty, or the exercise or intended exercise of any power under these Rules or any applicable law or in respect of any decision made or enforcement action taken or notice of publication thereof, whether resulting in any loss of profit, costs, damages or damage to reputation or otherwise:- (~~1~~i) the Exchange or the Exchange holding company; (~~2~~ii) any person acting on behalf of the Exchange or the Exchange holding company, including: (1) any member of the board of the Exchange or Exchange holding company or any member of any committee of the Exchange or Exchange holding company; (~~3~~2) any officer of the Exchange or Exchange holding company; or (~~4~~3) any agent ~~of~~, third party service provider or any person acting under the direction of the Exchange or Exchange holding company.
RULE 500	**ENFORCEMENT OF RULES, APPEALS, ARBITRATION AND AUDIT**	
Rule 510.2(z)	New provision	Major offences shall include: (z) trading in Contracts in breach of Rule 302.3;
Rule 511.1	**Rule 511.1**	**Rule 511.1**

	EXISTING PROVISIONS	AMENDED PROVISIONS
	Major offences may be dealt with by a termination of participantship, suspension, fine not exceeding RM500,000 or by both suspension and fine or by any other action deemed appropriate pursuant to and Rule 508.1. A Participant found guilty of having engaged in conduct which is substantially detrimental to the interest of the Exchange may, in addition to the disciplinary actions prescribed for a major offence, be required to pay the Exchange an amount computed to include the costs and expenses, including lawyer's fees, incurred by the Exchange in defending or responding to such Participant's action.	Major offences may be dealt with by a termination of participantship, suspension, fine not exceeding ~~RM500,000~~ RM 1 million or by both suspension and fine or by any other action deemed appropriate pursuant to and Rule 508.1. A Participant found guilty of having engaged in conduct which is substantially detrimental to the interest of the Exchange may, in addition to the disciplinary actions prescribed for a major offence, be required to pay the Exchange an amount computed to include the costs and expenses, including lawyer's fees, incurred by the Exchange in defending or responding to such Participant's action.
Rule 513.3(a)	(a) Any Claim or Grievance between a Participant of the Exchange against another Participant whether originating during or after the cessation of the participantship of the parties, shall be settled by Arbitration in accordance with these procedures. Arbitration proceedings invoked pursuant to these Rules shall be independent of and shall not interfere with or delay the resolution of a Client's Claim or Grievance submitted for Arbitration pursuant to Rule 513.	(a) Subject to the provisions of Rule 707.2A, ~~Any~~ any Claim or Grievance between a Participant of the Exchange against another Participant whether originating during or after the cessation of the participantship of the parties, shall be settled by Arbitration in accordance with these procedures. Subject to the provisions of Rule 707.2A, Arbitration proceedings invoked pursuant to these Rules shall be independent of and shall not interfere with or delay the resolution of a Client's Claim or Grievance submitted for Arbitration pursuant to Rule 513.
Rule 601.2C	New provision	**Rule 601.2C Standard of Conduct** (1) A Trading Participant must in the conduct of the Trading Participant's business: (a) adhere to just and equitable principles and act with due skill, care and diligence and with due regard for the integrity of the market; and (b) not through any act or omission, do anything which may

EXISTING PROVISIONS		AMENDED PROVISIONS
		result in or has the effect of the market not being orderly and fair.
Rule 601.2D	New provision	**Rule 601.2D Conflicts of interest and risk management** (1) A Trading Participant must have in place adequate arrangements to manage: (a) conflicts of interest that may arise in the conduct of the Trading Participant's business; and (b) risks that may arise in the conduct of the Trading Participant's business.
Rule 601.2E	New provision	**Rule 601.2E Structures, policies, procedures and internal controls** (1) A Trading Participant must have in place structures, policies, procedures and internal controls reasonably designed to: (a) facilitate the supervision of the Trading Participant's business activities and the conduct of the Trading Participant's employees and agents; (b) identify, monitor and manage conflicts of interest and risks that may arise in the conduct of the Trading Participant's business; (c) achieve compliance with these Rules, the Directives, Securities Laws and the Trading Participant's written policies, procedures and internal controls ;and (d) provide for investor protection. (2) A Trading Participant must consider all relevant factors in determining the adequacy and effectiveness of the written policies, procedures and internal controls as required under Rule 601.1C(1) including: (a) the size of the Trading Participant's business; (b) the Trading Participant's financial position;

	EXISTING PROVISIONS	AMENDED PROVISIONS
		(c) the diversity of operations; (d) the volume, size and frequency of transactions; (e) the degree of risk associated with each area of operation; and (f) the amount of control by the Trading Participant's senior management over day to day operations. (3) A Trading Participant must: (a) adequately document and regularly review and update the Trading Participant's written policies, procedures and internal controls to take into account any changes that may occur in the regulatory requirements; and (b) disseminate and implement and enforce within the Trading Participant, the written policies, procedures and internal controls and any updates to such policies, procedures and internal controls.
Rule 617.2	**Rule 617.2 General** (1) Subject always to the requirements of the Rules, a Trading Participant may provide Direct Market Access provided that :- (a) the Direct Market Access is effected through a DMA Infrastructure which complies with the terms prescribed by the Exchange ; and (b) the Direct Market Access is only provided to persons who comply with the requirements stipulated in Rule 617.4 below. (2) For the avoidance of doubt, other than the	**Rule 617.2 General** (1) Subject always to the requirements of the Rules, a Trading Participant may provide Direct Market Access provided that :- (a) the Direct Market Access ~~is effected through a DMA Infrastructure which~~ complies with the terms prescribed by the Exchange ; and (b) the Direct Market Access is only provided to persons who comply with the requirements stipulated in Rule 617.4 below. (2) For the avoidance of doubt, other than the provisions in this Rule 617, all other provisions in the Rules and the Trading Procedures shall apply to Participants and Registered Persons as defined in Rule 500.

	EXISTING PROVISIONS	AMENDED PROVISIONS
	provisions in this Rule 617, all other provisions in the Rules and the Trading Procedures shall apply to Participants and Registered Persons as defined in Rule 500.	
Rule 617.3	**Rule 617.3 DMA Infrastructure** (1) A Trading Participant shall ensure that all DMA Orders are sent through the DMA Infrastructure in the manner determined by the Exchange. (2) The Exchange may issue guidelines, notices or circulars in relation to the functionalities, connectivity, operation and security requirements of the DMA Infrastructure. (3) A Trading Participant shall obtain the approval of the Exchange prior to the establishment of the DMA Infrastructure or effecting any change to the DMA Infrastructure after the commencement of the operation of the DMA Infrastructure, unless determined otherwise by the Exchange. (4) A Trading Participant must submit to the Exchange at least two (2) market days prior to the commencement of the operation of the DMA Infrastructure or prior to effecting any changes to the DMA Infrastructure, a written confirmation that the DMA Infrastructure and all the requirements in relation to the functionalities, connectivity, operation and security requirements of the DMA Infrastructure comply with the Rules, unless determined otherwise by	~~**Rule 617.3 DMA Infrastructure**~~ ~~(1) A Trading Participant shall ensure that all DMA Orders are sent through the DMA Infrastructure in the manner determined by the Exchange.~~ ~~(2) The Exchange may issue guidelines, notices or circulars in relation to the functionalities, connectivity, operation and security requirements of the DMA Infrastructure.~~ ~~(3) A Trading Participant shall obtain the approval of the Exchange prior to the establishment of the DMA Infrastructure or effecting any change to the DMA Infrastructure after the commencement of the operation of the DMA Infrastructure, unless determined otherwise by the Exchange.~~ ~~(4) A Trading Participant must submit to the Exchange at least two (2) market days prior to the commencement of the operation of the DMA Infrastructure or prior to effecting any changes to the DMA Infrastructure, a written confirmation that the DMA Infrastructure and all the requirements in relation to the functionalities, connectivity, operation and security requirements of the DMA Infrastructure comply with the Rules, unless determined otherwise by the Exchange.~~ ~~(5) Even if a Trading Participant has complied with the requirements in Rules 617.3 (3) and (4) above, it shall be the responsibility of the Trading Participant to ensure that it has all other controls and measures in place to ensure that it complies with all the relevant provisions in the Rules.~~

	EXISTING PROVISIONS	AMENDED PROVISIONS
	the Exchange. (5) Even if a Trading Participant has complied with the requirements in Rules 617.3 (3) and (4) above, it shall be the responsibility of the Trading Participant to ensure that it has all other controls and measures in place to ensure that it complies with all the relevant provisions in the Rules. (6) A Trading Participant shall assume full responsibility for the use of the DMA Infrastructure.	~~(6) A Trading Participant shall assume full responsibility for the use of the DMA Infrastructure.~~ **Rule 617.3 Automated Risk Filters** (1) A Trading Participant must have appropriate automated risk filters to check or screen a DMA Order before the DMA Order is executed in the ATS, for the purpose of ensuring that the DMA Order does not affect the integrity and proper functioning of the Market.
Rule 617.4(1)	**Rule 617.4 Clients** (1) A Trading Participant shall take reasonable steps to ensure that a Direct Market Access Client and the persons authorised by the Client in accordance with Rule 603.1 (b) have :- (a) knowledge of the process of entering DMA Orders through the DMA Infrastructure; (b) knowledge of the requirements in the Rules in relation to trading on the Market ; and (c) knowledge of the relevant laws pertaining to trading on the Market.	**Rule 617.4 Clients** (1) A Trading Participant shall take reasonable steps to ensure that a Direct Market Access Client and the persons authorised by the Client in accordance with Rule 603.1 (b) have :- (a) knowledge of the process of entering DMA Orders ~~through the DMA Infrastructure~~; (b) knowledge of the requirements in the Rules in relation to trading on the Market ; and (c) knowledge of the relevant laws pertaining to trading on the Market.
RULE	**TRADING RULES**	

		EXISTING PROVISIONS	AMENDED PROVISIONS
700			
Rule 701.1A		"ATS" means the Exchange's automated and computerised trading system established by the Exchange.	"ATS" means the ~~Exchange's~~ automated and computerised trading system ~~established by the Exchange~~ designated by the Exchange to be used for trading in Contracts or any other purposes permitted by the Exchange.
Rule 701.1A		"**Trading Procedures**" means the procedures, processes and all other matters issued, in whatsoever form and manner by the Exchange, in relation to the trading of Contracts on the Market and include any amendments and modifications made thereto.	~~"**Trading Procedures**" means the procedures, processes and all other matters issued, in whatsoever form and manner by the Exchange, in relation to the trading of Contracts on the Market and include any amendments and modifications made thereto.~~
Rule 702.1		(a) Trading in Contracts shall be carried out in two (2) sessions everyday from Mondays to Fridays (except on any day that has been gazetted as a public holiday or any other day on which the Market is officially closed by the Exchange) or such other day(s) as may be determined by the Exchange. (b) The trading hours of each of the trading sessions and the trading phases stipulated in Rule 702A shall be determined by the Exchange and the same may be prescribed in the schedules, the Trading Procedures or in any other form deemed fit by the Exchange.	(a) Trading in Contracts shall be carried out in ~~two (2) sessions everyday from Mondays to Fridays (except on any day that has been gazetted as a public holiday or any other day on which the Market is officially closed by the Exchange) or such other day(s) as may be determined by the Exchange~~ trading sessions, trading hours and trading phases as prescribed by the Exchange in the Trading Procedures. ~~(b) The trading hours of each of the trading sessions and the trading phases stipulated in Rule 702A shall be determined by the Exchange and the same may be prescribed in the schedules, the Trading Procedures or in any other form deemed fit by the Exchange.~~
Rule 702A		**Manner of Trading**	~~**Manner of Trading**~~
Rule 702A.1		**Rule 702A.1 Trading Phases** (a) Subject to the provisions of these Rules, all trading in Contracts shall be carried out in the phases stipulated in Rule 702A. The	~~**Rule 702A.1 Trading Phases**~~ ~~(a) Subject to the provisions of these Rules, all trading in Contracts shall be carried out in the phases stipulated in Rule 702A. The sequence of the trading phases shall be in the order set out~~

BURSA MALAYSIA

	EXISTING PROVISIONS	AMENDED PROVISIONS
	sequence of the trading phases shall be in the order set out hereinafter. (b) Notwithstanding Rule 702A.1(a), the Exchange may, at any time and from time to time as it deems fit, change the trading phases and the sequence of the trading phases.	~~hereinafter.~~ ~~(b) Notwithstanding Rule 702A.1(a), the Exchange may, at any time and from time to time as it deems fit, change the trading phases and the sequence of the trading phases.~~
Rule 702A.2	**Rule 702A.2 Pre-Opening Phase** (a) The pre-opening phase is an order accumulation period during which orders may be entered by Participants into the ATS. However, there shall be no matching of orders during this phase. (b) Without prejudice to the rights of the Exchange under Rule 703.1A(c), Participants may modify or cancel any orders entered during this phase. (c) The ATS shall calculate the theoretical opening price ("TOP") based on such algorithm as may be prescribed by the Exchange in the Trading Procedures. The TOP shall be continuously updated and disseminated to Participants and any other parties as determined by the Exchange.	~~**Rule 702A.2 Pre-Opening Phase**~~ ~~(a) The pre-opening phase is an order accumulation period during which orders may be entered by Participants into the ATS. However, there shall be no matching of orders during this phase.~~ ~~(b) Without prejudice to the rights of the Exchange under Rule 703.1A(c), Participants may modify or cancel any orders entered during this phase.~~ ~~(c) The ATS shall calculate the theoretical opening price ("TOP") based on such algorithm as may be prescribed by the Exchange in the Trading Procedures. The TOP shall be continuously updated and disseminated to Participants and any other parties as determined by the Exchange.~~
Rule 702A.3	**Rule 702A.3 Opening Auction** (a) The opening auction is an order-matching	~~**Rule 702A.3 Opening Auction**~~ ~~(a) The opening auction is an order-matching phase during which~~

	EXISTING PROVISIONS	AMENDED PROVISIONS
	phase during which orders maintained in the ATS are matched. During the opening auction, no new orders shall be entered and existing orders in the ATS shall not be modified or cancelled. (b) The opening price is the last TOP calculated at the pre-opening phase. Subject to Rule 703, orders maintained in the ATS at the opening auction are matched at the opening price in accordance with the principles for matching of orders as set out in Rule 704. (c) Where no TOP is or can be computed for any reason whatsoever, the price of the first order matched at the main trading phase shall be designated as the opening price.	~~orders maintained in the ATS are matched. During the opening auction, no new orders shall be entered and existing orders in the ATS shall not be modified or cancelled.~~ ~~(b) The opening price is the last TOP calculated at the pre-opening phase. Subject to Rule 703, orders maintained in the ATS at the opening auction are matched at the opening price in accordance with the principles for matching of orders as set out in Rule 704.~~ ~~(c) Where no TOP is or can be computed for any reason whatsoever, the price of the first order matched at the main trading phase shall be designated as the opening price.~~
Rule 702A.4	**Rule 702A.4 Main Trading Phase** (a) During the main trading phase, Participants may enter new orders as well as modify or cancel orders entered, subject to the rights of the Exchange under Rule 703.1A(c). (b) All orders entered or maintained in the ATS at this phase shall be matched on a continuous basis in accordance with the principles for matching of orders as set out in Rule 704. For the purpose of this Rule, "continuous basis" means that orders shall be immediately considered for matching upon entry into the	~~**Rule 702A.4 Main Trading Phase**~~ ~~(a) During the main trading phase, Participants may enter new orders as well as modify or cancel orders entered, subject to the rights of the Exchange under Rule 703.1A(c).~~ ~~(b) All orders entered or maintained in the ATS at this phase shall be matched on a continuous basis in accordance with the principles for matching of orders as set out in Rule 704. For the purpose of this Rule, "continuous basis" means that orders shall be immediately considered for matching upon entry into the ATS, in accordance with the principles for matching of orders as set out in Rule 704.~~ ~~(c) All orders which are not matched immediately upon the entry of the~~

	EXISTING PROVISIONS	AMENDED PROVISIONS
	ATS, in accordance with the principles for matching of orders as set out in Rule 704. (c) All orders which are not matched immediately upon the entry of the orders into the ATS shall, subject to Rule 703, be maintained in the ATS for possible matching in accordance with the principles for matching of orders as set out in Rule 704.	~~orders into the ATS shall, subject to Rule 703, be maintained in the ATS for possible matching in accordance with the principles for matching of orders as set out in Rule 704.~~
Rule 702A.5	**Rule 702A.5 Pre-Closing Phase** (a) The pre-closing phase is an order accumulation period during which orders may be entered by Participants into the ATS. However, there shall be no matching of orders during this phase. (b) Without prejudice to the rights of the Exchange under Rule 703.1A(c), Participants may modify or cancel any orders entered during this phase. (c) The ATS shall calculate the theoretical closing price ("TCP") based on such algorithm as may be prescribed by the Exchange in the Trading Procedures. The TCP shall be continuously updated and disseminated to Participants and any other parties as determined by the Exchange.	~~**Rule 702A.5 Pre-Closing Phase**~~ ~~(a) The pre-closing phase is an order accumulation period during which orders may be entered by Participants into the ATS. However, there shall be no matching of orders during this phase.~~ ~~(b) Without prejudice to the rights of the Exchange under Rule 703.1A(c), Participants may modify or cancel any orders entered during this phase.~~ ~~(c) The ATS shall calculate the theoretical closing price ("TCP") based on such algorithm as may be prescribed by the Exchange in the Trading Procedures. The TCP shall be continuously updated and disseminated to Participants and any other parties as determined by the Exchange.~~
Rule	**Rule 702A.6 Closing Auction**	~~**Rule 702A.6 Closing Auction**~~

	EXISTING PROVISIONS	AMENDED PROVISIONS
702A.6	(a) The closing auction is an order-matching phase during which orders maintained in the ATS are matched. During the closing auction, no new orders shall be entered and existing orders in the ATS shall not be modified or cancelled. (b) The closing price is the last TCP calculated at the pre-closing phase. Subject to Rule 703, orders maintained in the ATS at the closing auction are matched at the closing price in accordance with the principles for matching of orders as set out in Rule 704.	~~(a) The closing auction is an order-matching phase during which orders maintained in the ATS are matched. During the closing auction, no new orders shall be entered and existing orders in the ATS shall not be modified or cancelled.~~ ~~(b) The closing price is the last TCP calculated at the pre-closing phase. Subject to Rule 703, orders maintained in the ATS at the closing auction are matched at the closing price in accordance with the principles for matching of orders as set out in Rule 704.~~
Rule 702B.1	**Rule 702B Trading Status** **Rule 702B.1 Information on the Trading Status** The Exchange may, in the manner stipulated in Rules 702B.2 and 702B.3, provide in the ATS, information as to whether orders in respect of a Contract or Contracts categorised within a group ("Contract Group") as prescribed in the Trading Procedures, may be entered, modified, cancelled, matched and executed ("the Trading Status"). Participants shall be bound to give effect to the Trading Status.	**Rule 702B ~~Trading Status~~Market States** **Rule 702B.1 Information on the ~~Trading Status~~Market States** The Exchange may~~, in the manner stipulated in Rules 702B.2 and 702B.3, provide in the ATS, information as to whether~~ specify in the Trading Procedures when orders in respect of a Contract ~~or Contracts categorised within a group ("Contract Group") as prescribed in the Trading Procedures,~~ may be entered, modified ~~,~~and cancelled~~, matched and executed~~ ("the ~~Trading Status~~Market States"). Participants shall be bound to give effect to the ~~Trading Status~~Market States.

