

## RULES OF BURSA MALAYSIA DERIVATIVES CLEARING BHD

<b>DIRECTIVES ON THE RESPONSIBILITIES OF CLEARING PARTICIPANTS</b>	<b>No. 5-001</b>
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Relevant to	:	Rules 501, 504, 505, 508(a)(ii), 511, 512, 515(b), 520(b), 521(b), 521(c), 522(b), 523(a), 523(b), 525, 533
Introduced with effect from	:	23 August 2017
Amended	:	26 February 2018 vide Clearing Circular: 05/2018, <a href="#">1 July 2018</a> <a href="#">vide Clearing Circular: 18/2018</a>
CP Circular No(s).	:	N/A
Refer also to Directive No(s).	:	N/A

**Introduction**

Chapter 5 of the Rules sets out the general requirements relating to the responsibilities of Clearing Participants. This directive sets out the minimum obligations in relation to those general requirements.

**1. Rule 501**

Rule 501 requires a Clearing Participant to 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 in a manner consistent with the promotion and protection of the goodwill and public image of the Clearing House and the Clearing Participants. In discharging the obligations under the said Rule, a Clearing Participant must, amongst others, comply with the requirements set out below.

**1.1 General Conduct**

- (1) A Clearing Participant must, in the conduct of the Clearing Participant's business:
- (a) observe, comply with and act consistently with decisions of the Clearing House and its committees, and to settle any disputes with its Clients or another Clearing Participant in the manner provided by the Rules;
  - (b) observe professional conduct and high standards of integrity;
  - (c) not engage in any unlawful or irregular or unhealthy practice;
  - (d) not do or cause or permit to be done any act which:
    - (i) would adversely affect the goodwill or public image of the Clearing House or its Clearing Participants;
    - (ii) would bring or is likely to bring the Clearing House or its Clearing Participants into disrepute;
    - (iii) is injurious to the character and interest or prejudicial to the objects of the Clearing House;
  - (e) not submit information to the Clearing House which the Clearing Participant knows or ought reasonably to know to be false or misleading;
  - (f) effect and maintain such form of indemnity as the Clearing House may from time to time determine to be appropriate to protect the interests of Clients; and

**RULES OF BURSA MALAYSIA DERIVATIVES CLEARING BHD**

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- (g) ensure that no person who is in possession of material non-public information obtained as a result of a position of confidence held by that person and which might reasonably be expected to affect materially the price of the Market Contracts, makes improper use of such information to gain, directly or indirectly, an advantage for himself or for any other person.
- (2) In addition to the requirements above, a Clearing Participant must exercise strict supervision over the Clearing Participant's business activities and the activities of the Clearing Participant's Registered Persons and employees to achieve compliance with these Rules and Securities Laws.

**2. Rules 504 and 508(a)(ii)**

- (1) Rule 504 requires a Clearing Participant to have in place an adequate risk management framework to ensure that it is able to perform adequate risk management functions at all times.
- (2) Rule 508(a)(ii) requires the Clearing Participant to have in place structures, internal controls and written policies and procedures designed to, amongst others, identify, monitor and manage risks that may arise in the conduct of the Clearing Participant's business.
- (3) In discharging the obligations under these Rules, a Clearing Participant must, amongst others, comply with the requirements set out below.

**2.1 Risk Management**

- (1) A Clearing Participant must, in respect of the Approved Market that it operates in or the Open Contracts that it clears and settles, have procedures in place to:
  - (a) monitor the credit risks of accepting Market Contracts, including give-up of Open Contracts, in relation to specific accounts;
  - (b) monitor the risks associated with proprietary trading;
  - (c) limit the impact of significant market movements through the use of tools such as stress testing or position limits;
  - (d) maintain the ability to monitor account activity on an intraday basis; and
  - (e) define sources of liquidity for increased settlement obligations.