	EXISTING PROVISIONS	AMENDED PROVISIONS
Rule 702B.2	**Rule 702B.2 Trading Status of a Contract Group** (a) Pursuant to Rule 702B.1, the Trading Status of a Contract Group shall be specified by the Exchange in any one of the following manner: (i) Authorised When a Contract Group is specified as 'authorised', orders in relation to the Contract Group may be entered, modified, cancelled and matched. (ii) Interrupted When a Contract Group is specified as "interrupted", orders in relation to the Contract Group may be entered, modified and cancelled but shall not be matched. (iii) Forbidden When a Contract Group is specified as 'forbidden', orders in relation to the Contract Group shall not be entered, modified, cancelled and matched. (b) The circumstances in which a Contract Group shall be specified with any one of the Trading Status stipulated in Rule 702B.2(a), are	**Rule 702B.2 ~~Trading Status of a Contract Group~~** [deleted] ~~(a) Pursuant to Rule 702B.1, the Trading Status of a Contract Group shall be specified by the Exchange in any one of the following manner:~~ ~~(i) Authorised~~ ~~When a Contract Group is specified as 'authorised', orders in relation to the Contract Group may be entered, modified, cancelled and matched.~~ ~~(ii) Interrupted~~ ~~When a Contract Group is specified as "interrupted", orders in relation to the Contract Group may be entered, modified and cancelled but shall not be matched.~~ ~~(iii) Forbidden~~ ~~When a Contract Group is specified as 'forbidden', orders in relation to the Contract Group shall not be entered, modified, cancelled and matched.~~ ~~(b) The circumstances in which a Contract Group shall be specified with any one of the Trading Status stipulated in Rule 702B.2(a), are prescribed in the Trading Procedures.~~

	EXISTING PROVISIONS	AMENDED PROVISIONS
	prescribed in the Trading Procedures.	
Rule 702B.3	**Rule 702B.3 Trading Status of a Contract** (a) Pursuant to Rule 702B.1, the Trading Status of a Contract shall comprise the following: (i) the general trading status of a Contract ("the General Trading Status"); and/or (ii) the current trading status of a Contract ("the Current Trading Status"). (b) The General Trading Status of a Contract shall be specified by the Exchange in any one of the following manner: (i) Authorised When a Contract is specified as 'authorised', orders in respect of the Contract may be entered, modified, cancelled and matched. (ii) Forbidden When a Contract is specified as 'forbidden', orders in respect of the Contract shall not be entered, modified and cancelled. All orders already entered shall not be matched or executed.	**Rule 702B.3** ~~**Trading Status of a Contract**~~ [deleted] ~~(a) Pursuant to Rule 702B.1, the Trading Status of a Contract shall comprise the following:~~ ~~(i) the general trading status of a Contract ("the General Trading Status"); and/or~~ ~~(ii) the current trading status of a Contract ("the Current Trading Status").~~ ~~(b) The General Trading Status of a Contract shall be specified by the Exchange in any one of the following manner:~~ ~~(i) Authorised~~ ~~When a Contract is specified as 'authorised', orders in respect of the Contract may be entered, modified, cancelled and matched.~~ ~~(ii) Forbidden~~ ~~When a Contract is specified as 'forbidden', orders in respect of the Contract shall not be entered, modified and cancelled. All orders already entered shall not be matched or executed.~~ ~~(c) The Current Trading Status of a Contract shall be specified by the Exchange in any one of the following manner:~~ ~~(i) Open~~

EXISTING PROVISIONS		AMENDED PROVISIONS
	(c) The Current Trading Status of a Contract shall be specified by the Exchange in any one of the following manner: (i) Open When a Contract is specified as ‘open’, orders in respect of the Contract may be entered, modified, cancelled and matched. (ii) Reserved When a Contract is specified as ‘reserved’, orders in respect of the Contract may be entered, modified and cancelled but not matched. (iii) Suspended When a Contract is specified as ‘suspended’, orders in respect of the Contract shall not be entered, modified, cancelled and matched. (iv) Frozen When a Contract is specified as ‘frozen’, orders in respect of the Contract shall not be entered, modified, cancelled and matched.	~~When a Contract is specified as ‘open’, orders in respect of the Contract may be entered, modified, cancelled and matched.~~ ~~(ii) Reserved~~ ~~When a Contract is specified as ‘reserved’, orders in respect of the Contract may be entered, modified and cancelled but not matched.~~ ~~(iii) Suspended~~ ~~When a Contract is specified as ‘suspended’, orders in respect of the Contract shall not be entered, modified, cancelled and matched.~~ ~~(iv) Frozen~~ ~~When a Contract is specified as ‘frozen’, orders in respect of the Contract shall not be entered, modified, cancelled and matched.~~ ~~(d) The circumstances in which a Contract shall be specified with any one of the Trading Status stipulated in Rules 702B.3(b)and 702B.3(c), are prescribed in the Trading Procedures.~~

	EXISTING PROVISIONS	AMENDED PROVISIONS
	(d) The circumstances in which a Contract shall be specified with any one of the Trading Status stipulated in Rules 702B.3(b)and 702B.3(c), are prescribed in the Trading Procedures.	
Rule 703.1	**Rule 703.1 Types of Orders** The following orders may be entered by Participants into the ATS: (a) Market Orders; (b) Limit Orders; (c) Stop Orders; (d) Market-on-Opening Orders; (e) Market-on-Closing Orders; (f) Market-to-Limit Orders; and (g) such other types of orders as may be introduced by the Exchange at any time and from time to time.	**Rule 703.1 Types of Orders** ~~The following orders may be entered by Participants into the ATS:~~ ~~(a) Market Orders;~~ ~~(b) Limit Orders;~~ ~~(c) Stop Orders;~~ ~~(d) Market-on-Opening Orders;~~ ~~(e) Market-on-Closing Orders;~~ ~~(f) Market-to-Limit Orders; and~~ ~~(g) such other types of orders as may be introduced by the Exchange at any time and from time to time.~~ The Exchange will prescribe in the Trading Procedures the types of orders that may be entered by Participants into the ATS.
Rule 703.2	**Rule 703.2 Market Orders** (a) A market order shall be matched at the best available prices to the fullest extent possible of the quantity of the market order entered immediately upon its entry into the ATS. Any remaining unexecuted quantity of the market order shall be cancelled. A market order which	**Rule 703.2** ~~**Market Orders**~~ [deleted] ~~(a) A market order shall be matched at the best available prices to the fullest extent possible of the quantity of the market order entered immediately upon its entry into the ATS. Any remaining unexecuted quantity of the market order shall be cancelled. A market order which cannot be executed immediately upon its entry into the ATS shall also be cancelled.~~

	EXISTING PROVISIONS	AMENDED PROVISIONS
	cannot be executed immediately upon its entry into the ATS shall also be cancelled. (b) Participants may enter market orders during the pre-opening, pre-closing and the main trading phases.	~~(b) Participants may enter market orders during the pre-opening, pre-closing and the main trading phases.~~
Rule 703.3	**Rule 703.3 Limit Orders** (a) A limit order is an order which stipulates a maximum buy price or minimum sell price ("the Stipulated Price"). Limit orders shall be matched at the Stipulated Price or at a price better than the Stipulated Price. [b) Participants may enter limit orders during the pre-opening, pre-closing and the main trading phases.	**Rule 703.3** ~~**Limit Orders**~~[deleted] ~~(a) A limit order is an order which stipulates a maximum buy price or minimum sell price ("the Stipulated Price"). Limit orders shall be matched at the Stipulated Price or at a price better than the Stipulated Price.~~ ~~[b) Participants may enter limit orders during the pre-opening, pre-closing and the main trading phases.~~
Rule 703.4	**Rule 703.4 Stop Orders** (a) A stop order is a buy or sell order that specifies a trigger price. The following are the types of stop orders: (i) Stop-loss order; and (ii) Stop-limit order. For the purposes of this Rule, "trigger price" means the traded price at which the stop order shall be converted into a market order or a limit order, as the case may be.	**Rule 703.4** ~~**Stop Orders**~~[deleted] ~~(a) A stop order is a buy or sell order that specifies a trigger price. The following are the types of stop orders:~~ ~~(i) Stop-loss order; and~~ ~~(ii) Stop-limit order.~~ ~~For the purposes of this Rule, "trigger price" means the traded price at which the stop order shall be converted into a market order or a limit order, as the case may be.~~ ~~(b) During the main trading phase, where the trigger price specified in~~

	EXISTING PROVISIONS	AMENDED PROVISIONS
	(b) During the main trading phase, where the trigger price specified in the stop order is reached, the following shall apply: (i) In a stop-loss order, the stop-loss order shall be converted into a market order in the chronological order of time of the placement of the stop-loss order. The market order shall then be considered for matching in accordance with the principles for matching of orders as stipulated under Rule 704. (ii) In a stop-limit order, the stop-limit order shall be converted into a limit order in the chronological order of time of the placement of the stop-limit order. The limit order shall then be considered for matching in accordance with the principles for matching of orders as stipulated under Rule 704. (c) Participants may enter stop orders during the pre-opening, pre-closing and the main trading phases.	~~the stop order is reached, the following shall apply:~~ ~~(i) In a stop-loss order, the stop-loss order shall be converted into a market order in the chronological order of time of the placement of the stop-loss order. The market order shall then be considered for matching in accordance with the principles for matching of orders as stipulated under Rule 704.~~ ~~(ii) In a stop-limit order, the stop-limit order shall be converted into a limit order in the chronological order of time of the placement of the stop-limit order. The limit order shall then be considered for matching in accordance with the principles for matching of orders as stipulated under Rule 704.~~ ~~(c) Participants may enter stop orders during the pre-opening, pre-closing and the main trading phases.~~
Rule 703.5	**Rule 703.5 Market-On-Opening Orders/Market-On-Closing Orders** (a) A market-on-opening order and market-on-closing order is an order with no price	**Rule 703.5** ~~**Market-On-Opening Orders/Market-On-Closing Orders**~~[deleted] ~~(a) A market-on-opening order and market-on-closing order is an order with no price stipulation and may be entered into the ATS during the~~

	EXISTING PROVISIONS	AMENDED PROVISIONS
	stipulation and may be entered into the ATS during the pre-opening and pre-closing phases respectively. (b) A market-on-opening order shall be matched at the opening price at the opening auction and a market-on-closing order shall be matched at the closing price at the closing auction. The remaining unexecuted quantity of the market-on-opening order and market-on-closing order, if any, shall be converted into a limit order at the opening and closing price respectively, of the particular Contract.	~~pre-opening and pre-closing phases respectively.~~ ~~(b) A market-on-opening order shall be matched at the opening price at the opening auction and a market-on-closing order shall be matched at the closing price at the closing auction. The remaining unexecuted quantity of the market-on-opening order and market-on-closing order, if any, shall be converted into a limit order at the opening and closing price respectively, of the particular Contract.~~
Rule 703.6	**Rule 703.6 Market-To-Limit Orders** (a) A market-to-limit order is an order with no price stipulation. A buy market-to-limit order shall be matched immediately at the lowest sell price and a sell market-to-limit order shall be matched immediately at the highest buy price. Thereafter, any remaining unexecuted quantity of the market-to-limit order shall be converted into a limit order at the matched price. (b) A market-to-limit order which cannot be matched immediately upon its entry into the ATS, whether in part or in full, shall be cancelled by the ATS. (c) Participants may enter market-to-limit orders during the main trading phase only.	**Rule 703.6 ~~Market-To-Limit Orders~~[deleted]** ~~(a) A market-to-limit order is an order with no price stipulation. A buy market-to-limit order shall be matched immediately at the lowest sell price and a sell market-to-limit order shall be matched immediately at the highest buy price. Thereafter, any remaining unexecuted quantity of the market-to-limit order shall be converted into a limit order at the matched price.~~ ~~(b) A market-to-limit order which cannot be matched immediately upon its entry into the ATS, whether in part or in full, shall be cancelled by the ATS.~~ ~~(c) Participants may enter market-to-limit orders during the main trading phase only.~~

EXISTING PROVISIONS		AMENDED PROVISIONS
Rule 703.7	**Rule 703.7 Validity Condition and Execution Condition** **Validity Condition** (a) Subject to the provisions of these Rules, any order entered into the ATS shall be maintained in the ATS for a duration ("validity condition") specified by the Participant in accordance with Rule 703.7(b), which duration in any event shall not exceed 365 days. (b) A Participant may specify any one of the following validity conditions when entering an order into the ATS: (i) Good-for-session A good-for-session order is an order that is valid only up to the end of a particular trading session on any given Business Day. (ii) Good-for-day A good-for-day order is an order that remains valid only up to the end of the Business Day. (iii) Good-till-cancelled	**Rule 703.7 Validity Condition and Execution Condition** ~~**Validity Condition**~~ ~~(a) Subject to the provisions of these Rules, any order entered into the ATS shall be maintained in the ATS for a duration ("validity condition") specified by the Participant in accordance with Rule 703.7(b), which duration in any event shall not exceed 365 days.~~ ~~(b) A Participant may specify any one of the following validity conditions when entering an order into the ATS:~~ ~~(i) Good-for-session~~ ~~A good-for-session order is an order that is valid only up to the end of a particular trading session on any given Business Day.~~ ~~(ii) Good-for-day~~ ~~A good-for-day order is an order that remains valid only up to the end of the Business Day.~~ ~~(iii) Good-till-cancelled~~ ~~A good-till-cancelled order is an order that remains valid until the order is executed, cancelled or on the expiry of the delivery month(s) of the Contract to which the order relates.~~ ~~(iv) Good-till-date~~

BURSA MALAYSIA

EXISTING PROVISIONS	AMENDED PROVISIONS
A good-till-cancelled order is an order that remains valid until the order is executed, cancelled or on the expiry of the delivery month(s) of the Contract to which the order relates. (iv) Good-till-date A good-till date order is valid for a specific period and shall automatically lapse on the date specified or on the expiry of the delivery month(s) of the Contract to which the order relates, unless there is prior cancellation of the order. (c) Where a validity condition is not specified for an order entered into the ATS, the order shall be deemed to be a good-for-day order. **Execution Condition** (d) Subject to Rules 703.7(e) and 703.7(f), a Participant may specify any one of the following execution conditions when entering an order into the ATS: (i) Fill-and-kill An order specified with a fill-and-kill execution condition is an order which shall be executed to the fullest extent	~~A good-till date order is valid for a specific period and shall automatically lapse on the date specified or on the expiry of the delivery month(s) of the Contract to which the order relates, unless there is prior cancellation of the order.~~ ~~(c) Where a validity condition is not specified for an order entered into the ATS, the order shall be deemed to be a good-for-day order.~~ ~~**Execution Condition**~~ ~~(d) Subject to Rules 703.7(e) and 703.7(f), a Participant may specify any one of the following execution conditions when entering an order into the ATS:~~ ~~(i) Fill-and-kill~~ ~~An order specified with a fill-and-kill execution condition is an order which shall be executed to the fullest extent possible of the quantity of the order, immediately upon the entry of the order into the ATS. Any remaining unexecuted quantity of the order shall be cancelled. A fill-and-kill order which cannot be executed immediately upon the entry of the order into the ATS as stipulated above shall be cancelled. The fill-and-kill execution condition may be specified for all types of orders, save and except for stop-loss orders. Where a fill-and-kill execution condition is specified for a stop-limit order, the fill-and-kill execution condition shall only be activated when the trigger price of the stop-limit order is reached.~~ ~~(ii) Minimum-quantity~~ ~~An order specified with a minimum-quantity execution~~

EXISTING PROVISIONS	AMENDED PROVISIONS
possible of the quantity of the order, immediately upon the entry of the order into the ATS. Any remaining unexecuted quantity of the order shall be cancelled. A fill-and-kill order which cannot be executed immediately upon the entry of the order into the ATS as stipulated above shall be cancelled. The fill-and-kill execution condition may be specified for all types of orders, save and except for stop-loss orders. Where a fill-and-kill execution condition is specified for a stop-limit order, the fill-and-kill execution condition shall only be activated when the trigger price of the stop-limit order is reached. (ii) Minimum-quantity An order specified with a minimum-quantity execution condition is an order where a specified minimum quantity of the order shall be executed immediately upon entry of the order into the ATS, failing which the whole quantity of the order shall be cancelled. The minimum-quantity execution condition may be specified for market orders, limit orders and market-to-limit orders only. For limit orders and market-to-limit orders, in the event the specified minimum quantity of the order is executed, the	~~condition is an order where a specified minimum quantity of the order shall be executed immediately upon entry of the order into the ATS, failing which the whole quantity of the order shall be cancelled. The minimum-quantity execution condition may be specified for market orders, limit orders and market-to-limit orders only. For limit orders and market-to-limit orders, in the event the specified minimum quantity of the order is executed, the remaining unexecuted quantity of the order shall be maintained in the ATS for possible matching. As for market orders, in the event the specified minimum quantity of the order is executed, the remaining unexecuted quantity of the order shall be cancelled.~~ ~~(e) The minimum-quantity execution condition shall only be specified for orders entered during the main trading phase.~~ ~~(f) The fill-and-kill execution condition may be specified for orders entered during the pre-opening, main trading and pre-closing phase. Where the fill-and-kill execution condition is specified for orders entered during the pre-opening or pre-closing phase, such order shall be matched at the opening price or closing price, as the case may be.~~ The Exchange will prescribe in the Trading Procedures the duration for which any orders entered into the system remain valid (“validity condition”) and the conditions for execution of any orders entered into the ATS (“execution condition”). The Participant must specify the validity condition and the execution condition when entering any order into the ATS.

BURSA MALAYSIA

	EXISTING PROVISIONS	AMENDED PROVISIONS
	remaining unexecuted quantity of the order shall be maintained in the ATS for possible matching. As for market orders, in the event the specified minimum quantity of the order is executed, the remaining unexecuted quantity of the order shall be cancelled. (e) The minimum-quantity execution condition shall only be specified for orders entered during the main trading phase. (f) The fill-and-kill execution condition may be specified for orders entered during the pre-opening, main trading and pre-closing phase. Where the fill-and-kill execution condition is specified for orders entered during the pre-opening or pre-closing phase, such order shall be matched at the opening price or closing price, as the case may be.	
Rule 703.9	New provision	**Messages** The Exchange may limit the amount of Messages a Participant is able to submit into the ATS for the purposes of an orderly and fair Market. Such limits will be prescribed in the Trading Procedures and may be revised by the Exchange from time to time at the Exchange's discretion.
Rule 704.1	**Rule 704 Order Matching**	**Rule 704 Order Matching**

EXISTING PROVISIONS	AMENDED PROVISIONS
Rule 704.1 (a) Subject to the provisions in Rule 702A, each order entered into ATS during the trading hours as prescribed under Rule 702.1 shall be immediately considered for a possible match. The provisions of Rule 705 shall apply to all orders matched and executed in the ATS, notwithstanding that the matching and execution of the orders take place after trading hours. (b) Orders are matched in priority of price and then time. Market orders shall be given priority over other types of orders. (c) Price/Time priority: (i) best price: A buy order at the highest price and a sell order at the lowest price has priority over other orders entered for the same Contract; and (ii) earliest time-stamp: Each order receives a time stamp upon entry into the ATS. In the event that there are competing orders, or identical prices entered for the orders, the orders are matched in the order of time in which the orders are entered into the ATS. The time stamp given to an order entered into the ATS shall be changed	**Rule 704.1** ~~(a) Subject to the provisions in Rule 702A, each order entered into ATS during the trading hours as prescribed under Rule 702.1 shall be immediately considered for a possible match. The provisions of Rule 705 shall apply to all orders matched and executed in the ATS, notwithstanding that the matching and execution of the orders take place after trading hours.~~ ~~(b) Orders are matched in priority of price and then time. Market orders shall be given priority over other types of orders.~~ ~~(c) Price/Time priority:~~ ~~(i) best price: A buy order at the highest price and a sell order at the lowest price has priority over other orders entered for the same Contract; and~~ ~~(ii) earliest time-stamp: Each order receives a time stamp upon entry into the ATS. In the event that there are competing orders, or identical prices entered for the orders, the orders are matched in the order of time in which the orders are entered into the ATS. The time stamp given to an order entered into the ATS shall be changed in any of the following circumstances:~~ ~~(aa) where the quantity of the order is increased;~~ ~~(bb) where a change is made to the price of the order; or~~ ~~(cc) where a change is made to the trigger price of the stop order.~~

	EXISTING PROVISIONS	AMENDED PROVISIONS
	in any of the following circumstances: (aa) where the quantity of the order is increased; (bb) where a change is made to the price of the order; or (cc) where a change is made to the trigger price of the stop order.	The Exchange will prescribe in the Trading Procedures the matching algorithm based on which orders will be matched.
Rule 707.1(c)	(c) In the event a matching of an order in the ATS results in a breach of the upper limit or lower limit, the Exchange shall specify the Contract in respect of the order as 'frozen'' in accordance with Rule 702B.3(c)(iv). The Exchange may thereafter take any action it deems appropriate, which may include but is not limited to, the cancellation of the relevant order.	(c) In the event a matching of an order in the ATS results in a breach of the upper limit or lower limit, the Exchange ~~shall specify the Contract in respect of the order as 'frozen'' in accordance with Rule 702B.3(c)(iv). The Exchange may thereafter take any action it deems appropriate, which may include but is not limited to, the cancellation of the relevant order.~~ will cancel the trade.
Rule 707.2	**Rule 707.2 Cancellation of a Trade** (1) Cancellation of a Trade The Exchange may cancel any trade executed in the ATS in the following circumstances: (a) where in the opinion of the Exchange, the trade executed in the ATS is in violation of the Rules and the Securities Laws;	**Rule 707.2 Cancellation of a Trade Or Price Adjustment** ~~(1) Cancellation of a Trade~~ ~~The Exchange may cancel any trade executed in the ATS in the following circumstances:~~ ~~(a) where in the opinion of the Exchange, the trade executed in the ATS is in violation of the Rules and the Securities Laws;~~ ~~(b) the Exchange may, subsequent to the trade being executed in the ATS and upon an application being made to it in its~~

EXISTING PROVISIONS	AMENDED PROVISIONS
(b) the Exchange may, subsequent to the trade being executed in the ATS and upon an application being made to it in its absolute discretion cancel such a trade where:- (i) the daily settlement relating to such trade has not been effected; (ii) such cancellation is agreed to by buying and selling Trading Participants and their respective clients; and (iii) the relevant parties comply with all other requirements that may be imposed by the Exchange for the cancellation of the trade; (c) erroneous execution of trades in the ATS arising from :- (i) system failure or malfunction in the ATS; or (ii) a mistake by the Exchange in accordance with Rule 707.2A below; and (d) erroneous execution of trades in the	~~absolute discretion cancel such a trade where:-~~ ~~(iv) the daily settlement relating to such trade has not been effected;~~ ~~(v) such cancellation is agreed to by buying and selling Trading Participants and their respective clients; and~~ ~~(vi) the relevant parties comply with all other requirements that may be imposed by the Exchange for the cancellation of the trade;~~ ~~(c) erroneous execution of trades in the ATS arising from :-~~ ~~(iii) system failure or malfunction in the ATS; or~~ ~~(iv) a mistake by the Exchange~~ ~~in accordance with Rule 707.2A below; and~~ ~~(d) erroneous execution of trades in the ATS arising from a mistake by a Participant in entering orders in the ATS in accordance with Rule 707.2B below.~~ ~~(2) Any cancellation of trades executed in the ATS in accordance with Rule 707.2(1) is irrevocable.~~ ~~(3) Where a Participant is not satisfied with the cancellation made pursuant to Rule 707.2(1), the Participant may apply to the Exchange for a review of the cancelled trade on the same market day of the cancellation of the trade. Without prejudice to the rights of the Exchange under these Rules and the law, the Exchange may~~

	EXISTING PROVISIONS	AMENDED PROVISIONS
	ATS arising from a mistake by a Participant in entering orders in the ATS in accordance with Rule 707.2B below. (2) Any cancellation of trades executed in the ATS in accordance with Rule 707.2(1) is irrevocable. (3) Where a Participant is not satisfied with the cancellation made pursuant to Rule 707.2(1), the Participant may apply to the Exchange for a review of the cancelled trade on the same market day of the cancellation of the trade. Without prejudice to the rights of the Exchange under these Rules and the law, the Exchange may take any action it deems fit arising from the review.	~~take any action it deems fit arising from the review.~~ (1) The Exchange may adjust trade prices or cancel trades where it believes such action is necessary in the interest of an orderly and fair Market. (2) Notwithstanding any other provisions of this Rule, the Exchange may determine to review a trade executed on the Market, on its own volition or upon the request of a Trading Participant. (3) A request for a review of a trade by a Trading Participant must be made within 8 minutes of the execution of the trade. (4) For the avoidance of doubt any request for review of a trade must be made by a Trading Participant notwithstanding that the order for the trade may have been entered by a Direct Market Access Client or a Participant who is not a Trading Participant. (5) If the Exchange decides to review a trade whether on its own volition or upon request of a Trading Participant, the Exchange will notify the Market that the trade is under review. (6) If the price of the trade under review is within the No Cancellation Range, the trade will stand. (7) If the price of the trade under review is outside the No Cancellation Range, the price of the trade may either be adjusted in accordance with the formula set out in the Trading Procedures or cancelled as the Exchange sees fit. The decision of the Exchange is final. (8) Before the Exchange cancels a trade or adjusts the price of the

EXISTING PROVISIONS		AMENDED PROVISIONS
		trade pursuant to Rule 707.2(7), the Trading Participants to the trade may, with the approval of the Exchange, mutually agree to adjust the price of the trade or cancel the trade. (9) The cancellation or price adjustment of a trade resulting from a mistake by a Participant does not preclude the Exchange from taking action against the Participant and/or Registered Persons as defined in Rule 500 for the breach of Rule 703.1A(g).
Rule 707.2A	**Rule 707.2A System Failure or Malfunction or Mistakes by the Exchange** (1) For the purpose of this Rule 707.2A, a mistake by the Exchange refers to a mistake in the entries made by the Exchange in the ATS. (2) Where a system failure or malfunction in the ATS or a mistake by the Exchange has resulted in erroneous execution of trades in the ATS, the following will apply:- (a) the Exchange will immediately notify the market of the system failure or malfunction in the ATS or the mistake by the Exchange; and (b) the Exchange may interrupt trading on the ATS in accordance with Rule 702B.2(a)(ii). (3) The Exchange may cancel the trades	~~**Rule 707.2A System Failure or Malfunction or Mistakes by the Exchange**~~ ~~(6) For the purpose of this Rule 707.2A, a mistake by the Exchange refers to a mistake in the entries made by the Exchange in the ATS.~~ ~~(7) Where a system failure or malfunction in the ATS or a mistake by the Exchange has resulted in erroneous execution of trades in the ATS, the following will apply:-~~ ~~(c) the Exchange will immediately notify the market of the system failure or malfunction in the ATS or the mistake by the Exchange; and~~ ~~(d) the Exchange may interrupt trading on the ATS in accordance with Rule 702B.2(a)(ii).~~ ~~(8) The Exchange may cancel the trades erroneously executed arising from the system failure or malfunction int he ATS or a mistake by the Exchange if the Exchange is satisfied that it is in the interest of an orderly and fair market for the trades to be cancelled.~~

EXISTING PROVISIONS		AMENDED PROVISIONS
	erroneously executed arising from the system failure or malfunction int he ATS or a mistake by the Exchange if the Exchange is satisfied that it is in the interest of an orderly and fair market for the trades to be cancelled. (4) The cancellation of trades pursuant to Rule 707.2A (3) above will be affected on the day on which the system failure of malfunction in the ATS or the mistake by the Exchange occurred. (5) If the Exchange cancels trades pursuant to Rule 707.2A(3) above :- (a) the Exchange will immediately notify the market of the details of these trades and the reasons for the cancellation; and (b) where trading has been interrupted, it will be resumed after the system failure or malfunction in the ATS or the mistake by the Exchange has been rectified.	~~(9) The cancellation of trades pursuant to Rule 707.2A (3) above will be affected on the day on which the system failure of malfunction in the ATS or the mistake by the Exchange occurred.~~ ~~(10) If the Exchange cancels trades pursuant to Rule 707.2A(3) above :-~~ ~~(c) the Exchange will immediately notify the market of the details of these trades and the reasons for the cancellation; and~~ ~~(d) where trading has been interrupted, it will be resumed after the system failure or malfunction in the ATS or the mistake by the Exchange has been rectified.~~ **Rule 707.2A Error Maker Liability** (1) A Trading Participant whose order was responsible for a trade adjustment or cancellation under Rule 707.2 ("the Error Maker") shall be liable for claims of actual losses incurred by other Trading Participants whose trade prices were adjusted or cancelled as a result of the above order. However, a Trading Participant who makes a claim shall not be entitled to compensation for losses incurred as a result of any failure to take reasonable actions to mitigate the loss. The procedure for making a claim against the Error Maker is set out in the Trading Procedures. (2) To the extent that liability is denied by the Error Maker, the Trading Participant making the claim may submit the claim to Arbitration in accordance with Rule 513. (3) For the avoidance of doubt: (a) a Trading Participant may not submit any claim in relation to

<table>
<tr><th colspan="2">EXISTING PROVISIONS</th><th>AMENDED PROVISIONS</th></tr>
<tr><td></td><td></td><td>the cancellation or price adjustment of a trade for Arbitration under Rule 513 unless the Trading Participant had submitted a claim under Rule 707.2A(1) and the said claim had been denied in part or in totality by the Error Maker; and

(b) any claim in relation to the cancellation or price adjustment of a trade must be made by or through a Trading Participant notwithstanding that the order may have been entered by a Direct Market Access Client or a Participant who is not a Trading Participant.</td></tr>
<tr><td>Rule 707.2B</td><td>Rule 707.2B Mistakes By Participants

(1) For the purpose of this Rule 707.2B, a mistake by a Participant refers to a mistake by a Participant as to the price of an order entered in the ATS.

(2) The No Cancellation Range for a trade shall range from the price below and up to the price above, the price stated in the table below calculated based on the ticks stated for each of the Contract type specified in the table below :-

<table><tr><td>Contracts</td><td>Ticks</td></tr><tr><td>Kuala Lumpur Composite Index Options (OKLI)</td><td>+/- 250 ticks</td></tr></table></td><td>Rule 707.2B ~~Mistakes By Participants~~ [deleted]

~~(3) For the purpose of this Rule 707.2B, a mistake by a Participant refers to a mistake by a Participant as to the price of an order entered in the ATS.~~

~~(4) The No Cancellation Range for a trade shall range from the price below and up to the price above, the price stated in the table below calculated based on the ticks stated for each of the Contract type specified in the table below :-~~

<table><tr><td>~~Contracts~~</td><td>~~Ticks~~</td></tr><tr><td>~~Kuala Lumpur Composite Index Options (OKLI)~~</td><td>~~+/- 250 ticks~~</td></tr><tr><td>~~US Dollar Denominated Crude Palm Oil Futures (FUPO)~~</td><td>~~+/- 120 ticks~~</td></tr></table></td></tr>
</table>

EXISTING PROVISIONS		AMENDED PROVISIONS	
US Dollar Denominated Crude Palm Oil Futures (FUPO)	+/- 120 ticks	~~All other Contracts~~	~~+/- 100 ticks~~
All other Contracts	+/- 100 ticks		

Existing provisions (continued):

(3) A Participant may only apply to the Exchange to cancel a trade executed arising from a mistake by the Participant if :-
(a) the price at which the trade has been

Amended provisions (continued):

~~(3) A Participant may only apply to the Exchange to cancel a trade executed arising from a mistake by the Participant if :-~~
~~(d) the price at which the trade has been executed falls outside the No Cancellation Range;~~
~~(e) the Participant which entered the order resulting in the trade makes the request to the Exchange to cancel the trade within 15 minutes of the execution of the trade; and~~
~~(f) The potential Trading Loss if the trade is not cancelled is at least RM10,000.~~

~~(4) Once a request has been made to the Exchange to cancel a trade executed resulting from a mistake by a Participant pursuant to Rule 707.2B (3), the following procedures will apply :-~~
~~(c) the Exchange will immediately notify the counterparty Participant of the trade of the request; and~~
~~(d) the Exchange will immediately notify the market of the request and the details of the trade in relation to which the request for cancellation has been made.~~
~~(7) The Exchange may cancel trades erroneously executed arising from a mistake by a Participant if:-~~
~~(a) the Exchange is satisfied that it is in the interest of an orderly and fair market for the trades to be cancelled ; and~~
~~(b) the relevant Participant complies with all other requirements that may be imposed by the Exchange for the cancellation of the trades.~~
~~(8) The cancellation of trades pursuant to Rule 707.2B (5) above will be effected on the day on which the trades were executed.~~
~~(7) If the Exchange cancels trades pursuant to Rule 707.2B(5) above:-~~

EXISTING PROVISIONS	AMENDED PROVISIONS
executed falls outside the No Cancellation Range; (b) the Participant which entered the order resulting in the trade makes the request to the Exchange to cancel the trade within 15 minutes of the execution of the trade; and (c) The potential Trading Loss if the trade is not cancelled is at least RM10,000. (4) Once a request has been made to the Exchange to cancel a trade executed resulting from a mistake by a Participant pursuant to Rule 707.2B (3), the following procedures will apply :- (a) the Exchange will immediately notify the counterparty Participant of the trade of the request; and (b) the Exchange will immediately notify the market of the request and the details of the trade in relation to which the request for cancellation has been made. (5) The Exchange may cancel trades erroneously executed arising from a mistake by a Participant if:- (a) the Exchange is satisfied that it is in the interest of an orderly and fair market for the trades to be cancelled ; and (b) the relevant Participant complies with all other requirements that may be imposed by the Exchange for the cancellation of the trades. (6) The cancellation of trades pursuant to Rule	~~(a) the Exchange will immediately notify the counterparty Participant of its decision ; and~~ ~~(b) the Exchange will immediately notify the market of its decision and the details of the trades which will be cancelled.~~ ~~(8) The cancellation of the trade resulting from a mistake by a Trading Participant does not preclude the Exchange from taking action against the Participant and/or Registered Person for the breach of Rule 703.1A(g).~~ ~~(9) The Exchange may instead of cancelling the trade upon a request being made under 707.2B (3) by a Trading Participant to do so, take any other action it deems fit in lieu of cancellation.~~

	EXISTING PROVISIONS	AMENDED PROVISIONS
	707.2B (5) above will be effected on the day on which the trades were executed. (7) If the Exchange cancels trades pursuant to Rule 707.2B(5) above:- (a) the Exchange will immediately notify the counterparty Participant of its decision ; and (b) the Exchange will immediately notify the market of its decision and the details of the trades which will be cancelled. (8) The cancellation of the trade resulting from a mistake by a Trading Participant does not preclude the Exchange from taking action against the Participant and/or Registered Person for the breach of Rule 703.1A(g). (9) The Exchange may instead of cancelling the trade upon a request being made under 707.2B (3) by a Trading Participant to do so, take any other action it deems fit in lieu of cancellation.	
Rule 709A	New provision	**Rule 709A Systems Malfunction or Error** (1) A Participant must not take advantage of a situation arising as a result of a breakdown, malfunction or error in the ATS (committed by the Exchange or by other Participants) or in any other systems, service or facility of the Exchange ("Systems Malfunction or Error"). (2) A Participant who believes he has encountered a Systems Malfunction or Error must immediately notify the Exchange.

EXISTING PROVISIONS		AMENDED PROVISIONS
		(3) Additionally, a Participant must take any necessary and appropriate action to mitigate any potential losses arising from the Systems Malfunction or Error immediately after the Participant knows or should have known that there is a Systems Malfunction or Error. (4) The Exchange may provide prior notification that there is a Systems Malfunction or Error and direction to the Participants of any action to be taken by the Participants arising from the Systems Malfunction or Error.
RULE 700B	**EXCHANGE OF FUTURES FOR PHYSICAL**	
Rule 700B.4(c)	(c) All approved transactions shall, subject to any conditions which may be imposed by the Clearing House, be registered by the Exchange in the ATS in accordance with the Clearing House Rules applicable to the registration of market contracts as defined in the Clearing House Rules.	(c) All approved transactions shall~~, subject to any conditions which may be imposed by the Clearing House, be registered by the Exchange in the ATS in accordance with the Clearing House Rules applicable to the registration of market contracts as defined in the Clearing House Rules~~ be presented to the Clearing House for registration in accordance with the Clearing House Rules.
Rule 700B.5	**Rule 700B.5 Prohibition On Amendments Or Cancellation** All transactions that have been registered by the Exchange pursuant to Rule 700B.4(c) shall be firm and binding on Participants and there shall be no amendment or cancellation of the same.	**Rule 700B.5 Prohibition On Amendments Or Cancellation** All transactions that have been ~~registered by the Exchange~~ registered by the Clearing House in accordance with the Clearing House Rules pursuant to Rule 700B.4(c) shall be firm and binding on Participants and there shall be no amendment or cancellation of the same.

ANNEXURE 2

BURSA MALAYSIA DERIVATIVES BHD
(BMDB)

TRADING PARTICIPANTS' MANUAL

Version History

Version	Date	Author	Comments
v.2	9 Aug 2010	BMDB	Initial Version
v 2	27 Aug 2010	BMDB	Updated # 6.6.3 Review of Trades – Price Adjustments and Cancellations

Contents

13. Messaging And Market Performance Protection Policy

14. Error Maker Liability Claim

1. Introduction

1.1 Scope of Coverage

1.1.1 This manual provides Trading Participants with the following information relating to the operations of Bursa Malaysia Derivatives Berhad (“BMD / the Exchange”) and pertinent procedures on dealing with the Exchange:

1.1.2 The guidelines and procedures in this manual are intended for general usage. Where exceptions are to be made, Trading Participants should exercise discretion and good judgment accordingly. In case of doubt, Trading Participants should check with the Derivatives Exchange Operations Division of Bursa Malaysia Derivatives Berhad.

1.2 Intended Audience

1.2.1 The primary audience of this manual is the Trading Participants of BMD who are involved in the related operational aspects of derivatives trading.

1.3 Ownership and Custody of Manual

1.3.1 The owner of this manual is Bursa Malaysia Derivatives Berhad. This is a living document and subject to change from time to time. Bursa Malaysia Derivatives Berhad shall be responsible for incorporating into this manual, any changes or amendments in line with policy and procedures changes and distributing the updates to the relevant parties.

1.3.2 No part of this manual is to be reproduced or transmitted in any form or by any means, electronic or mechanical, including photocopying, recording or any information storage and retrieval system, without the permission in writing from the Head of Derivatives Exchange Operations, Bursa Malaysia Derivatives Berhad.

1.4 Responsibility of the Recipient

1.4.1 Recipients of the copy of this manual shall have the responsibility for its safe custody and controlled disclosure to authorised staff only

1.5 Customer Support

On 17th September 2009, Bursa Malaysia Derivatives Bhd (BMD) entered into the Globex Services Agreement (GSA) with the Chicago Mercantile Exchange Group (CME). The agreement is to host all existing BMD products on CME’s Globex electronic trade execution system via an Application Services Provider (ASP) model. For customer support CME Globex Control Center is the contact point.

The Globex Control Center ("GCC") provides Globex customer support and problem management only to members, clearing members and customers designated by clearing members. In order to be eligible for GCC support, such persons must register with the GCC (“Registered Contacts”). The GCC provides customer support via a specified telephone number and during specified hours. GCC employees may not always be available to assist Registered Contacts. Persons other than Registered Contacts, including non-members with Globex access must contact their clearing members to make support requests.

For customer support and problem management Trading Participants are to call CME Globex Control Center (GCC) at telephone number:(603) 20523494 for Trade cancellation or Order status/cancellation and modification.

2. Orders
This section describes the order types and qualifiers that are compatible with CME Globex.

Order Types	Futures	Options
Limit	X	X
Market Orders with Protection	X	X
Market-limit	X	X
Stop-limit	X	
Stop Orders with Protection	X	
Hidden Quantity	X	X
Minimum Quantity	X	X

2.1 Futures and Options Order Types
The following order types are supported by CME Globex for both futures and options:
• Limit Orders
• Market-limit Orders
• Market Orders with Protection

2.1.1 Limit Orders
Limit orders allow the buyer to define the maximum purchase price for buying an instrument and the seller to define the minimum sale price for selling an instrument.
Any portion of the order that can be matched is immediately executed. Limit orders submitted for buying an instrument are executed at or below the limit price. Limit orders submitted for selling an instrument are executed at or above the limit price. A limit order remains on the book until the order is either executed, cancelled, or expires.

2.1.2 Market-limit Orders
Market-limit orders are executed at the best price available in the market. If the market-limit order can only be partially filled, the order becomes a limit order and the remaining quantity remains on the order book at the specified limit price.
Example: Market-limit Order (Bid)

1. The client sends a New Order to CME Globex.
- Bid, FKLIZ8, Market-Limit.

2. CME Globex responds with an Execution Report - Order Confirmation.

3. The market-limit order becomes a limit order at the best available market price (900).

4. CME Globex sends an Execution Report - Partial Fill.
- 2-Lot @ 900

5. The remaining quantity rests on the book at 900.

2.1.3 Market Orders with Protection

Market orders with protection are intended to avoid cascading market orders being filled at extreme prices. Market orders with protection are filled within a pre-defined range of prices referred to as the protected range. For bid orders, protection points are added to the current best offer price to calculate the protection price limit. For offer orders, protection points are subtracted from the current best bid price.
CME Globex matches the order at the best available price level without exceeding the protection price limit. If the entire order cannot be filled within the protected range immediately, the unfilled quantity remains in the order book as a limit order at the limit of the protected range. The protected range is 50% of the "no bust" ranges for products.

2.1.3.1 Example: Market Order with Protection Bid

The following example illustrates how the client interacts with CME Globex to process a market order with protection bid.

1. The client sends a Market Order to CME Globex.
- Bid, FKLIZ8, Market Order.
- Best Offer = 900 and Protection Points = 60.
- Protection Price Limit = 900 + 60 = 960.

2. CME Globex sends an Execution Report - Partial Fill.
2-Lot @ 900

3. CME Globex sends an Execution Report - Partial Fill.
3-Lot @ 930

4. CME Globex sends an Execution Report - Partial Fill.
3-Lot @ 955

5. Next Best Offer = 967. This value exceeds the protection price limit. CME Globex places the remaining quantity on the order book at a protection price limit of 960.

2.1.3.2 Example: Market Order with Protection Offer

The following example illustrates how the client interacts with CME Globex to process a market order with protection offer.

1. The client sends a Market Order to CME Globex.
- Offer, FKLIZ8, Market Order.
- Best Bid = 900 and Protection Points = 60
- Protection Price Limit = 900 - 60 = 840

2. CME Globex sends an Execution Report - Partial Fill.
Orders 2-Lot @ 900

3. CME sends an Execution Report - Partial Fill.
3-Lot @ 899

4. CME Globex sends an Execution Report - Partial Fill.
3-Lot @ 896

5. Next Best Bid = 830. This value is below the protection price limit. CME Globex places the remaining quantity on the order book at a protection price limit of 840.

2.2 Futures Order Types

The following order types are supported by CME Globex for futures only:
• Stop-limit Orders

• Stop Orders with Protection

2.2.1 Stop-limit Orders

Stop-limit orders are activated when an order's trigger price is traded in the market. For a bid order, the trigger price must be higher than the last traded price. For a sell order, the trigger price must be lower than the last traded price. After the trigger price is traded in the market, the order enters the order book as a limit order at the order limit price. The limit price is the highest/lowest price at which the stop order can be filled. The order can be filled at all price levels between the trigger price and the limit price. If any quantity remains unfilled, it remains on the order book as a limit order at the limit price.

2.2.2 Stop Orders with Protection

Stop orders with protection are intended to avoid cascading stop orders being filled at extreme prices. A stop order with protection is activated when the market trades at the stop trigger price and can only be executed within the protection range limits. The order enters the order book as a limit order with the protection price limit equal to the trigger price plus or minus the pre-defined protection point range.
Protection point ranges are equal to 50% of the product's "no bust" range. For bid orders, protection points are added to the trigger price to calculate the protection price limit. For offer orders, protection points are subtracted from the trigger price.
CME Globex matches the order at all price levels between the trigger price and the protection price limit. If the order is not completely filled, the remaining quantity is placed in the order book at the protection price limit. Refer to “Stop Spike Logic” for more information.

2.2.2.1 Example: Stop Order with Protection Bid

The following example illustrates how the client interacts with CME Globex to process a stop order with protection bid.

1. The client sends a Market Order to CME Globex.
• Bid, FKLIZ8, Stop Order, 900 Trigger Price

2. A trade occurs at the trigger price of 900. The order is activated and CME Globex responds with an Execution Report - Order Confirmation (Notification that order was triggered).
Orders
• Trigger Price = 900, Protection Points = 60
• Protection Price Limit = 900 + 60 = 960

3. CME Globex sends an Execution Report - Partial Fill.
2-Lot @ 925

4. CME Globex sends an Execution Report - Partial Fill.
3-Lot @ 930

5. CME Globex sends an Execution Report - Partial Fill.
3-Lot @ 955

6. Next Best Offer = 967. This value exceeds the protection price limit. CME Globex places the remaining quantity on the order book at a protection price limit of 960.

2.2.2.2 Example: Stop Order with Protection Offer

The following example illustrates how the client interacts with CME Globex to process a stop order with protection offer.

1. The client sends a New Order to CME Globex.
• Offer, FKLIZ8, Stop Order (with protection), 900 Trigger Price

2. CME Globex responds with an Execution Report - Order Confirmation.

3. A trade occurs at the trigger price of 900. The client's order is activated and CME Globex responds with an Execution Report - Order Confirmation (Notification that order was triggered).
• Trigger Price = 900, Protection Points = 60
• Protection Price Limit = 900 - 60 = 840

4. CME Globex sends an Execution Report - Partial Fill.
2-Lot @ 900

5. CME Globex sends an Execution Report - Partial Fill.
3-Lot @ 899

6. CME Globex sends an Execution Report - Partial Fill.
3-Lot @ 865

7. Next Best Bid = 830. This value is below the protection price limit. CME Globex places the remaining quantity on the order book at a protection price limit of 840.

2.3 Options Order Types

The following order type is supported by CME Globex for options only:
• Cabinet Orders

2.3.1 Cabinet Orders

CME Globex fully supports cabinet priced option orders. A cabinet is an option premium for an order that is submitted for deep out-of-the-money options contracts defined by Clearing as the lowest tradable price for the option. The cabinet order allows the user to enter an option order with a price that is less than the minimum price movement and have CME Globex recognize the price as valid.
Cabinet trades on CME Globex are executed at a price equal to zero for most CME Globex products. For equity and interest rate products, the minimum tick value (non-zero) is considered cabinet.

2.4 Order Qualifiers

Order qualifiers establish the duration that the order is active. Order qualifiers are not related to price or volume modification.
CME Globex provides the trader with the following order qualifiers:
• Day
• Good-Till-Cancelled (GTC)
• Good-Till-Date (GTD)
• Fill-and-Kill (FAK)
• Fill-or-Kill (FOK)

2.4.1 Day

Day orders are intended to be active only during that trading day. Day orders automatically expire at the end of the day and do not carry over to the next trade date. CME Globex assumes that all orders are day orders unless otherwise specified.

2.4.2 Good-Till-Cancelled (GTC)

GTC orders remain active in the order book until they are completely executed, cancelled or when the instrument expires.

2.4.3 Good-Till-Date (GTD)

GTD orders remain active on the order book until they are completely executed, expire at the specified date, are cancelled, or when the instrument expires.