**3. Rule 505**

Rule 505 provides that a Clearing Participant must establish and maintain a proper system to supervise the activities of the Clearing Participant's agents and personnel and that is reasonably designed to achieve compliance with the Rules and the Act. In discharging the obligations under the said Rule, a Clearing Participant must, amongst others, comply with the requirements set out below.

**3.1 Compliance Guidelines for Clearing Participants ("Compliance Guidelines")**

A Clearing Participant must comply with the Compliance Guidelines as set out in **Appendix 1** of this Directive.

**RULES OF BURSA MALAYSIA DERIVATIVES CLEARING BHD**

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**4. Rule 511**

Rule 511 requires a Clearing Participant to immediately notify the Clearing House of any event or state of affairs which has or may have a material adverse impact on its financial position or its ability to perform any of its obligations under the Rules or which may interfere with its ability to conduct its business in a normal manner. In discharging the obligations under the said Rule, a Clearing Participant must, amongst others, comply with the requirements set out below.

**4.1 Specific notice required**

A Clearing Participant must notify the Clearing House in writing immediately upon the occurrence of the following events:

- (a) the bankruptcy of any of the directors of the Clearing Participant;
- (b) the failure by the Clearing Participant to comply with any of the provisions in the Rules including the terms of the Open Contract relating to Delivery and the acceptance of any Delivery;
- (c) the failure by the Clearing Participant to pay when due any sum due and payable, or if the Clearing Participant is otherwise in default under the terms of any loan or other agreement relating to the Clearing Participant's indebtedness, or the Clearing Participant threatens or proposes to suspend, stop, defer or reschedule payment or to default under the terms of such loan or agreement;
- (d) the Clearing Participant is insolvent, or is unable to pay its debts as and when they fall due, or a bankruptcy or winding-up petition is presented, or a notice of a proposal for a resolution for the Clearing Participant's winding-up is given, or a voluntary arrangement is approved by the Court of Law for the benefit of its creditors, or an assignment or composition is made by the Clearing Participant for the benefit of its creditors or any of them;
- (e) a liquidator, receiver, manager, trustee, an administrative receiver or similar officer is appointed or a composition or scheme of arrangement is approved by a Court of Law against the Clearing Participant or an assignment or composition is made by the Clearing Participant for the benefit of its creditors or any of them;
- (f) a resolution to wind-up the Clearing Participant (save for the purpose of amalgamation or reconstruction) is passed or a bankruptcy or winding-up order is made;
- (g) any distress, execution or other process is levied or enforced or served upon or against any property or assets of a Clearing Participant;
- (h) whether the Clearing Participant, or any of its directors, is convicted of a seizable offence or any offence involving a finding of fraud; or
- (i) where the Clearing Participant, or any of its directors is engaged in acts or practices inconsistent with just and equitable principles of clearing and settlement.

**5. Rule 512**

Rule 512 empowers the Clearing House to from time to time prescribe early warning financial requirements. In discharging the obligations under the said Rule, a Clearing Participant must, amongst others, comply with the requirements set out below.

RULES OF BURSA MALAYSIA DERIVATIVES CLEARING BHD

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**5.1 Early Warning Levels**

The two levels of early warning are as follows:

- (a) First Level – when a General Clearing Participant's Adjusted Net Capital is between 131% to 150% of the minimum Adjusted Net Capital required to be maintained under Rule 215;
- (b) Second Level – when a General Clearing Participant's Adjusted Net Capital is between 100% to 130% of the minimum Adjusted Net Capital required to be maintained under Rule 215.

**5.2 First Level Obligations**

As soon as a General Clearing Participant's Adjusted Net Capital triggers the First Level of warning, the General Clearing Participant must:

- (a) immediately inform the Clearing House of the same;
- (b) submit a concrete action plan to strengthen its financial position;
- (c) submit, within such time and in such form and manner as determined by the Clearing House, such reports as the Clearing House requires; and
- (d) update its general accounting records promptly to enable an effective monitoring of its Adjusted Net Capital.

**5.3 Second Level Obligations**

As soon as a General Clearing Participant's Adjusted Net Capital triggers the Second Level of warning, the General Clearing Participant must:

- (a) immediately inform the Clearing House of the same;
- (b) compute and monitor its Adjusted Net Capital on a daily basis and submit Form B and Form C (please refer to the Financial Reporting Guide in **Appendix 4** of this Directive) on a daily basis by the end of the second Business Day; and
- (c) submit, within such time and in such form and manner as determined by the Clearing House, such other reports as the Clearing House requires.

**6. Rule 515(b)**

Rule 515(b) requires a Clearing Participant to have adequate security and emergency arrangements to provide continuous business operations with minimal disruptions. In discharging the obligations under the said Rule, a Clearing Participant must, amongst others, comply with the requirements set out below.

**6.1 Business Continuity Requirements**

A Clearing Participant must:

- (a) document its business continuity arrangements in a business continuity plan;
- (b) review and test its business continuity plan regularly; and

RULES OF BURSA MALAYSIA DERIVATIVES CLEARING BHD

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- (c) appoint emergency contact persons and furnish the contact information of such persons to the Clearing House. The Clearing Participant's emergency contact persons must be contactable at all times, and must immediately notify the Clearing House in the event of emergencies.

**7. Rule 520(b)**

Rule 520(b) requires a General Clearing Participant to account for and adequately safeguard a Client's or potential Client's assets. In discharging the obligations under the said Rule, a General Clearing Participant must, amongst others, comply with the requirements set out below.

**7.1 Segregation of Client's Accounts, Money, Securities and Property**

- (1) A General Clearing Participant must maintain its own accounts and its Client's accounts segregated at all times and must inform and keep the Clearing House informed of such information as would be required for the Clearing House to maintain the Segregated Account or Unsegregated Account of the General Clearing Participant referred to in Rule 604.
- (2) The Open Positions in an Unsegregated Account must not (unless permitted by the Rules) be offset against the Open Positions in any Segregated Account.
- (3) If any money or property is deposited with, or are received by, a General Clearing Participant for or on behalf of a Client in connection with:
  - (a) the clearing and settlement of Open Contracts effected or proposed to be effected, whether in Malaysia or elsewhere, by a General Clearing Participant on behalf of that Client; or
  - (b) instructions by such Client to clear and settle Open Contracts, whether in Malaysia or elsewhere,

the General Clearing Participant must:

- (i) in respect of monies, deposit the monies in an account or accounts of the General Clearing Participant designated as Clients' Segregated Account kept and maintained within Malaysia or in the place where the monies was deposited with or received by the General Clearing Participant; or
- (ii) in respect of property, deposit the property in safe custody within Malaysia or in the place where the property was deposited with or received by the General Clearing Participant, in such a manner that the property is segregated from property other than property deposited by the General Clearing Participant in safe custody under this Rule,

no later than the next bank business day or such other day that may be specified by the Commission after the monies or property is deposited with or received by the General Clearing Participant that is a day on which the amount or property can be deposited as first mentioned in paragraph 7.1(3)(b)(i) or (ii), as the case may be. For avoidance of doubt, all monies received by a General Clearing Participant under paragraph 7.1(3) are to be deposited in a Clients' Segregated Account by the next bank business day or such other day that may be specified by the Commission and all properties received by a General Clearing Participant under paragraph 7.1(3) must where applicable be deposited in safe custody of any competent authority by clearly designating and evidencing the account as "Clients' Account" by the next bank business day or such other day that may be specified by the Commission of the competent authority.