2.4.4 Fill-and-Kill (FAK)

FAK orders are immediately executed against resting orders. If the order cannot be fully filled, the remaining balance is cancelled. A minimum quantity can be specified. If the specified minimum quantity cannot be filled, the order is cancelled.

2.4.5 Fill-or-Kill (FOK)

FOK orders must be fully filled immediately or the entire order is cancelled. An FOK order is created by using the FAK qualifier and setting the minimum quantity to the original order quantity.

2.5 Display Quantity

The display quantity allows you to control the manner in which trades are reported in the market. Also referred to as "maximum show", the display quantity allows you to specify whether or not the entire quantity of an order is reported to the market. You can expose the order to the market gradually.

For example, a user may place an order with a quantity of 1000. If a display quantity value of 100 is submitted with the order, no more than 100 contracts are exposed to the market at any time. Each time 100 contracts are filled, the next 100 contract order is entered into the market as a new order.

2.6 Minimum Quantity

The user can specify a minimum quantity which must be executed for the order. The entire order quantity is displayed to the market.

The following rules apply to Minimum Quantity:

- If an order specifies a minimum quantity, then at least the minimum quantity must be filled immediately.
- If at least the minimum quantity cannot be filled, then the entire order is cancelled.
- If the minimum quantity or more is filled, then the remaining quantity is placed on the book.
- If an order has a minimum quantity equal to the total order quantity then the entire order fills immediately or it is cancelled.
- If an order does not specify a minimum quantity, then the order is treated as a regular order.

2.7 Additional Information

See the topics below for additional information on orders.

2.7.1 Stop Spike Logic

In theory, cascading stop orders could cause the market to trade outside of predefined values (typically the same as the “no bust” ranges). Stop spike logic prevents such excessive price movements by introducing a momentary pause in matching. The affected instrument is placed in a “reserved” state. This momentary trading pause allows new orders to be entered and matched against the triggered stops in an algorithm similar to market opening.

Whenever a lead month futures instrument is placed in the reserved state, the options auto-reserve functionality automatically pauses matching in the associated options and options spreads markets. All resting mass quotes are cancelled when the auto-reserve functionality is initiated. This state is maintained for a few seconds after the futures contract has resumed trading. During the reserved period, customers can submit, modify and cancel orders. Mass quotes are rejected.

2.7.2 GTC/GTD Outside Daily Price Limits

The GTC or GTD order cannot be filled outside the daily high/low price limit at any time.

2.7.2.1 GTD or GTC Example:

1. A GTD or GTC order to buy 10 FKLIZ8 @ 1200 is entered on 10/9/2008.

- The daily price limits are 1000 minimum and 1500 maximum
- The GTD or GTC order is placed on the book

2. The market closes and reopens on 11/9/2008 with price limits of 800 for the minimum and 1300 for the maximum.

3. A sell order comes into the book to sell 10 FKLIZ8 @1200, which matches the buy order at 1200.

4. The order is filled at 1200, within the limits that were in place on 10/9/2008.

2.7.3 Conflicting Order Status

A person who believes he has received an incorrect order status or does not receive an appropriate status shall immediately notify the GCC. Additionally, such person shall take any necessary and appropriate market action to mitigate any potential losses arising from the incorrect order status or lack of appropriate order status immediately after the person knew or should have known that the order status information was incorrect or should have been received.

The Exchange may provide prior notification that an Exchange system, service or facility may produce such incorrect information and also provide notification of a means to obtain correct order status information from such system, service or facility.

In the event that the GCC and an Exchange system, service or facility provide conflicting information relating to an order status, a customer may only reasonably rely on the information received from the GCC.

3. Options and Options Spreads

Options provide financial flexibility to the investment community as another type of exchange-traded derivative product. An option on a futures contract provides the buyer the right, but not the obligation, to buy or sell an underlying futures contract at a specific price. The structure of an option offers the trader the ability to limit the risk taken.

All CME Group option spreads are user-defined on the CME Globex platform to minimize the amount of maintenance and time commitment required to download the Security Definition of all possible spreads.

A User-Defined Spread (UDS) is an option spread that CME Globex creates from a trader request that defines the spread legs and ratios. CME Globex receives the request and creates a tradable instrument that is disseminated to the entire market.

3.1 Options Naming Conventions

The naming conventions for CME options underlying contract instruments are constructed using the syntax of:

• Product Code
• Contract month/year
• Space
• Type of strike (C = Call; P = Put)
• Strike Price

For example, the March 2009 OKLI Option 1200 Call option contract is shown as, **OKLIH9 C1200**.

3.2 Options Spreads Naming Conventions

In the MDP FIX/FAST Security Definition (tag 35-MsgType=d) message, tag 107-SecurityDesc does not contain sufficient information to describe a CME Globex unrecognized option spread instrument. The display name of the options spread must be derived from the repeating group tags for each leg

3.3 CME Globex Exchange Recognized Spread Type

If the spread being requested by the user is identified as one of the CME Globex standard spread types, that specific spread instrument will be created and a notice of the spread's availability will be distributed to the entire market. This is referred to as a CME Globex exchange recognized spread type. A list of all CME Globex exchange recognized spread types are described in detail in this document.

3.4 CME Globex Unrecognized Spread Type

If the spread being requested by the user is not identified as one of the CME Globex standard spread types, the spread instrument will be created exactly as the user requested and a notice of the spread's availability will be distributed to the entire market. This is referred to as a Generic spread type.

The Generic (GN) spread type makes all CME Globex spread configurations available for all CME options.

This enables users to create option spread instruments with configurations not ordinarily supported for an option product.

Additionally, the user can create option instruments comprised of multiple spread types which is not supported with exchange-defined spreads. A combination could be created by joining the configurations of a Vertical option spread and Xtree option spread into a unique Generic spread.

Generic strategies can be defined up to 40 legs and also allows users to create delta neutral strategies.

Generic spread works in conjunction with covered User Defined Spreads and can be used for an outright option or option spread.

UDS functionality does not support intercommodity spreads.

3.5 Exchange Recognized Options Spread Construction Summary

CME Globex offers exchange recognized Options Spread Types as outlined in the table below.

***Note:* Not all of these pre-listed strategies are available to all product groups.**

Table 3.5 Spread Type Compatibility Summary

Options		
Strategy	**Type Code**	**Construction**
Calendar • Horizontal	HO	Call Horizontal: Sell1callstrike1exp1 Buy1callstrike1exp2 Put Horizontal: Sell1putstrike1exp1 Buy1putstrike1exp2
• Calendar Diagonal	DG	Call buy1callstrike1exp1 sell1callstrike2exp2 Put buy1 putstrike1exp1 sell1 putstrike2exp2
Straddle	ST	Buy1callstrike1exp1 Buy1putstrike1exp1
Strangle	SG	Buy1putstrike1exp1 Buy1callstrike2exp1
Vertical	VT	Call Buy1callstrike1exp1 Sell1callstrike2exp1 Put Buy1putstrike2exp1 Sell1putstrike1exp1
Box	BX	Buy1callstrike1exp1 Sell1putstrike1exp1 Buy1putstrike2exp1 Sell1callstrike2exp1
Butterfly	BO	Call Buy1callstrike1exp1 Sell2callstrike2exp1 Buy1callstrike3exp1 Put Buy1putstrike3exp1 Sell2putstrike2exp1 Buy1putstrike1exp1
Conditional Curve	CC	Call Buy1callstrikeexp1instr1 Sell1callstrikeexp1instr2 Put

		Buy1putstrikeexp1 instr1 Sell1putstrikeexp1 instr2
Condor	CO	Call Buy1callstrike1exp1 Sell1callstrike2exp1 Sell1callstrike3exp1 Buy1callstrike4exp1 Put Buy1putstrike4exp1 Sell1putstrike3exp1 Sell1putstrike2exp1 Buy1putstrike1exp1
Double 1	DB	Call Buy1callstrike1exp1 Buy1callstrike2exp1 Put Buy1putstrike2exp1 Buy1putstrike1exp
Horizontal Straddle	HS	Buy1callstrike1exp2 Buy1putstrike1exp2 Sell1callstrike1exp1 Sell1putstrike1exp1
Iron Condor	IC	Sell1putstrike1exp1 Buy1putstrike2exp1 Buy1callstrike3exp1 Sell1callstrike4exp1
Ratio 1x2	12	Call Buy1callstrike1exp1 Sell2callstrike2exp1 Put Buy1putstrike2exp1 Sell2putstrike1exp1
Ratio 1x3	13	Call Buy1callstrike1exp1 Sell3callstrike2exp1 Put Buy1putstrike2exp1 Sell3putstrike1exp1
Ratio 2x3	23	Call Buy2callstrike1exp1 Sell3callstrike2exp1 Put

		Buy2putstrike2exp1 Sell3putstrike1exp1
Strip	SR	Call Buy1callstrike1exp1 Buy1callstrike1exp2 Buy1callstrike1exp3 Buy1callstrike1exp4 Put Buy1putstrike1exp1 Buy1putstrike1exp2 Buy1putstrike1exp3 Buy1putstrike1exp4
Risk Reversal	RR	Buy1callstrike2exp1 Sell1putstrike1or2exp1
Straddle Strips	SS	Buy1callstrike1exp1 Buy1putstrike1exp1 Buy1callstrike1exp2 Buy1putstrike1exp2 Buy1callstrike1exp3 Buy1putstrike1exp3 Buy1callstrike1exp4 Buy1putstrike1exp4
Xmas Tree	XT	Call Buy1callstrike1exp1 Sell1callstrike2exp1 Sell1callstrike3exp1 Put Buy1putstrike3exp1 Sell1putstrike2exp1 Sell1putstrike1exp1
3-Way	3W	Call Buy1callstrike2exp1 Sell1callstrike3exp1 Sell1putstrike1exp1 Put Buy1putstrike2exp1 Sell1putstrike1exp1 Sell1callstrike3exp1
Iron Butterfly	IB (eye-B)	Sell1putstrike1exp1 Buy1putstrike2exp1 Buy1callstrike2exp1 Sell1callstrike3exp1
Jelly Roll	JR	Buy Sell1callstrike1exp1

		Buy1putstrike1exp1 Buy1callstrike2exp2 Sell1putstrike2exp2 Sell Buy1callstrike1exp1 Sell1putstrike1exp1 Sell1callstrike2exp2 Buy1putstrike2exp2
Guts	GT	Buy1callstrike1exp1 Buy1putstrike2exp1
3-way: Straddle versus Call	3C	Construction: Buy1callstrike1exp1 Buy1putstrike1exp1 Sell1callstrike(?)exp1
3-way: Straddle versus Put	3P	Buy1callstrike1exp1 Buy1putstrike1exp1 Sell1putstrike(?)exp1

3.6 Options Spread Description
All strategies described in the text below are shown from the buyer's perspective.

3.6.1 Calendar (Horizontal or Diagonal)
A Horizontal (HO) option spread consists of buying a call (put) in one expiration month and selling a call (put) in another expiration month at the same strike. A Diagonal (DG) option spread consists of buying a call (put) in one expiration month and selling a call (put) in another expiration month at a different strike price.

3.6.1.1 Horizontal
A horizontal (HO) option spread consists of buying a call (put) at a strike in the far month, and selling a call (put) at the same strike in the near month.
Spread ratio: (Buy 1: Sell 1)

Call Horizontal
Construction: Buy1callstrike1exp1 Sell1callstrike1exp2
Example: Call Horizontal
Buy 1 December 2008 OKLI 1260 Call and
Sell 1 July 2008 OKLI 1260 Call
Buy Call 1

Put Horizontal
Construction: Buy1putstrike1exp1 Sell1putstrike1exp2
Example: Put Horizontal
Buy 1 December 2008 OKLI 1260 Call and
Sell 1 July 2008 OKLI 1260 Call

Buy Put 1

3.6.1.2 Diagonal

A Diagonal (DG) option spread consists of buying a call (put) in one expiration month and selling a call (put) in another expiration month at a different strike price.
A Diagonal (DG) UDS is a recognized UDS type in all CME Globex options markets.
Spread ratio: (Buy 1: Sell 1)

Call Diagonal

Construction: Buy1callstrike1exp1 Sell1callstrike2exp2
Example: Call Spread
Buy 1 December 2008 OKLI 1260 Call and
Sell 1 July 2008 OKLI 1280 Call
Buy Call 1

Put Diagonal

Construction: Buy1putstrike1exp1 Sell1putstrike2exp2
Example: Put Spread
Buy 1 December 2008 OKLI 1260 Put and
Sell 1 July 2008 OKLI 1280 Put
Buy Put 1

3.6.2 Straddle

A Straddle (ST) option spread consists of buying both a call and put option on the same contract, strike price and expiration date.
Spread ratio: (Buy 1: Buy 1)
Construction: Buy1callstrike1exp1 Buy1putstrike1exp1
Example: Buy the Straddle
Buy 1 December 2008 OKLI 1260 Call and
Buy 1 December 2008 OKLI 1260 Put
Buy 1

3.6.3 Strangle

A Strangle (SG) option spread consists of buying a put at a lower strike price and buying a call at a higher strike price within the same contract and expiration.
Spread ratio: (Buy 1: Buy1)
Construction: Buy1putstrike1exp1 Buy1callstrike2exp1
Example: Buy the Strangle
Buy 1 December 2008 OKLI 9800 Put and
Buy 1 December 2008 OKLI 9900 Call
Buy 1

3.6.4 Vertical

A Vertical (VT) option spread is made up of all calls or all puts and consists of buying a call at a strike price and selling a call at a higher strike price or buying a put at a strike price and selling a put at a lower strike price within the same contract and expiration date.

Spread ratio: (Buy 1: Sell 1)

Call Vertical

Construction: Buy1callstrike1exp1 Sell1callstrike2exp1
Example: Call Spread

Buy 1 December 2008 OKLI 1260 Call and
Sell 1 December 2008 OKLI 1280 Call
Buy 1 Call

Put Vertical
Construction: Buy1putstrike2exp1 Sell1putstrike1exp1
Example: Put Spread
Buy 1 December 2008 OKLI 1280 Put and
Sell 1 December 2008 OKLI 1260 Put
Buy 1 Put

3.6.5 Box
A Box (BX) option spread consists of buying the call and selling the put at the same lower strike price and buying the put and selling the call at the same higher strike all within the same contract and expiry month.
Spread ratio: (Buy 1: Sell 1: Buy 1: Sell 1)
Construction: Buy1callstrike1exp1 Sell1putstrike1exp1 Buy1putstrike2exp1 Sell1callstrike2exp1
Example: Box
Buy 1 December OKLI 1200 Call,
Sell 1 December OKLI 1200 Put,
Buy 1 December OKLI 1300 Put,
Sell 1 December OKLI 1300 Call
Buy 1

3.6.6 Butterfly
A Butterfly (BO) option spread is constructed of all calls (Call Butterfly) or all puts (Put Butterfly). The Call Butterfly consists of buying a call, selling two calls at a higher strike price and buying a call at a still higherstrike price within the same contract and expiry month. The Put Butterfly consists of buying a put, selling two puts at a lower strike price and buying a put at a still lower strike price within the same contract and expiry month.
The Butterfly requires a specific symmetry in the strikes in that the difference between the strike prices is the same for all legs.
Spread ratio: (Buy 1: Sell 2: Buy 1)

Call Butterfly
Construction: Buy1callstrike1exp1 Sell2callstrike2exp1 Buy1callstrike3exp1
Example: Call Butterfly
Buy 1 December 2008 OKLI 1240 Call
Sell 2 December 2008 OKLI 1260 Call
Buy 1 December 2008 OKLI 1280 Call
Buy Call 1

Put Butterfly
Construction: Buy1putstrike3exp1 Sell2putstrike2exp1 Buy1putstrike1exp1
Example: Put Butterfly
Buy 1 December 2008 OKLI 1280 Put
Sell 2 December 2008 OKLI 1260 Put
Sell 1 December 2008 OKLI 1240 Put
Buy Put 1

3.6.8 Condor
A Condor (CO) option spread is constructed of all calls (Call Condor) or all puts (Put Condor).
The Call Condor consists of buying a call, selling one call at a higher strike price and selling a call at a still higher strike price, and buying a fourth call at a still higher strike price within the same contract and expiry month.

The Put Condor consists of buying a put at the highest strike price, selling one put at a lower strike price, selling a put at a still lower strike price, and buying a fourth put at an even lower strike price within the same contract and expiry month.
The Condor requires a specific symmetry in the strikes in that the difference between the strike prices is the same for all legs.
Spread ratio: (Buy 1: Sell 1: Sell 1: Buy 1)

Call Condor
Construction: Buy1callstrike1exp1 Sell1callstrike2exp1 Sell1callstrike3exp1Buy1callstrike4exp1
Example: Call Condor
Buy 1 December 2008 OKLI 1240 Call
Sell 1 December 2008 OKLI 1260 Call
Sell 1 December 2008 OKLI 1280 Call
Buy 1 December 2008 OKLI 1300 Call
Buy Call 1

Put Condor
Construction: Buy1putstrike4exp1 Sell1putstrike3exp1 Sell1putstrike2exp1Buy1putstrike1exp1
Example: Put Condor
Buy 1 December 2008 OKLI 1300 Put
Sell 1 December 2008 OKLI 1280 Put
Sell 1 December 2008 OKLI 12600 Put
Buy 1 December 2008 OKLI 1240 Put
Buy Put 1

3.6.9 Double
A Double (DB) option spread is constructed of all calls (Call Double) or all puts (Put Double).
The Call Double consists of buying a call at a strike price and buying another call at a higher strike price within the same contract and expiry month.
The Put Double consists of buying a put at a strike price and buying another put at a lower strike price within the same contract and expiry month.
Spread ratio is (Buy 1: Buy 1)

Call Double
Construction: Buy1callstrike1exp1 Buy1callstrike2exp1
Example: Call Double
Buy 1 December 2008 OKLI 1260 Call
Buy 1 December 2008 OKLI 1280 Call
Buy Call 1

Put Double
Construction: Buy1putstrike2exp1 Buy1putstrike1exp1
Example: Put Double
Buy 1 December 2008 OKLI 1280 Put
Buy 1 December 2008 OKLI 1260 Put
Buy Put 1

3.6.10 Horizontal Straddle
A Horizontal Straddle (HS) option spread consists of buying a straddle at one strike price in the deferred month and selling a straddle at the same or different strike in the near month.
More specifically, a Horizontal Straddle (HS) consists of buying a call and buying a put at the same strike price in the deferred month and selling a call and selling a put at the same lower strike price in the near month, all within the same contract and expiry month.

Spread ratio: (Buy 1: Buy 1: Sell 1: Sell 1)
Construction: Buy1callstrike1exp2 Buy1putstrike1exp2 Sell1callstrike1exp1 Sell1putstrike1exp1
Example: Horizontal Straddle
Buying 1 Sept 2008 OKLI 1260 Call,
Buying 1 Sept 2008 OKLI 1260 Put
Selling 1 June 2008 OKLI 1280 Call
Selling 1 June 2008 OKLI 1280 Put
Buy 1

3.6.11 Iron Condor

A Iron Condor (IC) option spread consists of buying a put spread and buying a call spread at higher strike prices. More specifically this consists of selling a put at one strike price, buying a put at a higher strike price, buying a call at a higher strike price, and selling a call at an even higher strike price, all within the same contract and expiration.
Spread ratio: (Sell 1: Buy 1:Buy 1: Sell 1)
Construction: Sell1putstrike1exp1 Buy1putstrike2exp1 Buy1callstrike3exp1 Sell1callstrike4exp1
Example: Put Spread
Sell 1 June 2008 OKLI 1240 Put,
Buy 1 June 2008 OKLI 1260 Put,
Buy 1 June 2008 OKLI 1280 Call,
Sell 1 June 2008 OKLI 1300 Call.
Buy 1 Put

3.6.12 Ratio 1x2

A Ratio 1x2 (12) option spread is constructed of all calls (Call Ratio 1x2) or all puts (Put Ratio 1x2).
The Call Ratio 1x2 consists of buying a call and selling two calls at a higher strike price within the same contract and expiry month.
The Put Ratio 1x2 consists of buying a put at a strike price and selling two puts at a lower strike price within the same contract and expiry month.
Spread ratio is (Buy 1: Sell 2)

Call 1x2

Construction: Buy1callstrike1exp1 Sell2callstrike2exp1
Example: Call 1x2
Buy 1 March 2008 OKLI 1260 Call
Sell 2 March 2008 OKLI 1280 Call
Buy 1 Call

Put 1x2

Construction: Buy1putstrike2exp1 Buy1putstrike1exp1
Example: Put 1x2
Buy 1 March 2008 OKLI 1280 Put
Sell 2 March 2008 OKLI 1260 Put
Buy 1 Put

3.6.13 Ratio 1x3

A Ratio 1x3 (13) option spread is constructed of all calls (Call Ratio 1x3) or all puts (Put Ratio 1x3).
The Call Ratio 1x3 consists of buying a call at one strike price and selling three calls at a higher strike price within the same contract and expiry month.
The Put Ratio 1x3 consists of buying a put at one strike price and selling three puts at a lower strike price within the same contract and expiry month.
Spread ratio: (Buy 1: Sell 3)

Call 1x3

Construction: Buy1callstrike1exp1 Sell3callstrike2exp1
Example: Call 1x3
Buying 1 March 2008 December OKLI 1200 Call
Selling 3 March 2008 December OKLI 1300 Call
Buy 1 Call

Put 1x3
Construction: Buy1putstrike2exp1 Sell3putstrike1exp1
Example: Put 1x3
Buying 1 March 2008 December OKLI 1300 Put
Selling 3 March 2008 December OKLI 1200 Put
Buy 1 Put

3.6.14 Ratio 2x3
A Ratio 2x3 (23) option spread is constructed of all calls (Call Ratio 2x3) or all puts (Put Ratio 2x3).
The Call Ratio 2x3 consists of buying two calls at one strike and selling three calls at a higher strike price within the same contract and expiry month.
The Put Ratio 2x3 consists of buying two puts at one strike price and selling three puts at a lower strike price within the same contract and expiry month.
Spread ratio: (Buy 2: Sell 3)

Call 2x3
Construction: Buy2callstrike1exp1 Sell3callstrike2exp1
Example: Call 2x3
Buy 2 March 2008 OKLI 1260 Call
Sell 3 March 2008 OKLI 1280 Call
Buy 1 Call

Put 2x3
Construction: Buy2putstrike2exp1 Sell3putstrike1exp1
Example: Put 2x3
Buy 2 March 2008 OKLI 1280 Put
Sell 3 March 2008 OKLI 1260 Put
Buy 1 Put

3.6.15 Strip
A Strip (SR) option spread is constructed of all calls (Call Strip) or all puts (Put Strip).
The Call Strip consists of buying calls within the same contract and strike price for each of four consecutive quarterly expiry months, resulting in a total of four (4) calls purchased.
The Put Strip consists of buying puts within the same contract and strike price for each of four consecutive quarterly expiry months, resulting in a total of four (4) puts purchased.
The Strip requires a specific symmetry in the expiry months in that the time difference between the expiry months is the same for all legs.
Spread ratio: (Buy 1: Buy 1: Buy 1: Buy 1)

Call
Construction: Buy1callstrike1exp1 Buy1callstrike1exp2 Buy1callstrike1exp3Buy1callstrike1exp4
Example: Call
Buy 1 June 2008 OKLI 1280 Call
Buy 1 Sept 2008 OKLI 1280 Call
Buy 1 Dec 2008 OKLI 1280 Call
Buy 1 March 2009 OKLI 1280 Call
Buy 1 Call

Put

Construction: Buy1putstrike1exp1 Buy1putstrike1exp2 Buy1putstrike1exp3Buy1putstrike1exp4
Example: Put
Buy 1 June 2008 OKLI 1280 Put
Buy 1 Sept 2008 OKLI 1280 Put
Buy 1 Dec 2008 OKLI 1280 Put
Buy 1 March 2009 OKLI 1280 Put
Buy 1 Put

3.6.16 Risk Reversal

A Risk Reversal (RR) option spread consists of buying a call and selling a put option within the same contract and expiration month. The put component can be the same strike or a lower strike as the call option.
Spread ratio: (Buy 1: Sell 1)
Construction: Buy1callstrike2exp1 Sell1putstrike1or2exp1
Example: Risk Reversal
Buy 1 June 2008 OKLI 1280 Call
Sell 1 June 2008 OKLI 1260 Put
Buy 1

3.6.17 Straddle Strips

A Straddle Strip (SS) option spread consists of buying a call and put within the same contract at the same strike price (Straddle) for each of four consecutive quarterly expiry months. This results in four (4) Straddles being purchased.

The Straddle Strip requires a specific symmetry in the expiry months in that the time difference between the expiry months is the same for all legs.
Spread ratio: (Buy 1: Buy 1: Buy 1: Buy 1)

Call

Construction: Buy1callstrike1exp1 Buy1putstrike1exp1 Buy1callstrike1exp2 Buy1putstrike1exp2 Buy1callstrike1exp3 Buy1putstrike1exp3 Buy1callstrike1exp4 Buy1putstrike1exp4
Example: Call
Buy 1 June 2008 OKLI 1280 Call
Buy 1 June 2008 OKLI 1280 Put
Buy 1 Sept 2008 OKLI 1280 Call
Buy 1 Sept 2008 OKLI 1280 Put
Buy 1 Dec 2008 OKLI 1280 Call
Buy 1 Dec 2008 OKLI 1280 Put
Buy 1 March 2009 OKLI 1280 Call
Buy 1 March 2009 OKLI 1280 Put
Buy Call 1
Buy Put 1

3.6.18 Xmas Tree

An Xmas Tree (XT) option spread is constructed of all calls (Call Xmas Tree) or all puts (Put Xmas Tree).
The Call Xmas Tree consists of buying a call at one strike, selling a call at a higher strike and selling yet another call at a higher strike, all within the same contract and expiration month.
The Put Xmas Tree consists of buying a put at a higher strike and selling a put at a lower strike and selling yet another put at a still lower strike, all within the same contract and expiration month.
The Xmas Tree requires a specific symmetry in the strikes in that the difference between the strike prices is the same for all legs.
Spread ratio: (Buy 1: Sell 1: Sell 1)

Call Xmas Tree
Construction: Buy1callstrike1exp1 Sell1callstrike2exp1 Sell1callstrike3exp1
Example: Call Xmas Tree
Buy 1 June 2008 OKLI 1240 Call
Sell 1 June 2008 OKLI 1260 Call
Sell 1 June 2008 OKLI 1280 Call
Buy Call 1

Put
Construction: Buy1putstrike3exp1 Sell1putstrike2exp1 Sell1putstrike1exp1
Options and Options Spreads
Electronic Trading Concepts Version 1.7 Page 29
Example: Put
Buy 1 June 2008 OKLI 1280 Put
Sell 1 June 2008 OKLI 1260 Put
Sell 1 June 2008 OKLI 1240 Put
Buy Put 1

3.6.19 3-Way

A 3-Way (3W) option spread is constructed of calls and puts on the same contract and expiry month with different strike prices.
A Call 3-way consists of buying the call for the middle strike price, selling the call for high strike price, and selling the put for the low strike price.
A Put 3-way consists of buying the put for middle strike price, selling the put for low strike price, and selling the call for the high strike price.
Spread ratio: (Buy 1: Sell 1: Sell 1)

Call
Construction: Buy1callstrike2exp1 Sell1callstrike3exp1 Sell1putstrike1exp1
Example: Call Spread
Buy 1 July 2008 OKLI 1280 Call
Sell 1 July 2008 OKLI 1300 Call
Sell 1 July 2008 OKLI 1260 Put
Buy Call 1

Put
Construction: Buy1putstrike2exp1 Sell1putstrike1exp1 Sell1callstrike3exp1
Example: Put Spread
Buy 1 July 2008 OKLI 1280 Put
Sell 1 July 2008 OKLI 1260 Put
Sell 1 July 2008 OKLI 1300 Call
Buy Put 1

3.6.20 Iron Butterfly (IB)

An Iron Butterfly (IB) option spread consists of buying a Straddle and selling a Strangle in the same expiry month. The IB components are to sell a Put at a strike price, buy Put and Call at higher strike price, and sell a Call at an even higher strike price. The strike prices do not have to be consecutive and the gaps between strike prices do not have to be equal. **Spread ratio: (sell 1: buy 1: buy 1: sell 1)**
Construction: Sell1putstrike1exp1 Buy1putstrike2exp1 Buy1callstrike2exp1 Sell1callstrike3exp1

Example: Iron Butterfly
Sell 1 March 2009 OKLI 1240 Put
Buy1 March 2009 OKLI 1260 Put

Buy 1 March 2009 OKLI 1260 Call
Sell 1 March 2009 OKLI 1280 Call

3.6.21 Jelly Roll (JR)

A Jelly Roll (JR) option spread consists of buying (sell) a Reversal in one expiry month and selling (buy) the Reversal in another expiry month to produce a synthetic spread between both months.
A Jelly Roll involves Selling (buy) a Call, buying (sell) a Put at the same strike in the near month, and buying (sell) a Call, selling (buy) a Put at a different strike in the far month.
Spread ratio: (sell 1: buy 1: buy 1: sell 1)

Buy Jelly Roll
Construction: Sell1callstrike1exp1 Buy1putstrike1exp1 Buy1callstrike2exp2 Sell1putstrike2exp2

Example: Buy Jelly Roll
Sell 1 Dec 2009 OKLI 1260 Call
Buy 1 Dec 2009 OKLI 1260 Put
Buy 1 March 2010 OKLI options 1280 Call
Sell 1 March 2010 OKLI 1280 Put

Sell Jelly Roll
Construction: Buy1callstrike1exp1 Sell1putstrike1exp1 Sell1callstrike2exp2 Buy1putstrike2exp2

Example: Sell Jelly Roll
Buy 1 Dec 2009 OKLI options 1260 Call
Sell 1 Dec 2009 OKLI options 1260 Put
Sell 1 March 2010 OKLI options 1280 Call
Buy 1 March 2010 OKLI options 1280 Put

3.6.22 Guts (GT)

A Guts (GT) option spread consists of buying a Call at a strike price and buying a Put at a higher strike price in the same expiry.
Spread ratio: (buy 1: buy 1)
Construction: Buy1callstrike1exp1 Buy1putstrike2exp1

Example: Buy the Guts
Buy 1 December 2009 OKLI 1200 Call
Buy 1 December 2009 OKLI 1220 Put

3.6.23 3-way: Straddle versus Call (3C)

A 3-way: Straddle versus Call (3C) option spread consists of buying a Straddle and (versus) selling a Call in the same expiry month. The Straddle component consists of buying a Call and buying a Put in the same contract, expiration, and strike price. The opposing (versus) component is to sell a Call for the same contract and expiration but at a different strike price.

Spread ratio: (buy 1: buy 1: sell 1)
Construction: Buy1callstrike1exp1 Buy1putstrike1exp1 Sell1callstrike(?)exp1

Example: Buy the 3-way: Straddle versus Call
Buy 1 December 2009 OKLI 1200 Call
Buy 1 December 2009 OKLI 1200 Put
Sell 1 December 2009 OKLI 1220 Call

3.6.24 3-way: Straddle versus Put (3P)

A 3-way: Straddle versus Call (3C) option spread consists of buying a Straddle and (versus) selling a Put in the same expiry month. The Straddle component consists of buying a Call and buying a Put in the same contract, expiration, and strike price. The opposing (versus) component is to sell a Put for the same contract and expiration but at a different strike price.
Spread ratio: (buy 1: buy 1: sell 1)
Construction: Buy1callstrike1exp1 Buy1putstrike1exp1 Sell1putstrike(?)exp1

Example: Buy the 3-way: Straddle versus Put
Buy 1 December 2009 OKLI 1280 Call
Buy 1 December 2009 OKLI 1280 Put
Sell 1 December 2009 OKLI 1260 Put

4. Futures Spreads

This section describes the futures spread types that are compatible with CME Globex.

A spread is an instrument composed of multiple futures or options contracts that are executed simultaneously when the spread is executed. In a futures spread, the goal is to profit from the change in the price difference between two futures contracts while hedging against risk.

A spread is one or more futures contracts and one or more offsetting futures contracts. Spreads allow you to take less risk than is available with outright futures positions. The amount of risk between two Intra-market futures positions is usually less than the risk in an outright futures position.

CME Globex provides pre-defined spreads that are separate from the order book of the outright markets.

All strategies are shown from the buyer's perspective.

Leg Description

For the purpose of this discussion, the term Leg1 refers to the first component of the spread as shown in the naming convention. Leg2 refers to the second component of the spread. Leg3 refers to the third component of the spread, and so on.

Abbreviations

EQ = Equity
FX = Foreign Exchange
AG = Agricultural
IR = Interest Rate
RT = Reduced Tick
Vol = Volatility
exp = expiry

4.1 Spread Type Compatibility

CME Globex offers the following Exchange-defined Futures Spread Types that are compatible with the following products:

Table 4.1 Spread Type Compatibility

Futures		CME				BMD			
Strategy	**Type Code**	**EQ**	**FX**	**AG**	**IR**	**EQ**	**AG**	**IR**	
Calendar									
Standard	SP			x	x	x	x	x	
Strip	FS	x	x	x				x	

* = GSCI equity supports FX strategy

4.2 Futures Spread Construction

The following table summarizes the construction of Futures Spreads.

Table4. 3. Futures Spread Construction Summary

Futures

Strategy	Type Code	Construction	Instrument Code / Security Definition
Calendar			
Standard	SP	Buy1exp1 Sell1exp2	FCPOZ8-FCPOH9
Strip Month Expiry	FS	Buy1exp1 Buy1exp2 Buy1exp3 Buy1exp4	FKB3:FS 03M U8

4.3 Futures Spread Description

The following futures spread types are compatible with CME Globex.

4.3.1 Calendar (Horizontal or Diagonal)

A Calendar spread consists of 2 contracts within the same instrument group and with different maturity months. There are variations in Calendar spreads based on the product. Each Calendar spread variation is designated through the use of a different spread type code.

4.3.1.1 Standard

Standard (SP) consists of 2 contracts within the same instrument group and with different maturity months.
Buy 1 calendar = buy 1 front month leg, and sell 1 back month leg (+1:-1 ratio).
Products: All Products
Construction: Buy1exp1 Sell1exp2

Example: Buy the Spread
Buy 1 December 2008 FKLI and
Sell 1 March 2009 FKLI
Instrument Code/Securitydesc: Buying 1 FKLIZ8-FKLIH9

Example: Sell the Spread
Sell 1 December 2008 FKLI and
Buy 1 March 2009 FKLI
Instrument Code/Securitydesc: Selling 1 FKLIZ8-FKLIH9

4.3.4 Strip

Strip Spread (FS) is the simultaneous purchase (or sale) of futures positions in consecutive quarterly months. The average of the prices for the futures contracts bought (or sold) is the price level of the hedge. A four-month strip, for example, consists of an equal number of futures contracts for each of four consecutive quarterly contract months, also known as a calendar strip. The Strip Spread consists of 4 to 20 contracts within the same instrument group and with consecutive quarterly months.
Strips are constructed as buying a series of contracts simultaneously. Strips will tick in 1-tick increments.
Products: FKB3
Construction: Buy1exp1 Buy1exp2 Buy1exp3 Buy1exp4

Example: Buy the Strip
Buy 1 September 2008 FKB3 and
Buy 1 December 2008 FKB3 and
Buy 1 March 2009 FKB3

Buy 1 June 2009 FKB3
Instrument Code/Securitydesc: Buying 1 FKB3:FS 03M U8

Example: Sell the Strip
Sell 1 September 2008 FKB3 and
Sell 1 December 2008 FKB3 and
Sell1 March 2009 FKB3
Sell 1 June 2009 FKB3
Instrument Code/Securitydesc: Selling 1 FKB3:FS 03M U8

5. Indicative Opening Price (IOP) and Matching Algorithm

The IOP (Indicative Opening Price) provides market participants with a probable price at which the market will open or re-open, given the current book and order activity.
The IOP is calculated by the trading engine during the Pre-Open and Reserve States based on the orders in the book. During these two states orders can be entered or modified, but no matching will occur. This can cause the order book to be locked or crossed which would produce an IOP.
Indicative opening details are published using the Market Data Incremental Refresh tag 35-MsgType=X Message, Book Update Data Block and Opening Data Block. These messages are used to inform users of updates to the book and the IOP.
The Market Data Incremental Refresh tag 35-MsgType=X Message, Opening Data Block carries the IOP and is published during the Pre-open State and Reserve State. The Market Data Incremental Refresh tag
35-MsgType=X Message, Opening Data Block is sent when:

- A new order is entered that changes the IOP
- A book update changes the IOP

The Market Data Incremental Refresh tag 35-MsgType=X Message, Book Update Data Block is published to inform users of the first five limit prices available in the order book. It is sent when:

- An inbound order or modification changes the prices or quantities of the top 5 bid or ask price levels.
- A cancel removes orders from the top 5 bid or ask price levels

Tag 346-NumberOf Orders included in the IOP shows only the Displayed (booked) quantity on the Market Data Incremental Refresh tag 35-MsgType=X Message, Book Update Data Block even though the IOP was calculated using the entire order size for the Display Quantity Order.
The order quantities and the contract quantities for elected Stop Orders with the highest price (if they are buy Stops) or the lowest price (if they are sell Stops) are shown on the Market Data Incremental Refresh tag 35-MsgType=X Message (only 1 Stop order is shown regardless of how many Stops were elected by the IOP)
IOPs are only calculated for outright futures, futures spreads, option spreads, and options series.

5.1 Calculating/ Determining the IOP

CME Globex follows a specific set of rules to determine the IOP:
Rule 1: Determine the maximum matching quantity at a price level
Rule 2: Determine the minimum non-matching quantity
Rule 3: Determine the highest price if non-matching quantity is on the buy side for all prices
Rule 4: Determine the lowest price if non-matching quantity is on the sell side for all prices
Rule 5: Determine the closest price to the settlement price (reference price)
Rules are applied in a hierarchy from Rule 1 through Rule 5. The IOP is determined by whichever rule best applies to the order book at that moment.

5.1.1 Stop Orders in IOP

After an IOP is calculated the Stop book is scanned for Stops that would be elected by the IOP. All Stops that would be elected by the IOP are added to the limit book and the IOP is recalculated.

5.1.2 Determining Cumulative Quantity

The IOP is established by determining which price will match the most contracts based on the current mix of bids and offers available in the order book. CME Globex examines all prices where Bids and Offers overlap. The Bid and Offer quantity available at each price in the overlapped price level is listed and the cumulative quantity total of all bids and offers is determined at each price.
Bid cumulative quantity is determined by summing the bid quantity at each price, starting from the highest price and cumulating down to the lowest price level. Offer cumulative quantity is determined by summing the offer quantity at each price, starting from the lowest price and cumulating up to the highest price level.

Table 5.1.2 Cumulative Quantity Process

Cumulative Total of Bids and Offers

Cumulative Sum of Bids	**Bid Quantity**	**Price**	**Ask Quantity**	**Cumulative Sum of Offers**
10	**10**	51	**30**	357
30	**20**	50	**100**	327
60	**30**	49	**1**	227
100	**40**	48	**25**	226
150	**50**	47	**1**	201
220	**70**	46	**100**	200
320	**100**	45	**90**	100
321	**1**	44	**4**	10
351	**30**	43	**6**	6

5.1.3 Examining for IOP

Once the cumulative quantities available at each price are established, each price can be examined to determine where the most contracts can be matched.

The reasoning behind this comparison is that at each price level, all cumulative bids can be matched at that price or better and all cumulative offers can be matched at that price or better.

For example, if a match is executed at price level 43, bids at 44 through 51 could also potentially be matched. The opposite is true for offers. If a match is executed at price level 51, offers at 50 through 43 could also potentially be matched.

• At price level 48, there are 100 cumulative bid contracts available and 226 cumulative offer contracts available. A match at price 48 would execute 100 leaving a quantity of 126 offer contracts remaining on the book at the moment of the market opening.

• At price level 47, there are 150 cumulative bid contracts available and 201 cumulative offer contracts available. At price level 47, the result would be 150 contracts executed.

• At price level 46, there are 220 cumulative bid contracts available and 200 cumulative offer contracts available. At price level 46, the result would be 200 contracts executed.

• At price level 45, there are 320 cumulative bid contracts available and 100 cumulative offer contracts available. At price level 45, the result would be 100 contracts executed.

The IOP would be price level 46 where the maximum quantity of 200 contracts could be matched

5.1.4 Applying the Rules to Establish the Indicative Opening Price

Rule1: Determine the maximum matching quantity at a price level.

Table 5.1.4a Maximum Matching Quantity

Cumulative Total of Bids and Offers				
Cumulative	**Bid**	**Price**	**Ask**	**Cumulative Sum of Offers**

Sum of Bids	Quantity		Quantity	
10	10	51	30	357
30	20	50	100	327
60	30	49	1	227
100	40	48	25	226
150	50	47	1	201
220	70	**46**	100	**200**
320	100	45	90	100
321	1	44	4	10
351	30	43	6	6

Note: **Executed Quantity = 200**

The largest cumulative quantity of bids and offers that can be executed is at the price level of 46. The 200 offer contracts can be matched with the 220 Bid contracts available providing the greatest number of contracts matched of 200. So, the IOP is 46.
If rule 1 does not produce an IOP then include rule 2
Rule 2: Determine the minimum non-matching quantity.

Table 5.1.4b Minimum Non-Matching Quantity

Cumulative Total of Bids and Offers				
Cumulative Sum of Bids	**Bid Quantity**	**Price**	**Ask Quantity**	**Cumulative Sum of Offers**
10	10	51	30	306
30	20	50	100	276
60	30	49	1	176
100	40	48	25	175
150	50	**47**	0	**150**
180	30	46	50	**150**

280	100	45	90	100
281	1	44	4	10
311	30	43	6	6

Note: **Executed Quantity = 150**

At price levels of 46 and 47 there is a tie for the number of contracts that can match, 150 at each price level. At price level 47, the non-matching quantity is 0 (150 Bid - 150 offer = 0). At price level 46, the nonmatching quantity is 30 (180 Bid - 150 offer = 30). So, the Indicative Opening Price is 47, where there is the least number of unmatched contracts.
If rules 1 and 2 do not produce an IOP, then include rule 3.

Rule 3: Determine the highest price if the non-matching quantity is on the buy side for all prices.

Table 5.1.4c Highest Price

Cumulative Total of Bids and Offers				
Cumulative Sum of Bids	**Bid Quantity**	**Price**	**Ask Quantity**	**Cumulative Sum of Offers**
10	10	51	30	306
30	20	50	100	276
60	30	49	1	176
100	40	48	25	175
180	50	47	0	**150**
180	30	46	50	**150**
280	100	45	90	100
281	1	44	4	10
311	30	43	6	6

Note: **Executed Quantity = 150**

At price level 47, the largest cumulative quantity of Bids is 180. The largest cumulative quantity of offers is 150. The number of contracts that can match at price 47 is 150 contracts. The remaining non-matching Bid contracts = 30 (180 Bid - 150 offer = 30).
At price level 46, the largest cumulative quantity value of Bids is 180. The largest cumulative quantity of offers is 150. The number of contracts that can match at price 46 is 150 contracts. The remaining nonmatching Bid contracts = 30 (180 Bid - 150 offer = 30).
The Indicative Opening Price is 47, which is the highest price where the unmatched contracts are Bid contracts.

Rule 4: Determine the lowest price if the non-matching quantity is on the sell side for all prices.

Table 5.1.4d Lowest Price

Cumulative Total of Bids and Offers				
Cumulative Sum of Bids	**Bid Quantity**	**Price**	**Ask Quantity**	**Cumulative Sum of Offers**
10	10	51	30	306
30	20	50	100	276
60	30	49	1	176
100	40	48	25	175
110	10	47	0	**150**
110	0	**46**	50	**150**
130	20	45	90	100
160	30	44	4	10
190	30	43	6	6

Note: **Executed Quantity = 110**

At price level 47, the largest cumulative quantity of Bids is 110. The largest cumulative quantity value of offers is 150. The number of contracts that can match at price 47 is 110 contracts. The remaining nonmatching quantity is 40 (150 offer - 110 Bid = 40).
At price level 46, the largest cumulative quantity value of Bids is 110. The largest cumulative quantity value of offers is 150. The number of contracts that can match at price 47 is 110 contracts. The remaining non-matching quantity is 40 (150 offer - 110 Bid = 40).
The Indicative Opening Price is 46, which is the lowest price where the unmatched contracts are Offer contracts.
If rule 3 and 4 have a tie then include rule 5.
Rule 5: Determine the closest price to the settlement price (reference price).