- (4) Without prejudice to the generality of paragraph 7.1(3), if in connection with the clearing and settlement of Open Contracts effected, whether within or outside Malaysia, by a General

RULES OF BURSA MALAYSIA DERIVATIVES CLEARING BHD

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Clearing Participant, the General Clearing Participant receives from a person an amount of monies, some or all of which is attributable to clearing and settlement of Open Contracts so effected, whether within or outside Malaysia, on behalf of the Clients of the General Clearing Participant, the General Clearing Participant must, no later than the next bank business day or such other day that may be specified by the Commission on which the amount can be so deposited, deposit the amount in a Clients' Segregated Account of the General Clearing Participant kept and maintained within Malaysia or in the place where the General Clearing Participant receives the amount.

- (5) If, under this Rule, a General Clearing Participant deposits money in respect of a Client in a Client's Segregated Account, the General Clearing Participant must not withdraw any of the money except for the purpose of:
- (a) making a payment to or in accordance with the written direction of, a person entitled to the monies;
  - (b) making a payment for or in connection with, the entering into, margining, guaranteeing, securing, transferring, adjusting or settling of Open Contracts effected by the General Clearing Participant on behalf of the Client;
  - (c) defraying clearing fees and other proper charges incurred in respect of the clearing and settlement of the Open Contracts effected by the General Clearing Participant on behalf of the Client;
  - (d) investing it:
    - (i) on deposit at interest with a licensed bank as defined in the Financial Services Act 2013;
    - (ii) on deposit with a clearing house for a derivatives exchange that has been approved under the Act; or
    - (iii) in any other prescribed manner;
  - (e) making a payment that is otherwise authorised by law or by the Rules or by the Exchange Rules;
  - (f) or as permitted by paragraph 7.1(9).
- (6) A General Clearing Participant must not deal with property deposited by the General Clearing Participant in safe custody under paragraph 7.1(3) except in accordance with the terms and conditions on which the property was deposited with or received by the General Clearing Participant.
- (7) A General Clearing Participant must not invest an amount under paragraph 7.1(5)(d) by depositing it with a person for that person to invest unless the General Clearing Participant:
- (a) has told the person that the amount has been withdrawn from a Client's Segregated Account of the General Clearing Participant and is monies to which the Clients of the General Clearing Participant are entitled; and
  - (b) has obtained from the person a written statement that is signed by the person, setting out the amount and acknowledging that the General Clearing Participant has informed the person as required under paragraph 7.1(7)(a).
- (8) If, at any particular time, the total amount of the relevant liabilities of a Client of a General Clearing Participant exceeds the relevant credit balance of the Client, the General Clearing Participant must in respect of the Client, deposit in a Clients' Segregated Account of the General
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## RULES OF BURSA MALAYSIA DERIVATIVES CLEARING BHD

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Clearing Participant an amount of money not greater than the amount of the excess, and the amount so deposited is to be taken, subject to paragraph 7.1(9), to be money to which the Client is entitled.

- (9) If –
- (a) a General Clearing Participant has, in respect of a Client, deposited an amount under paragraph 7.1(8) in a Clients' Segregated Account of the General Clearing Participant; and
  - (b) the relevant credit balance of the Client exceeds the total amount of the relevant liabilities of the Client,
- the General Clearing Participant may withdraw from the account so much of the amount referred to in paragraph 7.1(9)(a) as does not exceed the amount of the excess referred to in paragraph 7.1(9)(b).
- (10) A General Clearing Participant must keep, in relation to the Clients' Segregated Account or Clients' Segregated Accounts of the General Clearing Participant, accounting records that:
- (a) are separate from any other accounting records of the General Clearing Participant;
  - (b) record separately in respect of each Client of the General Clearing Participant particulars of the amounts deposited in and the amounts withdrawn from the account or accounts in respect of the Client; and
  - (c) record, separately from the particulars referred to in paragraph 7.1(10)(b):
    - (i) particulars (including particulars of withdrawals) of so much of the amounts deposited in accordance with paragraph 7.1(4) in the account or accounts as was not attributable to clearing and settlement of Open Contracts effected by the General Clearing Participant on behalf of Clients of the General Clearing Participant;
    - (ii) particulars of all amounts deposited in the account or accounts under paragraph 7.1(8); and
    - (iii) particulars of all amounts withdrawn from the account or accounts under paragraph 7.1(9).
- (11) A General Clearing Participant must keep records that:
- (a) relate to the deposits of property in safe custody by the General Clearing Participant under paragraph 7.1(3); and
  - (b) record separately in respect of each Client of the General Clearing Participant particulars of the property deposited in respect of the Client. For the purpose of this paragraph 7.1(11)(b), the minimum information that must be kept are:
    - (i) the date the property or document of title to the property is received;
    - (ii) the date the property or document of title to the property is deposited in safe custody;
    - (iii) the particulars of the property or document of title so deposited; and
    - (iv) the place where the property has been deposited.