Table 5.1.4e Closest Price to the Settlement Price (Reference Price)

Cumulative Total of Bids and Offers				
Cumulative Sum of Bids	**Bid Quantity**	**Price**	**Ask Quantity**	**Cumulative Sum of Offers**
50	50	51	30	280
70	20	50	100	250
150	80	49	0	**150**
150	0	48	0	**150**
150	0	47	0	**150**
150	0	46	0	**150**
150	0	45	70	**150**
150	0	44	60	80
150	0	43	20	20

Note: **Executed Quantity = 150**

Settlement Price (Reference Price) = 46
At price levels 45 through 49, matches can occur at the calculated maximum number of 150 contracts.
Each price level shows accumulated totals of 150 Bids and 150 Offers which when matched results in zero remaining contracts. IOP is the price closest to settlement

5.1.5 Stops in IOP

After an IOP price is calculated, the Stop Order book is scanned to determine if the IOP elects any Stop Orders. If the IOP would elect Stop Orders then recalculate the IOP including the quantities at the limit price of the Stop Orders that would be elected (this process continues until no other Stop Orders are elected by an IOP).

5.1.6 Display Quantity Orders in IOP

If a Display Quantity order is on the book while the IOP is being calculated then the entire order size (not just the displayed (booked) quantity) is included in the calculation.

5.1.7 First-In, First-Out (FIFO) Matching Algorithm

BMD is adopting the CME Globex FIFO matching algorithm.

The FIFO algorithm (F) fills orders on a strict price and time priority; the first order at a price level is the first order matched.

Orders lose their priority and get re-queued if users:

- Increase the quantity
- Change the price
- Change the account number

6. Market Integrity Controls

CME Globex employs several mechanisms to ensure market integrity and the ability for the market to maintain soundness and adherence to the CME Group Exchange trading policies. These market controls include:

- Order Activity Restrictions
- Daily Price Limits
- Price Banding
- Trade Cancellation Policy
- Stop Spike Logic

6.1 Order Activity Restrictions

Order activities are restricted to specific market states.

States	Order Entry	Order Modify	Order Cancel
Pre-open	X	X	X
No Cancel	X		
Pause			X
Reserve	X	X	X
Close			

6.2 Daily Price (Trading) Limits

Daily price limits are applicable for trading in FKLI, FCPO, FPKO and FUPO products in BMD. For further details refer to chapter 7. Static Thresholds and Invalid Trade.

6.3 Price Banding

To ensure a fair and orderly market, CME Globex has also instituted a price banding mechanism where all incoming electronic orders are subject to price verification and all orders with clearly erroneous prices are rejected. Price banding on the CME Globex platform is designed to mitigate the impact of erroneous order entries.
An overly aggressive erroneous order, such as limit bids at prices well above the market or limit offers at prices well below the market, can trigger a sequence of market-moving trades that require subsequent cancellations.
CME Globex uses one mechanism for futures price banding and another mechanism for options price banding. Price banding is applied to each CME Globex product individually.

Price banding represents a function of CME Globex which is applied to examine price-based orders before acceptance on the system. Specifically, banding is Globex logic which scans price-based orders, rejecting any buy orders above the "CME Last Price" PLUS a fixed band value or, any sell orders below the CME Last Price MINUS a fixed band value. The Last Price is determined by the last transaction, or the best bid or best offer through the last transaction. Alternatively, the Last Price can be determined by the Settlement Price, if no other prices are available.
Note: **In implied markets, the Last Price can be determined by the implied better bid or implied better offer.**
Banding does not prevent traders from entering bids below the market or entering offers above the market.
It does not restrict how far below or above the market a trader may wish to trade. Banding does not hinder the market's depth in any way. Price Banding only prevents a trader from bidding or offering at prices that appear to be unrealistic and potentially damaging to the marketplace.
Price Banding will not "lock-up" the market in the event of a rapid decline or advance in prices. The price band is based on the last traded price or the best bid or offer. As such, the band is moved by the action of entering bids or offers beyond the most recent last traded price or the best bid or offer.

Although banding does not prevent order entry, for products with price limits or circuit breakers, order entry may be prevented by the price limits or circuit breakers which take precedence over price banding.

6.3.1 Price Banding with Market Limit orders

Banding does not affect market orders so the price banding logic will not prevent the entry of market orders. A market order only has the potential to match the market price to the best bid or offer in the book but not beyond.
To illustrate this point, consider the entry of a 100-lot market limit order to buy when the book is configured as shown below.

Bid Quantity	Price	Offer Quantity
	150.75	300
	150.50	100
	150.25	50
	150.00	25
35	149.75	
60	149.25	
75	149.00	
25	148.75	

The immediate effect of the 100-lot market limit order to buy is that the order will be filled for 25 contracts at a price of 150.00. The unfilled 75 buy orders are converted by the trading host into a 75-lot limit bid at 150.00. As such, a market buy or sell order does not push the book past the current best bid or offer, respectively.
Banding will protect for the conversion of market orders into limit orders outside of the host at prices that would run through the book. An order under those conditions would be rejected.

6.3.2 Price Banding with Stop orders

Stop orders are processed relative to the price banding parameters. If the buy (sell) price is farther from the trigger price than the banding parameter then the order is rejected. Therefore, for all accepted Stop orders, if the stop price is hit, the limit order will be at a price within the band.

6.3.3 Price Band Variation (PBV)

Based on the market state and trading activity, a Price Band Variation (PBV) will be applied above and below the contract's reported reference price to establish the Price Band Variation Range (PBVR). The PBV is a static value that varies by product. It is symmetrically applied at both the upside (for bids) and downside (for offers) levels with each price change and enforced during the trading session.
If market conditions dictate a wider price band, for example, in a volatile market where prices are fluctuating rapidly, CME Group may elect to temporarily relax or suspend the price banding restriction. In addition to the PBVR, Daily Trading Limits may be in effect for certain products. Daily Trading Limits are always given priority over PBVR in rejecting orders with erroneous prices. PBVR are monitored throughout the day by the CME Globex Control Center (GCC) and may be adjusted if necessary.

It is important to note that the Daily Trading Limits always take precedence over PBVR in rejecting orders with erroneous prices. Price bands are monitored throughout the day by the CME Globex Control Center (GCC) and are adjusted when necessary.

6.3.4 Reserve Price Band Multiplier

When a non-implied Lead Month and/or Secondary Month futures instrument transitions into the Reserved State, the price band values are expanded by a predefined Reserve Price Band Multiplier.
The Reserve Price Band Multiplier expands the default Price Band by a positive whole number multiplier (e.g., 2x or 3x) during the Reserved State, to allow Limit and Stop order entry from the non-biased Buy or Sell side of the market. Allowing Limit and Stop order entry supports the creation of an Indicative Opening Price (IOP) at a fair market value level, thus supporting a more accurate reopening.

6.4 Futures Banding

With each price change the PBVR is recalculated and the new range is applied. The CME Globex platform rejects all bids and offers outside the PBVR. Applying the PBV to a reference price determines the PBVR.
The reference price used depends on the market state and trading activity:
• The contract's Settlement Price will serve as the PBVR reference price during the Pre-Open and the
Pre-Open/No-Cancel period, until the Indicative Opening Price (IOP) is calculated.
• Once an IOP is established, the IOP becomes the PBVR reference price.
• During the continuous trading, the CME Globex Last Price serves as the reference price for the PBVR
• If a contract has transitioned to continuous trading with no IOP or CME Globex Last Price being established, then the Settlement Price will continue to serve as the PBVR reference price until a CME Globex
Last Price is established.
• In the event of a market emergency where a market is placed in a non-trading mode after continuous trading has begun, then the IOP will serve as the PBVR reference price during the non-regular Pre- Open and the Pre-Open/ No-Cancel Period. If no IOP is available, then the CME Globex Last Price will serve as the PBVR reference price.
The PBVR adjusts dynamically as the CME Globex Last Price changes for a given product.
Example: PBVR Adjustment
• **Assume:** PBV for an index product is 100.00 index points
• CME Globex Last Price for the product is 3000.00
• PBVR would span from 2900.00 to 3100.00
All bids above 3100.00 and all offers below 2900.00 would be rejected by the CME Globex matching engine. If a CME Globex Last Price of 3010.00 is established, the PBVR is dynamically adjusted to span from 2910.00 to 3110.00

6.5 Options Banding

Price Banding for options markets requires specific considerations.
Although a series of options on a particular futures contract may trade frequently, any single specific strike price option may not trade or even be quoted regularly. The price of the underlying futures contract may change substantially relative to the option's CME Last Price, causing the market value of a formerly out-ofthe- money option to increase substantially while the PBVR is locked in place.
The CME Last Price on a specific option is an unrepresentative reference price. In addition, options with different strikes require different price band widths. PBVRs for "out-of-the-money" options should be narrower than those for "in-the-money" options to reflect the differences in the extent to which bids and offers departing from their fair market value may be considered erroneous.
For these reasons, CME Group has instituted enhanced options price banding, a dynamic price banding system, for selected options and options spreads traded on the CME Globex platform.
Enhanced Options price banding is identical to futures price banding, with the following modifications.
Based on market conditions, the reference price is set to either the:
• Last Price of the option or spread
• Theoretical Options Price (TOP), based on well established options pricing algorithms
• Last Price in combination with the TOP, if practical.
The width of the price bands is determined by one either a Fixed PBV for the entire option series, identical to the price banding for futures practice or a Dynamic PBV based on the delta of the option, as estimated by the TOP calculation or a Dynamic PBV based on a percentage of the TOP, where the percentage is based on the delta of the option.

6.6 Trade Cancellation

6.6.1 GCC Trade Cancellation Policy

Trade prices which occur within the No Cancellation Range, as determined by BMD, will generally not be cancelled or adjusted. The only exception to this rule is when BMD determines that allowing a trade to stand as executed may have a material, adverse effect on the integrity of the market.

BMD may review a trade based on its analysis of market conditions or a request for review by a CME Globex user. A request for review must be made as soon as possible, but will generally not be considered **if more than eight minutes have passed** since the trade occurred. BMD also has the authority, but not the obligation, to review trades reported more than one hour following execution if it determines that the trade price was egregiously out of line with fair value.

A party responsible for an order(s) which results in a trade price adjustment or a trade cancellation may be liable for actual losses incurred by affected parties pursuant to the criteria outlined in BMD Rule 707.2. **Cancellation of a Trade Or Price Adjustment. For further details please refer to Chapter 14 Error Maker Liability Claim**

6.6.2 No-Cancellation Range - Trade Cancellation

BMD Trade Cancellation policy is applied to balance the adverse effects on market integrity of executing trades and publishing trade information inconsistent with prevailing market conditions. The intent is to preserve legitimate expectations that executed transactions will not be cancelled.

A No-Cancellation range is established for each BMD Product available on CME Globex.

Trade prices that occur within the no-cancellation range, as determined by the BMD, will not generally be cancelled or adjusted. The only exception to this rule is if the BMD determines that not cancelling or adjusting a trade within the no-cancellation range will have a material, adverse effect on the market.

The Exchange's trade cancellation policy authorizes the Globex Control Center (GCC) to adjust trade prices or cancel (bust) trades when such action is necessary to mitigate market disrupting events caused by the improper or erroneous use of the electronic trading system or by system defects.

The decision of BMD shall be final.

The No Cancellation Range is specified in the table:

<table>
<tr><td>Contracts</td><td>Ticks</td><td>Price</td></tr>
<tr><td>Kuala Lumpur Composite Index Options (OKLI)</td><td>+/- 250 ticks</td><td rowspan="3">(i) The last traded price on the same Business Day before the execution of the erroneous trade.
(ii) If there are no trades on that Business Day prior to the execution of the erroneous trade, then the Best Buy Price or the Best Sale Price available before the execution of the erroneous trade.
(iii)If there is no Best Buy Price or Best Sale Price, then the ‘Daily Settlement Price’ as referred to in the Clearing House Rules before the execution erroneous trade.
(iv) Where the Exchange is of the opinion that the price</td></tr>
<tr><td>US Dollar Denominated Crude Palm Oil Futures (FUPO)</td><td>+/- 120 ticks</td></tr>
<tr><td>All other Contracts</td><td>+/- 100 ticks</td></tr>
</table>

		stated in the foregoing is not reflective of the value of a Contract at any given time, then the theoretical value of the Contract based on the cost of carry methodology at the point of execution of the erroneous trade.

6.6.3 Review of Trades

The GCC may review a trade based on its analysis of market conditions or a request for review by a user of the electronic trading system. A request for review must be made within eight minutes of the execution of the trade. The GCC shall promptly determine whether the trade will be subject to review and upon deciding to review a trade, the GCC will promptly issue an alert indicating that the trade is under review.

In the case of illiquid contracts, the GCC may initiate a review up to one hour after the execution of the trade, and has the authority, but not the obligation, to review trades reported more than one hour following execution if it determines that the trade price was egregiously out of line with fair value.

In the absence of a timely request for review, during volatile market conditions, upon the release of significant news, or in any other circumstance in which the GCC deems it to be appropriate, the GCC may determine, in its sole discretion, that a trade shall not be subject to review.

Price Adjustments and Cancellations
Upon making a determination that a trade will be subject to review, the GCC will first determine whether the trade price is within the No Cancellation Range. In applying the No Cancellation Range, the GCC shall determine the fair value market price for that contract at the time the trade under review occurred. The GCC may consider any relevant information, including, but not limited to, the last trade price in the contract or a better bid or offer price on the electronic trading system, a more recent price in a different contract month, the price of the same or related contract established in another venue or another market, the market conditions at the time of the trade, the theoretical value of an option based on the most recent implied volatility and responses to a Request for Quote (RFQ).

1. Trade Price Inside the No Cancellation Range

If the GCC determines that the price of the trade is inside the No Cancellation Range, the GCC will issue an alert indicating that the trade shall stand.

2. Trade Price Outside the No Cancellation Range

a. Futures Contracts
If the GCC determines that a trade price is outside the No Cancellation Range for a futures contract (including futures spreads), the trade price shall be adjusted to a price that equals the fair value market price for that contract at the time the trade under review occurred, plus or minus the No Cancellation Range or the trade shall be cancelled. The GCC will issue an alert regarding its decision.

b. Option Contracts
If the GCC determines that a trade price is outside the applicable No Cancellation Range for an option contract, the trade shall be cancelled or trade price shall be adjusted. In the case of a buy (sell) error, the price will be adjusted to the determined ask (bid) price plus (minus) the No Bust Range. The GCC will issue an alert regarding its decision.

Cancelled trade prices and any prices that have been adjusted shall be cancelled in the Exchange’s official record of time and sales. Trades that are price adjusted shall be inserted in the time and sales record at the adjusted trade price.

6.6.4 GCC Trade Cancellation

If CME Globex Control Center (GCC) cancels a trade, the client application receives an Execution Report containing the following information:

• Order status is set to 'H' for trade cancelled

• Execution Type is set to 'H' for trade cancelled

• Execution Reference ID containing the Trade Number for the trade being cancelled; the Trade Number as originally contained in the Execution ID of the trade being cancelled. The Execution Reference ID in the trade cancellation notice identifies the specific cancelled trade.

• Last Shares value is set to the quantity of the trade that is being cancelled

Prior to a trade cancellation, each client involved in the trade has already received an Execution Report - Fill containing an identifier for the Execution report and information on when the order was accepted.

The characters following "TN" in the Execution ID are called the Trade Number. This number is used to identify the trade.

Schedule of Administrative Fees

When GCC cancels or price adjusts a trade, the party responsible for entering the order into the electronic trading system that gave rise to the trade cancellation or price adjustment shall pay an administrative fee to the Exchange in the amount of USD500 for each such occurrence. If the party is not deemed a Member and fails to pay the fee, the clearing member through which the trade was placed shall be responsible for payment of the fee.

6.7 Stop Spike Logic

In highly volatile markets, the market bid and ask can have significant price changes. These price swings can result from market conditions, but can also be generated as a result of cascading stop price orders.

Cascading Stop Orders is a condition triggered by a spike in the market prices that triggers stop orders which in turn causes the market to trigger still other stop orders and inappropriately moving the market.

Stop Spike Logic is designed to prevent excessive, improper price movements.

The stop price logic detects market movement due to the triggering, election, and trading of stop price orders. When this situation causes a secondary condition where the market triggers and trades additional stop price orders at extreme market prices the Stop Spike Logic is engaged. A typical situation would be when initial triggered stops would cause the market to trade outside predefined values (typically the same as the No-Bust Ranges).

The method that is used by the Stop Spike Logic is to introduce a momentary pause in matching using the Reserved State. This momentary pause allows new orders to be entered and matched against the triggered stops in an algorithm similar to market opening.

Allowing the user community this momentary opportunity to enter, modify or cancel orders in this situation provides the ability to re-establish the proper market prices. The Instrument Status (MG) message is used to communicate the instrument status during the stop price logic process.

The following examples describe the stop price logic process and the use of the Instrument Status (MG) message:

6.7.1 Market Is Open

When a stop price order is triggered and enters the market at the limit price, the stop price logic is activated.

The execution price generated by the stop price order is compared against the last traded price plus/minus the product no-bust range. If the execution price is within the range, normal stop processing occurs and market remains open.

6.7.2 Market Is Reserved

If the execution price is outside the product no-bust range, the instrument is placed in reserved state for a predetermined amount of time. An Instrument Status (MG) message is generated.

***Note:* When the market is in a reserved state, any external event-such as market close or manual market intervention will cause the market to transition from the reserved state and proceed with processing of the external event.**

6.7.3 Market Reserved Activities

While the market is in a reserved state:

• A timer is activated that determines the length of time the market will be in reserved state. Time may vary.

• A counter is activated that counts the number of times the IOP (Indicative Opening Price) verification will be performed.

• An expanded price range is determined for verification of the IOP value.

• Once the timer expires, verification is performed on the current IOP. If the IOP is inside the new expanded no-bust range, the market reopens. The IOP is communicated via the Theoretical Opening Price Message (M8).

6.7.4 Market Reopens

The Instrument Status (MG) message is generated.
If the IOP is outside the new expanded range, the instrument remains in the reserved state for another time interval and the IOP verification is performed again. This process continues until either the market is adjusted within the IOP range or the predefined maximum number of iterations has been performed.

6.8 e-Stop

e-Stop functionality halts CME Globex options markets, cancels all resting quotes, and is synchronized with Stop Price logic for CME Globex futures markets. In the event a Stop Spike occurs in a given CME Globex futures market due to the triggering of Stop Price orders, e-Stop will halt markets in the corresponding options and options spread markets.
While the options market is in the Pause state, clients can cancel resting orders. No other actions are allowed.
During the 'Pause' state CME Globex cancels all options quotes. Once the futures Stop Spike event has been resolved, the options market transitions from 'Pause' to 'Open' with no indicative opening price; price discovery occurs via market maker quote submission.

6.9 Trading Controls Settings

The Trading Controls Settings are as below.

	Maximum Quantity	Banding	Protection Points	Stop Spike range	No Bust Range
FKLI	**500**	**+/- 80 ticks**	**+/- 40 ticks**	**+/- 100 ticks**	**+/- 100 ticks**
FCPO	**500**	**+/- 80 ticks**	**+/- 40 ticks**	**+/- 100 ticks**	**+/- 100 ticks**
FPKO	**500**	**+/- 80 ticks**	**+/- 40 ticks**	**+/- 100 ticks**	**+/- 100 ticks**

FUPO	**500**	**+/- 96 ticks**	**+/- 48 ticks**	**+/- 120 ticks**	**+/- 120 ticks**
FKB3	**500**	**+/- 80 ticks**	**+/- 40 ticks**	**+/- 100 ticks**	**+/- 100 ticks**
FMG3/5/A	**500**	**+/- 80 ticks**	**+/- 40 ticks**	**+/- 100 ticks**	**+/- 100 ticks**

7. Static Thresholds

7.1 STATIC PRICE THRESHOLDS

The Exchange shall enforce Static Price Thresholds i.e. Daily Price Limits for FBM KLCI Index Futures contract (FKLI); Palm Kernel Oil Futures contract (FPKO); MYR denominated Crude Palm Oil Futures contract (FCPO), USD denominated Crude Palm Oil Futures contract (FUPO) and any other products that may be introduced subsequently as it deems appropriate.

Accordingly, the Exchange may stipulate the maximum price ('upper limit') and the minimum price ('lower limit') at which an order in respect of a contract may be entered.

No orders of a contract shall be entered above the upper limit or below the lower limit defined by the Exchange during the trading day.

The Exchange may from time to time change the upper limit and/or the lower limit of the contract according to the individual product contract's specification.

7.2 BUSINESS RULES – SCHEDULE 6 (FKLI)

In the first trading session of the day (from 08:15 hours to 12:45 hours), there shall be a Price Limit for the respective contract months of 20% (or a percentage as determined by the Exchange from time to time) in either direction from the previous Business Day's Daily Settlement Price.
In the second trading session of the day (from 14:00 hours to 17:15 hours), there shall be a Price Limit for the respective contract months of 20% (or a percentage as determined by the Exchange from time to time) in either direction from the same day first trading session's last traded price.
There shall be no price limit for the spot month contract. For the second month contract, there shall be no price limit in the last five trading days of the month.

7.3. BUSINESS RULES - SCHEDULE 20 (FPKO)

When the settlement prices for the first three (3) quoted months (excluding the current month) at the closing for that day are at limit, then the following expanding limit schedule shall apply to all quoted months (excluding the current month).

First Day = RM100; Second Day = RM150; Third Day = RM200.

Refer to Business Rules – Schedule 20 for for details

7.4 BUSINESS RULES – SCHEDULE 13 (FCPO) and SCHEDULE 13A (FUPO)

PRICE LIMITS

With the exception of trades in the current delivery month, trades for future delivery of Crude Palm Oil in any month, shall not be made, during any one Business Day, at prices varying more than 10% above or below the settlement prices of the preceding Business Day ("the 10% Limit") except as provided in this Rule.

When the 10% Limit is triggered for any quoted month (except the current month), the Exchange shall announce a 10-minute cooling off period ("the Cooling Off Period") for all Contracts of quoted months (except the current month) during which trading shall only take place within the 10% Limit. Following the Cooling Off Period, Contracts of all quoted months shall be specified as interrupted pursuant to Rule 702B.2(a)(ii) for a period of 5 minutes, after which the prices traded for all quoted months (except the current month) shall not vary more than 15% above or below the settlement prices of the preceding Business Day ("the 15% Limit").