**RULES OF BURSA MALAYSIA DERIVATIVES CLEARING BHD**

- (12) A General Clearing Participant must keep accounting records and any other records that are required by paragraphs 7.1(10) and (11) to be kept by the General Clearing Participant, in accordance with the provisions of section 108 of the Act. Section 108 of the Act applies as if those accounting records and other records were accounting records required by that section to be kept by the General Clearing Participant.
- (13) A General Clearing Participant must:
- (a) provide the Clearing House with a statement of segregation of all Clients' money or property in a form as may be prescribed by the Clearing House from time to time. This statement of segregation is required to be submitted to the Clearing House on a monthly basis, i.e. no later than 15 calendar days after the end of each month, provided always that the Clearing House, at its discretion, may from time to time prescribe a different reporting interval for any particular General Clearing Participant as it deems fit and appropriate; and
  - (b) immediately inform the Clearing House if there is a shortfall in the Clients' Segregated Account, and to immediately rectify such shortfall.
- (14) For the purposes of this paragraph 7.1, "property", "relevant liabilities" and "relevant credit balance" have the meanings ascribed to them in Section 117 of the Act.

**8. Rule 521(b)**

Rule 521(b) states that a General Clearing Participant may accept from its Clients as margin cash, letters of credit, bank guarantees, approved securities and other forms of margins in the manner and subject to conditions as the Clearing House may from time to time prescribe. In discharging the obligation under the said Rule, a General Clearing Participant must, amongst others, comply with the requirements set out below.

**8.1 Clients' Margins and Margin Payment**

- (1) A General Clearing Participant may accept the following collateral from its Clients for the purposes of margin payment subject to the minimum haircut for such collateral as set out below:

Collateral Type	Description	Minimum Haircut		
		Currencies	RM Performance Bond Obligation	USD Performance Bond Obligation
Cash	Cash currencies of any denomination with Investment Grade in Country Credit Rating, subject to Bank Negara exchange control	AUD	3.00 %	3.50 %
		EUR	3.00 %	3.00 %
		GBP	2.50 %	2.50 %
		JPY	3.50 %	3.00 %
		SGD	1.50 %	1.50 %
		USD	1.50 %	0.00 %
		MYR	0.00 %	1.50 %
		CNY	2.50%	1.00%
		HKD	2.50%	1.00%
				Others – 10%
Stocks	Securities listed on country's exchange with Investment	30%		



## RULES OF BURSA MALAYSIA DERIVATIVES CLEARING BHD

Collateral Type	Description	Minimum Haircut
	Grade in Country Credit Rating	
Letters of Credit	Letters of Credit	Subject to the currency haircut
Government Securities	Malaysia Government Securities Foreign Government Securities with Investment Grade	Malaysia Government Securities = 5% Foreign Government Securities = 10%
Gold	“London Good Delivery” gold, as defined by the London Bullion Market Association	15%
Others	Bank Guarantee Bank Certificates of Deposit	Subject to the currency haircut

\*\*Acceptance of any type of collateral is subject to haircut rate deemed appropriate by the General Clearing Participant in accordance with its risk management procedure, provided that it is nothing lower than haircut prescribed by the Clearing House.