If the 10% Limit is triggered less than 30 minutes before the end of the first trading session, the following shall apply:-

(a) the quoted months shall not be specified as interrupted;
(b) the 10% Limit shall be applied to all quoted months (except the current month) for the rest of the first trading session; and
(c) the 15% Limit shall be applied for all quoted months (except the current month) during the second trading session.

If the 10% Limit is triggered less than 30 minutes before the end of the second trading session, the 10% Limit shall be applied to all quoted months (except the current month) for the rest of the Business Day.

For the purposes of this Rule, the 10% Limit shall be considered triggered in the manner as may be prescribed by the Exchange.

7.5 INVALID ORDER

Orders, for example Good-Till-Cancel or Good-Till-Date orders, existing in the trading system that breaches the daily static price thresholds are considered invalid orders. The Exchange is empowered to cancel such orders from the Order Book.

7.6 INVALID TRADE

Any **possible** trade that matches outside the static price thresholds is considered an invalid trade.

7.7 TRADE CANCELLATION

Trade cancellation process will be guided by BMD Rule 707.2:

Rule 707.2 Cancellation of a Trade Or Price Adjustment

(1) The Exchange may adjust trade prices or cancel trades where it believes such action is necessary in the interest of an orderly and fair Market.

(2) Notwithstanding any other provisions of this Rule, the Exchange may determine to review a trade executed, on its own volition or upon the request of a Trading Participant.

(3) A request for review by a Trading Participant must be made within 8 minutes of the execution of the trade.

(4) For the avoidance of doubt any request for review in relation to any order entered into the ATS must be made by a Trading Participant notwithstanding that the order may have been entered by a Direct Market Access Client or a Participant who is not a Trading Participant.

(5) If the Exchange decides to review a trade, the Exchange will notify the Market that the trade is under review.

(6) If the price of the trade under review is within the No Cancellation Range, the trade will stand.

(7) If the price of the trade under review is outside the No Cancellation Range, the price of the trade will either be adjusted in accordance with the formula set out in the Trading Procedures or cancelled as the Exchange sees fit.

(8) Before the Exchange cancels a trade or adjusts the price of the trade after making a determination, the Trading Participants to the trade may, with the approval of the Exchange, mutually agree to adjust the price of the trade or cancel the trade.

(9) The cancellation or price adjustment of a trade resulting from a mistake by a Trading Participant does not preclude the Exchange from taking action against the Trading Participant and/or Registered Persons as defined in Rule 500 for the breach of Rule 703.1A(g).

8. Unplanned Holiday

Generally, a holiday is known in advance and can fall on a normal trading day or an expiration day. There is however exceptions where public holiday is announced in less than a day notice.

8.1 HOLIDAYS CAN BE CATEGORIZED AS FOLLOWS:

8.1.1 Scenario A - Potential Holiday Known in Advance

There is likelihood that such a public holiday will be announced and that the potential holiday is known prior to the start of ATS on-line batch processing.

8.1.2 Scenario B - Holiday Not Known in Advance (Unplanned Holiday)

Here the holiday is announced after ATS on-line batch processing is completed

8.2 PROCEDURES

The procedures for handling unplanned holiday are as follows:

8.2.1 Holiday falls on a business day

Post-dated orders entered into the system and expiring on the business date which the holiday falls on, will be deleted from the order book and will not appear when the trader logs in on the business day following the holiday.

8.2.2 Holiday falls on expiration day

Post-dated orders entered into the system and expiring on the business date which the holiday falls on, will be deleted from the order book and will not appear when the trader logs in on the business day following the holiday.

The Final Settlement Value for all contracts expiring on the day the holiday falls will be calculated by the Exchange. Under such circumstances, the Exchange will apply the Bursa Malaysia Derivatives Bhd Business Rules which gives the Exchange the discretion in determining the Final Settlement Value from time to time.

If the unplanned holiday is known in advance the Exchange will only run one batch. However, if the unplanned holiday is not known in advance (i.e. holiday was announced after batch) or falls on expiration day, the Exchange may run two batches. One is for the business day before the unplanned holiday and the other is for the unplanned holiday itself.

9. Circuit Breaker

A Circuit Breaker is a mechanism implemented to moderate excessive volatility in the stock market of the Bursa Malaysia Securities Bhd.

A Circuit Breaker is a market-wide approach to managing downward movement of the barometer index. It does this by temporarily halting trading in the entire market during normal trading hours. Announcement on the trading halt will be immediately disseminated to the public.

When the Circuit Breaker is triggered, it is intended that investors should continue to keep themselves updated and informed by continuing to access all possible sources of information available. In this manner, investors will be able to assess and review prevailing conditions based more on information and less on market trends and speculation, in order to make well-considered investment decisions upon resumption of trading.

The Circuit Breaker mechanism as implemented at Bursa Malaysia Securities Bhd is only for monitoring downward movement (not upward) of the FBM KLCI.

9.1 BUSINESS RULE 707.7(a)

Trading of any Contract on the Market shall be halted or suspended whenever the Exchange deems such action appropriate in the interest of maintaining a fair and orderly market to protect investors. Among the factors that may be considered by the Exchange are that:

(a) trading in the Instrument underlying the Contract has been halted or suspended in the Underlying Market;

(b) the opening of trading in the Instrument in the Underlying Market has been delayed because of unusual circumstances; or

(c) the Exchange has been advised that the issuer of the underlying Instrument is about to make an important announcement affecting such issuer.

9.2 BURSA MALAYSIA CIRCUIT BREAKER TRIGGER LIMITS

<table>
<tr><th colspan="6">BURSA MALAYSIA Circuit Breaker Trigger Conditions & Trading Halt Duration</th></tr>
<tr><th>Trigg-er Level</th><th>FBM KLCI Decline</th><th>9:00am ~before 11:15am</th><th>11:15am ~ 12:30pm</th><th>2:30pm ~ before 3:45pm</th><th>3:45pm ~5:00pm</th></tr>
<tr><td>1</td><td>FBM KLCI falls by an aggregate of 10% or more but less than 15% of the previous market day’s closing index.</td><td>1 Hour</td><td>Rest of the Trading Session</td><td>1 Hour</td><td>Rest of the Trading Session</td></tr>
<tr><td>2</td><td>FBM KLCI falls by an aggregate of equal or more than 15% but less than 20% of the previous market day’s closing index.</td><td>1 Hour</td><td>Rest of the Trading Session</td><td>1 Hour</td><td>Rest of the Trading Session</td></tr>
<tr><td rowspan="2">3</td><td rowspan="2">FBM KLCI falls by an aggregate of equal or more than 20% of the previous market day’s closing index.</td><td colspan="2">9:00 am ~ 12:30pm</td><td colspan="2">2:30pm ~ 5:00pm</td></tr>
<tr><td colspan="2">Rest of the day.</td><td colspan="2">Rest of the day.</td></tr>
<tr><td colspan="6">FBM KLCI : FBM Kuala Lumpur Composite Index</td></tr>
</table>

A fall in the FBM KLCI may or may not be in a sequential manner i.e. down to 1st level, then 2nd level and finally 3rd level. Sometimes the fall may be abrupt and steep right up to the 3rd level.

In the event that the circuit breaker hits the 3rd level, the Exchange has the discretion to either halt or forbid trading of the product group.

Like the Bursa Malaysia Securities market, a trading halt at any of the 3 trigger levels will occur only once during the trading day in Bursa Malaysia Derivatives market.

9.3. PROCEDURES

Once the Circuit Breaker is triggered and trading in the Bursa Malaysia Securities market is halted, the Bursa Malaysia Derivatives market will likewise halt/interrupt trading on equity related products e.g. Index Futures (FKLI), Single Stock Futures (SSFs) and Index Options (OKLI) within the next 120 seconds or less. Other non-equity linked products like Commodity Futures, KLIBOR Futures and Bond Futures will continue to trade.

The BMD Exchange Operations will inform all Trading Participants of the halt in trading via messages sent through its trading system.

Duration of the halt and time of resumption of trading will be announced and they should be similar to that applied by the Bursa Malaysia Securities. During the halt, Trading Participants are allowed to manage their orders before trading resumes. The Exchange may change the prescribed opening time where necessary.

Trading Participants are advised to read all broadcast messages, if any, via the Exchange mail screen while the market is halted.

10. Market Emergency

10.1 GENERAL

The following market emergency procedures supersede all earlier market emergency procedures and circulars pertaining thereto.

Effective 1st January 2005, the Exchange will not be providing the Emergency Trading Room.

As such Trading Participants must make arrangements with other Trading Participants (hereinafter referred as "Emergency Participants") to trade on their behalf in the event that they are not able to log into the trading system for whatever reason.

10.2 EMERGENCY TRADING

In the event a Trading Participant's connectivity to the trading system is lost, the Trading Participant is to notify the Exchange immediately of the situation.

Trading Participant has to subscribe for CME Cancel On Disconnect (COD) service to cancel all resting futures and options orders if there is a loss of session connectivity to iLink system.

The Participant has to carry out its emergency trading through its Emergency Trading Participant(s).

Note: The Exchange will not implement the Emergency Procedures for a Trading Participant if one of their terminals can still access the trading system.

Pricing information can be obtained by the affected Participant from the Exchange through phone.

A Participant is required to inform the Exchange when the connectivity at their end is up and running again.

11. Exchange Of Futures For Physical

11.1 DEFINITION OF EXCHANGE OF FUTURES FOR PHYSICAL (EFP)

An EFP is futures contract created on Bursa Malaysia Derivatives Berhad (BMDB) when two parties agree to exchange a commodity or a financial asset or instrument (i.e. a bond, bank bill, crude palm oil etc.) together with an appropriate number of futures contracts to be registered on BMDB in a privately negotiated transaction between the two parties.

Unlike normal futures transactions that are traded on BMDB, an EFP is an off-market transaction. This means that the full details of the trade (i.e. the value, volume and prices) of the commodity/underlying instrument and futures contracts being exchanged can be privately negotiated between the two parties. The EFP is registered with BMDB only after these details have been agreed.

A key feature of an EFP is that the futures contracts registered on BMDB can be done at a price that is mutually agreed upon by the parties to the transaction. The exact volume of contracts is also negotiated and the one price is used to cover the entire transaction. In addition to these features, EFP can be used to initiate or to exit a futures position. Therefore, depending on pre-existing positions of EFP counterparties, an EFP transaction can create or extinguish futures position.

11.2 BUSINESS RULE REFERENCE

EFP is governed by **Rule 700B of the Bursa Malaysia Derivatives Business Rules** which stipulates that:

Rule 700B.1 Off-Market Transactions

(a) Save as expressly provided for in this Chapter or determined by the Exchange, a contract or transaction effected by Participants otherwise than in the normal course of trading on the Market shall be prohibited.

(b) Notwithstanding the provisions contained in this Chapter, the Exchange may issue directives or guidelines as it deems fit in respect of -

(i) the conditions under which a transaction can be carried out off-market;

(ii) the conduct of off-market transactions; and

(iii) such other matters as the Exchange deems necessary in respect of off-market transactions.

Rule 700B.2 Exchange Of Futures For Physical

(a) An exchange of futures for physical ("EFP") is an off-market transaction made between two (2) parties in which –

(i) one party is a seller of a Contract and the buyer of an Instrument:

(A) that is the subject of the Contract; or

(B) that the Exchange considers to be the substantial economic equivalent of the Instrument or state of affairs that is the subject of the Contract; and

(ii) the other party is a buyer of the Contract and the seller of the same Instrument.

(b) The purchase and sale of the Contract shall be simultaneous with the sale and purchase of the underlying Instrument.

Rule 700B.3 Requirements

An EFP arrangement between Participants may be permitted by the Exchange provided the following requirements are satisfied -

(a) the seller of the Instrument referred to Rule 700B.2(a)(i) (the "underlying Instrument") must have possession of the underlying Instrument;

(b) an EFP transaction may be made at such price as mutually agreed upon by the two parties provided that such price is within the Contract trading range on that Business Day or as approved by the Exchange in consultation with the Clearing House;

(c) a Participant shall satisfy the Exchange that the transaction is bona fide. The Participant shall maintain and provide to the Exchange a record of the transaction and identify and mark all such transactions or contracts and all orders, records and memoranda pertaining thereto; and

(d) such other requirements set out in the directives, guidelines, Trading Procedures or any document by whatsoever name called issued by the Exchange from time to time.

Rule 700B.4 Procedure

(a) A Participant shall, within the time frame stipulated by the Exchange, submit to the Exchange such memoranda as may be prescribed by the Exchange which is necessary to establish the nature of the transaction (type and quantity of the underlying Instrument, quantity and price of the Contracts, the names of all Participants to the transaction and such other information as the Chief Operating Officer may from time to time require) and shall authorise the Exchange to submit such information together with the information provided by the Participant pursuant to this Rule to the Clearing House, as the Clearing House may require.
(b) Upon verification of the memoranda or documents submitted by Participants under Rule 700B.4(a) above, the Exchange may call for such further information as it considers necessary or approve or reject the application, conditionally or otherwise.

(c) All approved transactions shall, be presented to the Clearing House for registration in accordance with the Clearing House Rules.

Rule 700B.5 Prohibition On Amendments Or Cancellation

All transactions that have been registered by the Clearing House in accordance with the Clearing House Rules pursuant to Rule 700B.4(c) shall be firm and binding on Participants and there shall be no amendment or cancellation of the same.

Rule 700B.6

(a) All transactions made pursuant to this Rule 700B by Participants shall be deemed to be as principals and neither the Exchange nor the Clearing House shall be obliged to recognise the interest of any third party.
(b) Nothing in Rule 700B.6(a) shall affect the rights of a Client to take any action or commence any proceedings against a Participant.

Rule 700B.7 Brokerage

The brokerage in respect of an EFP transaction shall be as stipulated in Guideline 3 hereto and may be varied from time to time by the Exchange.

Rule 700B.8 Liability of the Exchange

The Exchange and/or Clearing House shall not be liable for any loss or damage caused to any party in relation to the agreement for the relevant underlying Instrument, which has been exchanged for the Contract.

Rule 601.3 (d) states the retention period for records which is applicable to EFP documents:

Rule 601.3 (d) The retention period for the records in respect of the transactions described in this Rule 601.3 shall be for five (5) years, except audio magnetic tapes of Client's conversations and conversations pertaining to the Trading Participant's proprietary trading which need only be maintained for a period of not less than two (2) years from the date of the conversation.

11.3 PERMITTED UNDERLYING PHYSICAL INSTRUMENTS FOR EFPs

The underlying physical instruments permitted by the Bursa Malaysia Derivatives Berhad for EFP on 3-month KLIBOR futures, MGS Bond futures and CPO futures as at 30 April 2009 are as follows:

For KLIBOR FUTURES	For BONDS FUTURES	For CPO FUTURES
1. NCDs	1. Malaysian Government Securities	1. Crude Palm Oil
2. Banker's Acceptance	2. Cagamas Bonds	2. RBD Palm Oil
3. Malaysian Treasury Bills	3. Khazanah Bonds	3. RBD Palm Stearin
4. KLIBOR Deposits	4. Interest Rate Swaps	4. RBD Palm Olein
5. Forward Rates Agreements		5. Crude Palm Kernel Oil
6. Interest Rates Swaps		
7. Bank Negara Malaysia Bills		

Bursa Malaysia Derivatives Berhad may accept any other underlying instruments not listed above on a case by case basis.

11.4 <u>EFP REQUIREMENTS</u>

The following information is required to be verified by Trading Participants and submitted to Bursa Malaysia Derivatives Berhad:

11.4.1 The document that shows the EFP was done such as Dealing Slips/Dealing Confirmation/Physical Contract Notes.

11.4.2 The identities of the two parties to the deal. Only separate parties are permitted to conduct EFP. In this context, separate parties are defined to be those who have;

a. accounts which belong to different beneficial owners; or
b. account which are under separate control.

11.4.3 Full details of the cash instrument or commodity that is being exchanged (amount and grade).

11.4.4 The futures contract being used to hedge (including delivery month and the volume of contracts traded). The price of the futures contract must be within the current Business day price limit.

11.4.5 Confirmation that only two parties are involved and that they are taking opposite cash and futures positions.

11.4.6 The transaction supporting a bona fide EFP should comprise of the following:-

11.4.6.1 It must involve an “exchange” of futures contracts for the underlying instrument in which both legs of the transaction entail actual economic risk

11.4.6.2 The futures leg is subject to similar rights and obligations as any other exchange-traded futures transaction

11.4.7 Letter of Intention from parties of EFP (refer attached Appendix 2 for sample of Letter of Intention).

11.4.8 If party to the EFP is an underlying of an omnibus account holder, Trading Participant to get client’s particulars and its current Open Position exposure. Trading Participant to fill the Open Position details on the Letter of Notification (refer attached Appendix 1).

11.4.9 After verification Trading Participants to complete the Letter of Notification based on information details provided by parties to the EFP.

11.4.10 Trading Participants to retain a copy of the Letter of Notification and EFP information at their premises and to furnish them in the event of subsequent audit by the Exchange.

11.5 <u>PROCEDURE FOR SUBMITTING EFP APPLICATIONS</u>

The following are the submission procedures for EFP.

Step 1) Trading Participants verify the details of all EFP documents to ensure it is in order.

Step 2) Complete the Letter of Notification.

Step 3) Submit the following to Bursa Malaysia Derivatives Berhad:-

- Letter of Notification
- Dealing Slips/Dealing Confirmation/Physical Contract Notes
- Letter of Intention to do EFP
- If party to the EFP is an underlying of an omnibus account holder, the client’s particulars and Open Position.

Both Buyer Trading Participant and Seller Trading Participant are to separately submit the list of documents by fax, email or hand. (Deadline for submissions: Must be submitted to the Exchange latest by 3:30 p.m., except on the expiration date on which event it must be submitted to the Exchange latest by 9:00 a.m.)

All EFP applications received after the cut-off time of 3:30p.m., or 9:00 a.m. as the case may be, will be deemed as the following day’s submission and processed by the next business day.

Step 4) Bursa Malaysia Derivatives Berhad will check the list of documents submitted is complete.

Step 5) Bursa Malaysia Derivatives Berhad will check the open positions of the parties to the EFP transaction to ensure compliance. The EFP transaction will not be approved in the event of non-compliance of position limit. Bursa Malaysia Derivatives Berhad may contact Trading Participants in the event further information is required.

Step 6) Bursa Malaysia Derivatives Berhad will register the EFP transaction in the clearing system after verification of positions. (NB: All requests for EFPs received during the day i.e. before 3:30p.m. or 9:00a.m. as the case may be will be approved/disapproved before the end of the day’s trading session for respective products).

The market will be informed of the EFP transaction via an exchange broadcast message.

Step 7) Seller's and buyer's Trading Participants will each received back a copy of the Letter of Notification from Bursa Malaysia Derivatives Berhad.

NOTIFICATION OF EXCHANGE OF FUTURES FOR PHYSICAL (EFP) TRANSACTION FORM

In accordance with the requirements of the **Bursa Malaysia Derivatives Bhd.**, we hereby advise that the following EFP transaction has been arranged: -

1. DETAILS OF THE FUTURES CONTRACTS

Date:
Futures Contract Code:

Delivery Month(s):

Futures Price(s):

Number of Lots:

Name of Reporting Selling Trading Participant:

Seller 1 (Trading Participant's client):

Seller 2 (Client of Trading Participant's client) if above is omnibus account:

Name of Reporting Buying Trading Participant:

Buyer 1 (Trading Participant's client):

Buyer 2 (Client of Trading Participant's client) if above is omnibus account:

2. DETAILS OF CASH LEG TRANSACTION

Date:
Instrument:

Price/Rate:

Amount/Quantity:

Tenor:

Seller 1 (Trading Participant's client):

Seller 2 (Client of Trading Participant's client) if above is omnibus account:

Buyer 1 (Trading Participant's client):

Buyer 2 (Client of Trading Participant's client) if above is omnibus account:

3. NUMBER OF FUTURES CONTRACTS

Type of Ratio *(if applicable)*:

Calculation of No. of Futures Contract

4. OPEN POSITIONS*

*To fill up if party to the EFP is an underlying of an omnibus account holder

Name & address of client:

Futures Contract	Long / Short	Number of Open Positions

We declare that the above transaction was arranged in accordance with the Business Rules of the Bursa Malaysia Derivatives Bhd; ("Exchange") and acknowledge that registration of the futures contract is subject to the approval of the Exchange.

5. To be completed by Selling Trading Participant

____

Trading Participant
Authorised Signature & Co. Stamp

6. To be completed by Buying Trading Participant

____

Trading Participant
Authorised Signature & Co. Stamp

Exchange Use Only

7. <u>Derivatives Exchange Operations (DEO) Section</u>

Complete list of documents received by: ________________ **Time received:**________________

8. <u>Market Surveillance Department Section</u>

Time received: ____________________ **Time returned to DEO:** ________________________
Received by: ______________________

Positions verified by: _______________

9. <u>Derivatives Exchange Operations (DEO) Section</u>

Registered by: ___________________

Approved by: ______________________

Time : __________ Date: ___________

Trade Ref. No. : _______________________

LETTER OF INTENTION TO DO EXCHANGE OF FUTURES FOR PHYSICAL (EFP) TRANSACTION

In accordance with the requirements of the **Bursa Malaysia Derivatives Bhd.**, we hereby advise the intention to do the following EFP transaction: -

1. DETAILS OF THE FUTURES CONTRACTS

Date:

We buy/sell* (*delete whichever is not applicable)

Futures Contract Code:

Delivery Month(s):

Futures Price(s):

Number of Lots:

Name of Counterparty:

2. DETAILS OF CASH LEG TRANSACTION

Date:

We buy/sell* (*delete whichever is not applicable)

Instrument:

Price/Rate:

Amount/Quantity:

Tenor:

Name of Counterparty:

3. NUMBER OF FUTURES CONTRACTS

Type of Ratio *(if applicable)*:

Calculation of No. of Futures Contract

"I / We * understand that the function of Bursa Malaysia Derivatives Berhad (the "Exchange") in respect of the physical transfer between the parties to this physical contract and/or the parties intending to enter into this physical contract as mentioned hereinabove, shall be limited to verification of proof of intention before approval of the exchange of futures for physicals ("EFP").

I / We * further undertake that the responsibility, risks and enforcement of settlement of this physical contract/intention to contract shall lie with me/us and the counter party to this physical contract/intention to contract.