- (2) A General Clearing Participant may request, at its absolute discretion, from its Clients, margins above the minimum required by the Clearing House.
- (3) A General Clearing Participant must ensure that each Client's Open Positions are marked to market daily and must make an additional call for margins from the Clients if necessary.
- (4) A General Clearing Participant must also comply with Margin Rates and Deposits Guidelines as set out in **Appendix 2** of this Directive.

## 8.2 Accepting Securities as Margin Payment

- (1) A General Clearing Participant is allowed to accept securities from Clients as margin payment subject to the following conditions:
  - (a) that the securities accepted as margin payment are securities prescribed by the Clearing House as eligible to be deposited with the Clearing House by the General Clearing Participant for the purpose of the General Clearing Participants' Margin payment to the Clearing House;
  - (b) that the securities obtained from the General Clearing Participants' Clients are for the purpose of margin payment on all or any Open Positions of the Clients in accordance with Rule 521; and
  - (c) that the General Clearing Participant and each Client must execute a memorandum of deposit the minimum contents of which are prescribed by the Clearing House in **Appendix 3** of this Directive (“Memorandum of Deposit”). The General Clearing Participant and the Client are not allowed to amend, vary, add or substitute etc. any of the terms of the Memorandum of Deposit or enter into additional agreements or any form of arrangement or understanding howsoever described which has the effect of altering, limiting or waiving the meaning, substance, application and the operation of the terms prescribed in the Memorandum of Deposit.

**RULES OF BURSA MALAYSIA DERIVATIVES CLEARING BHD**

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- (2) Where the General Clearing Participant accepts securities as margin payment from its Clients in accordance with paragraph 8.2(1) above, the General Clearing Participant may deposit the same with the Clearing House for the purpose of the General Clearing Participant's Margin payment to the Clearing House. For the avoidance of doubt, this Directive shall not be construed so as to authorise the General Clearing Participant to deposit Clients' securities with the Clearing House for the purpose of the General Clearing Participants' Margin payment to the Clearing House where the Memorandum of Deposit has not been executed by the Clients.

**9. Rule 521(c)**

Rule 521(c) requires a General Clearing Participant to ensure that except for Market Contracts which reduce a Client's margin obligation, no new Market Contracts are entered into by the Client unless the minimum margin for the Market Contracts are on deposit or is forthcoming within such period as may be prescribed by the Clearing House from time to time after a call for margin has been made by the General Clearing Participant and that Client's pre-existing Open Positions comply with the margin requirements established by the General Clearing Participant. In discharging the obligation under the said Rule, a General Clearing Participant must, amongst others, comply with the requirements set out below.

**9.1 Time period prescribed under Rule 521(c)**

The Clearing House has specified that a reasonable time for the purposes of Rule 521(c) is 3 Business Days from the transaction date.

**9.2 Notifying the Trading Participant**

The General Clearing Participant must notify the relevant Trading Participant of the Client's failure to comply with the relevant margin requirements.

**10. Rule 522(b)**

Rule 522(b) requires a General Clearing Participant to maintain adequate records in relation to complaints received from Clients. In discharging the obligations under the said Rule, a General Clearing Participant must, amongst others, comply with the requirements set out below.

**10.1 Records of client complaints**

A General Clearing Participant must make and keep current a separate central log, index or other file for all complaints so that such complaints can easily be identified and retrieved. At a minimum, the log, index or file must include:

- (a) the identity of complainant;
- (b) the date complaint was received;
- (c) a general description of the matter complained of; and
- (d) a record of what action, if any, has been taken by the General Clearing Participant with respect to the complaint.

**11. Rule 523(a)**

Rule 523(a) requires a General Clearing Participant to confirm in writing to every Client every transaction made for the Client no later than the following Business Day. In discharging the

**RULES OF BURSA MALAYSIA DERIVATIVES CLEARING BHD**

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obligations under the said Rule, a General Clearing Participant must, amongst others, comply with the requirements set out below.