I/We shall not hold the Exchange liable for any loss or damage caused to me/us in relation to this physical contract/intention to contract for the relevant underlying instrument after completion of the EFP exercise by the Exchange.

We declare that the above transaction was arranged in accordance with the Business Rules of the Bursa Malaysia Derivatives Bhd; ("Exchange") and acknowledge that registration of the futures contract is subject to the approval of the Exchange.

4. To be completed by party to the EFP

____
Name & Address

____
Authorised Signature & Co. Stamp

Exchange Use Only

5. Derivatives Exchange Operations (DEO) Section

Time received:________________

Letter of Intention verified against Letter of Notification:_________________________

12. Trading Phases and States

12.1 TRADING DAY

A typical trading day has the following characteristics:

- A defined duration for each product group
- Different possible trading phases
- Different possible trading states

12.2 TRADING PHASES

Each product group will typically go through the following Market Phases, and in the sequence as shown below:

- Pre Opening
- No-Cancel
- Continuous Trading
- Pause
- Pre Opening
- No-Cancel
- Continuous Trading
- Surveillance Intervention
- Maintenance Period

The trading phases and market timing for the different products will be strictly followed by the Exchange. The Exchange however, reserves the right to effect any changes at any time and participants will be informed accordingly either through Trading Participants' Circular or through system broadcast messages.

12.3 TRADING PHASES AND MARKET TIMING

The Market Phases and market timing are as set out below:

Market Timing			
Trading Phases	**Equity Financial (FKLI/OKLI/SSFs)**	**Non-Equity Financial (FKB3/FMG3/FMG5/ FMGA)**	**Commodity Futures (FCPO/FUPO//FPKO)**
Pre-Opening (1st session)	8:15 am	8:30am	10:00am
*No-Cancel (30 seconds) (1st session)	8:44:30 am	8:59:30am	10:29:30 am
Continuous Trading (1st session)	8:45am	9:00am	10:30am
*Pause (1st session)	12:45pm	12:30pm	12:30pm
Pre-Opening (2nd session)	2:00pm	2:00pm	2:30pm
*No-Cancel (30 seconds) (2nd session)	2:29:30pm	2:29:30pm	2:59:30pm
Continuous Trading (2nd Session)	2:30pm	2:30pm	3:00pm
Surveillance Intervention	5:15pm	5:00pm	6:00pm(FCPO/FUPO) 6:05pm (FPKO)
Maintenance Period	6:00pm	5:45pm	6:45pm
***Switch over to next phase is instantaneous upon completion of this phase**			

12.4. TRADING STATUS OF PRODUCT GROUPS

Trading Status	Functions/Activities
Pre-Opening	• Orders and quotes can be entered, maintained, modified and deleted. • No matching of orders and quotes. • Opening Price Calculation is done on a continuous basis called an Indicative Opening Price (IOP)Information is broadcast to market based on orders and quotes in order book.
No-Cancel	• A predetermined time (30 seconds) before the session opens when traders can only enter orders but cannot cancel, execute or modify orders. (Opening price calculations are updated during this time) • This feature is good for preventing price manipulation during the Pre-opening phase.
Continuous Trading	• Orders can be entered, maintained, modified and deleted. • Trading takes place on a continuous basis. • Each incoming order are checked immediately for possible execution. • Unexecuted portion of such order is added to the order book. • Matched trades can be viewed on Broker Front End. • Matching will be based on Price and Time Priority. • Opening match is calculated without implied orders.
Surveillance Intervention	• The period of time that begins when CME Globex sends the notification that trading has ended for a group of products for that particular trade date. • During this time, only order cancellation can occur. This allows traders to maintain their order books before the next trading day
Maintenance Period	• No access allowed to all users
Reserved	• Orders and quotes can be entered, maintained, modified and deleted. • No matching of orders and quotes.

2.5. <u>STOPPING TRADING ON A GROUP OR ON THE MARKET</u>

The Exchange may in special situations stop trading for one or more instrument groups. Trading ceases immediately for a product group/s. The group subsequently enters a Pre-Opening Phase when traders are allowed to enter, modify, or cancel orders for the group, but orders cannot be executed.

13 Messaging And Market Performance Protection Policy

13.1 CME Globex Market Performance Protection Policy

The CME Globex Market Performance Protection Policy is a fair business policy that encourages market participants to quote appropriately without negatively impacting other CME customers.

CME Globex customers may be negatively impacted when market access is affected by latencies caused by customers sending messages at sustained high transaction levels. In order to protect all market participants from the negative effects of this extraordinary and excessive messaging, CME Group is implementing transaction controls at two separate levels for:
a) Cancellation Transactions
b) All transactions except cancellations

Under this policy, if an iLink session exceeds a threshold as measured in messages per second (MPS) over a specified interval, subsequent messages will be rejected until the MPS rate falls below the threshold. All messages except cancellation messages will be rejected at one threshold ("Non-Cancel Threshold") and cancellation messages will be rejected at a separate, higher threshold ("Cancel Threshold").

The current established thresholds are as follows:

	Threshold	**Interval**
Cancel Transactions	1000 MPS	Three second rolling average
All except Cancel Transactions	750 MPS	Three second rolling average

In an effort to provide level playing field for all customers and maintain market integrity, CME reserves the right to adjust these thresholds as appropriate to maintain the highest levels of CME Globex system performance for all customers.

14. ERROR MAKER LIABILITY CLAIM

14.1 ERROR MAKER LIABILITY CLAIM

Upon a request from a Trading Participant of a potential error trade BMD will review the trade. BMD will generally cancel the trade or adjust the price if the traded price is outside the No Cancellation Range. As a consequence of the trade being cancelled or its price adjusted, affected Trading Participant may claim compensation from the error maker. Once compensation is paid by the error maker, it is a full and final settlement of the claim and the affected Trading Participant cannot make a further claim in respect of the same error trade. Below is the rule on Error Maker Liability.

Rule 707.2A Error Maker Liability

(1) A Trading Participant whose order was responsible for a trade adjustment or cancellation under Rule 707.2 ("the Error Maker") shall be liable for claims of actual losses incurred by other Trading Participants whose trade prices were adjusted or cancelled as a result of the above order. However, a Trading Participant who makes a claim shall not be entitled to compensation for losses incurred as a result of any failure to take reasonable actions to mitigate the loss. The procedure for making a claim against the Error Maker is set out in the Trading Procedures.

(2) To the extent that liability is denied by the Error Maker, the Trading Participant making the claim may submit the claim to Arbitration in accordance with Rule 513.

(3) For the avoidance of doubt:

(a) a Trading Participant may not submit any claim in relation to the cancellation or price adjustment of a trade for Arbitration under Rule 513 unless the Trading Participant had submitted a claim under Rule 707.2A(1) and the said claim had been denied in part or in totality by the Error Maker; and

(b) any claim in relation to the cancellation or price adjustment of a trade must be made by or through a Trading Participant notwithstanding that the order may have been entered by a Direct Market Access Client or a Participant who is not a Trading Participant.

14.2 PROCEDURE FOR SUBMITTING ERROR MAKER LIABILITY CLAIM

The following are the submission procedures for error maker liability claim.

(a) Affected Trading Participant to submit error maker liability claim on an Exchange claim form to the Head of Derivatives Exchange Operations within five business days of the incident. Claim that is not filed in a timely manner will be rejected by BMD.

(b) BMD will review the claim submitted based on data collected from the trading engine. Eligible claims shall then be forwarded by BMD to the Trading Participant responsible for the order(s) that resulted in a trade cancellation or a price adjustment.

(c) The Trading Participant responsible for the error order entry, shall, within ten business days of receipt of the claim, admit or deny responsibility in whole or in part. Failure to respond to the claim within ten business days shall be considered a denial of liability.

(d) In the event liability is admitted payment shall be made within ten business days by such Trading Participant to the BMD who will forward it to the claiming Trading Participant. Such payment is full and final settlement of the claim.

(e) If Trading Participant responsible for the error order entry deny liability, the affected Trading Participant may submit the claim to arbitration in accordance with Rule 513.

Trade Cancellation / Adjustment Claim Form

Claimant Name: ______________________________

Contact Person(if claimant is a firm): ______________________________

What is the amount of your claim? ______________

Claimant's Clearing Member: ______________________________

Date Claim Filed: ______________ Date Received (to be completed by BMD): ______________

Claimant Address: ______________________________

City: ______________________ State: ______ Post code: __________

Country: ______________________________

E-Mail Address: ______________________ Phone Number: ______________

Date of Incident: ______________________ Time of Incident: ______________

When did you discover a problem existed? __________ Commodity/Contract: ______________

Did you contact BMD Exchange Operations? YES ☐ NO ☐

If yes, to whom did you speak? ______________________________

What was the result? ______________________________

____

Did you speak to anyone else at BMD? YES ☐ NO ☐

If yes, to whom did you speak? ______________________________

What was the result? ______________________________

____

Please describe your claim in detail including, but not limited to, how you determined the amount of your loss, how many of your contracts were affected by the trade cancellation or adjustment, the number and prices of your contracts prior to the trade cancellation or adjustment and the price that your contracts were adjusted to. (Attach additional sheets if necessary)

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Please attach all documentation to support your claim.

This Claim Form Must Be Submitted Within 5 Business Days of the Trade Cancellation/Adjustment

ANNEXURE 3

BURSA MALAYSIA DERIVATIVES BERHAD

DIRECT MARKET ACCESS HANDBOOK

TABLE OF CONTENTS

DIRECT MARKET ACCESS HANDBOOK

BACKGROUND

The introduction of Direct Market Access ("DMA") by Bursa Malaysia Derivatives Bhd ("Bursa Derivatives") will enable direct electronic access by clients to Bursa Derivatives' Automated Trading System ("the ATS").

The DMA regulatory framework encompasses the Rules of Bursa Derivatives and the Trading Participants' Information Technology Security Code ("TP IT Security Code").

KEY OBJECTIVES

Bursa Derivatives is issuing herein the "Direct Market Access Handbook" ("DMA Handbook") with the following objectives:

1. To highlight key obligations of Trading Participants ("TPs") under the Rules in relation to DMA.

2. To provide guidance to TPs in respect of practices recommended to be observed in relation to the discharge of their obligations under some of the Rules. Whilst not mandatory, these recommended practices are instructive of the minimum standards required to be observed by TPs, which may adopt additional controls as deemed fit in relation to their DMA business.

DEFINITIONS

Unless otherwise stated, words or expressions defined in the Rules of Bursa Derivatives shall when used in the DMA Handbook, carry the same definition. The term "DMA Participant" shall refer to TPs offering DMA, and the term "DMA Client" shall refer to Clients accessing the ATS via DMA.

GUIDELINE ON RISK MANAGEMENT REQUIREMENTS

1. Conditions for Connectivity of DMA Clients

1.1. Clients' knowledge of the process for the submission of orders, Laws and Rules in relation to Trading on the Malaysian Derivatives Market

1.1.1 Rule 617.4(1) provides that DMA Participants shall take reasonable steps to ensure that a DMA Client and persons authorised by the DMA Client have :

- knowledge of the process of entering DMA orders;
- knowledge of the requirements in the Rules in relation to trading on the market; and
- knowledge of the relevant laws pertaining to trading on the Market

1.1.2 For the purpose of discharging its obligations under Rule 617.4(1), we recommend DMA Participants to have procedures in place to ensure that the DMA Client demonstrates that it has knowledge of the matters set out in Rule 617.4(1) (refer to Section C.1.1.1 above). For example, the level of knowledge of DMA Clients can be assessed by asking relevant questions on the matters set out in Rule 617.4(1). The DMA Participant should also implement review procedures, such as discussions with DMA Clients and updates, to ensure that the DMA Client‘s required level of knowledge remains satisfactory.

In this respect, we recommend that the DMA Participant should provide its DMA Clients with information, guidance and training[1] on the following areas:

- The ATS features and functionalities i.e. trading phases, market timing, matching mechanism, order types, execution conditions and instrument state[2];
- Contract specifications of products listed on Bursa Derivatives;

[1] The requirements for the DMA Participant to train the DMA Client in the requirements of the Exchange Rules in relation to the entry of orders and trading and other applicable requirements, and to ensure that revisions and updates to the Laws, Exchange Rules are promptly communicated to the DMA Client should be incorporated in the Agreement between DMA Participant and DMA Client. Refer Section C.1.3.1 on Recommended Terms of Agreement.

[2] Refer to the “Trading Participant’s Manual”.

- Prohibited trading practices and trading offences; and
- Margining requirements.

1.1.3 In relation to DMA Clients accessing the ATS via Internet (refer to Section C.1.2.2 below), a DMA Participant may rely on a confirmation from the DMA Client that the Client and the persons authorised by the Client have knowledge of the matters set out in Rule 617.4(1).

1.2. DMA Client – Criteria and Requirements

The DMA regulatory framework encompasses the Rules of Bursa Derivatives, and regulates all forms of access to Bursa Trade where there is no intervention by a FBR. This includes direct connectivity to the DMA Participant's OMS Server to facilitate order routing and algorithmic trading by buy-side institutions and hedge funds (sometimes referred to as "direct access"), and internet trading to facilitate retail participation in the derivatives market.

1.2.1 DMA Clients Accessing the ATS via an Access Device connected to a DMA Participant's OMS Server

The DMA Participant should limit access to the ATS via an Access Device connected to a DMA Participant's OMS server, to the following classes of entities:

- Licensed entities/ individuals under the CMSA;
- Participants of Bursa Malaysia Group;
- Banks and Financial Institutions licensed under the Banking and Financial Institutions Act, 1989/Islamic Banks licensed under the Islamic Banking Act, 1983; or
- Regulated entities in a recognized regulatory jurisdiction [3] including, but not restricted to, brokers, financial institutions. insurance companies, investment companies, asset managers, discretionary funds, trust funds and employee benefit plans.

These classes of entities may be subject to simplified Client Due Diligence ("CDD") due to the regulated nature of their business.

Clients that do not fall within the categories set out above may be allowed to connect "directly" to the DMA Participant's OMS server

[3] A jurisdiction where there is an exchange that is recognised as a Specified Exchange pursuant to Section 105 of the Capital Markets and Services Act 2007 ("CMSA") and Rule 711 of the Rules of Bursa Derivatives.

only if enhanced CDD measures (refer Section C.1.2.3 below) and careful consideration of the client risk profile have been carried out.

1.2.2 DMA Clients Accessing the ATS via Internet

Bursa Derivatives envisages that Clients that access the market via internet (“Internet Clients”) will comprise primarily retail clients and should be subject to enhanced CDD measures (refer Section C.1.2.3 below), unless there are special mitigating circumstances e.g. where reliable information on the Client can be obtained publicly, or where the Client has a good track record.

Internet Clients must be connected via an additional Web server, which is connected to an OMS server. The Web server may contain enhanced security features and added risk management controls/filters.

1.2.3 DMA Client Due Diligence – Know Your Client (“KYC”) Requirements

Rule 603.1 requires a TP to exercise due diligence in learning the essential facts as to the Client and its or his investment objectives and financial situation prior to the commencement of trading. The requirements to monitor and report suspicious transactions are also set out under the Anti-Money Laundering Act 2001 [4] and the Guidelines on Prevention of Money Laundering and Terrorism Financing for Capital Market Intermediaries[5] issued by the Securities Commission. In this respect, the DMA Participant must ensure that all reasonable steps are taken to ensure adherence to these KYC requirements.

We recommend that all reasonable steps should be taken to accurately establish the DMA Client’s business and financial background, and its’ investment objectives. The DMA Participant should be assured of the financial probity of the DMA Client and that it has sufficient financial resources to meet its obligations.

Enhanced CDD should be undertaken for clients with higher risk profiles, whilst simplified CDD may be conducted for clients with lower risk profiles e.g. regulated entities. The KYC measures undertaken in relation to eligibility requirements for DMA Clients should be reviewed regularly, at least on an annual basis. Suggested and recommended data to be obtained for simplified or enhanced CDD are as follows:

[4] http://www.parlimen.gov.my/actindexbi/pdf/ACT-613.pdf

[5] Revised edition issued in January 2007 http://www.sc.com.my/eng/html/resources/guidelines/2007%20AMLA-GL%20Final_1.pdf

Client Type	Simplified CDD	Enhanced CDD
Individual	• IC or passport • Address – residential and permanent address, if different	• IC or passport • Address – residential and permanent address, if different • Occupation • Latest 3 months' payslip or latest income tax statement or bank statement
Corporation	• Certification of Incorporation • Memorandum & Articles of Association • Board Resolution on opening of account • Specimen signature of authorised signatories	• Certification of Incorporation • Memorandum & Articles of Association • Board Resolution on opening of account • Specimen signature of authorised signatories • Information on the nature of business and its corporate structure • Latest audited financial statement and/or management financial statements • Latest 3 month bank statement • Power of Attorney (if applicable)

In carrying out the above, the TP should exercise due diligence and be aware of any suspicious client behaviour(s) that warrant further enquiry or probe (herein referred to as "Red Flag"). Some of the situations of Red Flag are as follows:-

- a series of transactions or activities which are senseless or irrational in nature (e.g. constantly buying and selling securities at a loss)
- the client requests to pay third parties or receives funding from third parties
- the client is reluctant to co-operate in verifying his/her identity
- the client frequently makes last minute changes to payment instructions
- orders are received from persons other than the account holder.

TPs should properly monitor other doubtful circumstances where clients' accounts may be subjected to abuse, including but not limited to cases where a few clients' accounts carry identical correspondence addresses.

Any unexplained information should always be investigated.

Assessments of the expected pattern of the activity of the client on a continuous basis throughout the business relationship with the client should also be considered.

1.2.4 Record of DMA Clients

Refer to Rule 601.3A.

1.3. Agreement between DMA Participant and DMA Client

Rule 617.4(2) requires the DMA Participant to execute a written agreement with DMA Clients to address the following areas:

- The duties, obligations and rights of the DMA Participant and its Clients in relation to DMA; and
- The Clients' compliance with the Rules.

1.3.1 Recommended Terms of Agreement

The following terms are recommended to be incorporated in the written agreement between the DMA Participant and the DMA Client to ensure that crucial provisions are agreed to prior to trading, to mitigate disputes, and to empower DMA Participants to take immediate preventive and corrective measures with respect to fair and orderly trading.

- The DMA Client shall enter orders and trade in compliance with the Rules of the Exchange and other applicable regulatory requirements;
- Specific parameters defining the orders that may be entered by the DMA Client are stated, including restriction to specific instruments or size of orders, and the DMA Participant shall have the right to reject orders that do not fall within the designated parameters of authorised orders;
- The DMA Participant has the right to reject an order for any reason;
- The DMA Participant has the right to change or remove an order in the Order Book and has the right to cancel any trade by the DMA Client for any reason;
- The DMA Participant has the right to discontinue accepting orders from the DMA Client at any time without notice;

- The DMA Participant agrees to train the DMA Client in the requirements of the Exchange Rules in relation to the entry and trading of orders and other applicable requirements;
- The DMA Participant agrees to ensure that revisions and updates to Laws and Rules are promptly communicated to the DMA Client.

2. DMA Participant Internal Control Requirements

The DMA Participant shall have written policies and procedures and comply with the following internal control requirements in relation to the provision of connectivity to DMA Clients.

2.1. Internal Controls: Areas of Focus for DMA Participants

Whilst the fundamental requirements of effective internal control as set out in the “Compliance Guidelines for Futures Brokers” (“Compliance Guidelines”) remain relevant for all TPs regardless of the medium of communication or delivery, there are a few critical internal control areas in relation to DMA trading that the DMA Participant should focus on:

2.1.1 Segregation of Duties

It is stated in the Compliance Guidelines that there must be strict separation between the credit control function, and the trading, dealing and marketing functions to ensure independence, and mitigate the risk and consequences of conflicts of interests.

It is recommended for DMA Participants to segregate the DMA direct execution desk from other Agency desks to ensure confidentiality of DMA Client Orders. Anonymity, along with increased control and speed of execution are the key benefits of trading via DMA, and the DMA Participant should endeavour to maximise these features.

2.1.2 Credit Controls

It is stated in the Compliance Guidelines that TPs must ensure that suitable credit limits are set for their clients. It is recommended that the CDD assessment of DMA Client’s financial probity must be decided independently of the trading, dealing or marketing functions.

We recommend for DMA Participants to consider enforcing stricter credit control for clients requiring enhanced CDD requirements, especially in relation to overseas accounts. These may include the requirement to pay higher upfront maintenance margins, the collection of deposits and/or collateral as guarantee of performance, more frequent margin calls, restriction on total open positions and/or strict cut-loss policies.

It is recommended that credit limits and any subsequent variation of credit limits are authorised by a senior management officer of the DMA Participant who is independent of trading, dealing and marketing functions, and is not associated with the DMA Client in question.

It is stated in the Compliance Guidelines that TPs must ensure that proper systems and control procedures are implemented to ensure that their clients do not trade beyond the credit limits imposed. Further, risk filters (automated pre-execution checks) must be undertaken for all DMA Clients' orders. The risk filters are covered in greater detail under Section C.2.2 below.

2.1.3 Post-Trade Review

DMA Participants should also ensure that proper and adequate post trade risk management monitoring systems and procedures are set in place to monitor risk exposure of DMA Clients' trades with respect to total open positions, total Initial and Variation Margin etc. DMA Participants should ensure that account activity is monitored at least on a daily basis.

2.2. Risk Filters

Rule 617.3(1) states that a TP must have appropriate automated risk filters to check or screen a DMA Order before the DMA Order is executed in the ATS, for the purpose of ensuring that the DMA Order does not pose any risk to the TP and to the market. Filters are intended to establish points at which DMA Orders are tested and passed to the market only when pre-set conditions are met.

TPs need to have appropriate automated filters in relation to DMA. However, the Exchange will not prescribe the filters as the TPs are the ultimate parties bearing their clients' risk exposure. Each TP must determine what constitutes "appropriate filters" for their business. The nature and scope of the filters adopted is a matter for the TP to determine based upon its regulatory risk profile. They have the discretion to decide and impose the types of pre-trade risk filters that they require their clients to adopt which they are comfortable with.

The ATS offers a pre-execution credit check functionality ("Globex Credit Controls"). TPs will have to make the necessary arrangements with the Clearing Participants to ensure that the Globex Credit Controls are activated. Clearing Participants in arrangement with the TPs will access the Globex Credit Controls tools to set pre-execution credit checks for the TPs and their clients.