**11.1 Confirmations to Client**

A General Clearing Participant must include the following information in the confirmation:

- (a) the name of the General Clearing Participant;
- (b) the name and address of the Client for whom or on whose behalf the General Clearing Participant effected the transactions;
- (c) the date of the transaction;
- (d) the total amount of the clearing and other fees charged;
- (e) a description of the transaction e.g. whether to buy, sell or to exercise;
- (f) in the case of an Option Open Contract, the exercise price of the Option Open Contract and the date by or on which the Buyer of the Option Open Contract, in order to exercise the Option Open Contract, must declare an intention to exercise the Option Open Contract;
- (g) in the case of a liquidating order for an Open Contract that is a Futures Contract, details of that order together with the said Open Contract and for Options, details of the liquidating Contract; and
- (h) any other information as may be prescribed by the Commission, the Act or any regulations made under the Act.

**12. Rule 523(b)**

Rule 523(b) requires a General Clearing Participant to provide to each Client a monthly statement. In discharging the obligations under the said Rule, a General Clearing Participant must, amongst others, comply with the requirements set out below.

**12.1 Monthly statement**

The General Clearing Participant must provide to each Client a monthly statement, within 7 days after the end of each calendar month showing:

- (a) the name of the General Clearing Participant and the address of the principal place of business at which the General Clearing Participant carries on its business as a General Clearing Participant;
- (b) the amount of cash and securities (indicating each separately) held for the credit of that Client;
- (c) the opening cash balance for that month in the Client's account;
- (d) all deposits, credits, withdrawals and debits affecting the Client's account during that month;
- (e) the cash balance in the Client's account at the end of that month;
- (f) particulars of each Open Contract that the General Clearing Participant, before or during that month, carries on behalf of the Client and that, as at the end of that month

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**RULES OF BURSA MALAYSIA DERIVATIVES CLEARING BHD**


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has not been closed out, showing in the case of each Open Contract the net unrealised profits or losses calculated on a mark-to-market basis;

- (g) details of all Open Contracts of the Client, which have been closed out in that month, and for Futures Contracts, accounting of all realised profits and losses of the Client;
- (h) details of outstanding margin calls in respect of an Open Contract that the General Clearing Participant is carrying on behalf of the Client; and
- (i) any other information as may be prescribed by the Commission, the Act or any regulations made under the Act.

### 13. Rule 525

Rule 525 requires a Clearing Participant to submit, within such time and in such form and manner as determined by the Clearing House, such statements, information and reports as may be requested by the Clearing House. In discharging the obligations under the said Rule, a Clearing Participant must, amongst others, comply with the requirements set out below.

#### 13.1 Financial Reporting Guide

A Clearing Participant must comply with the Financial Reporting Guide set out in **Appendix 4** of this Directive.

#### 13.2 Periodic Reports

- (1) A Clearing Participant must submit the periodic reports prescribed in **Appendix 5** of this Directive to the Clearing House:
  - (a) in the format prescribed in the Schedules to **Appendix 5** (“Templates”);
  - (b) via electronic transmission ~~to be notified by~~ the Clearing House ~~via proprietary e-mail~~; and
  - (c) not later than the times and days stipulated for submission of periodic reports in Appendix 5.

~~(2) In the event a Clearing Participant rectifies, amends or re-submits all or any of the periodic reports submitted under paragraph 13.2(1) above, the Clearing Participant must submit such reports in accordance with paragraphs 13.2(1)(a) and (b) above by the times stipulated for re-submission of periodic reports in Appendix 5.~~

~~(2) All periodic reports electronically transmitted by way of proprietary e-mail, whether by a Clearing Participant, or any of its directors, officers, employees, servants or agents, are deemed to have been reviewed by the Compliance Officer (in the case of a General Clearing Participant) and the information and records attached to such reports are deemed to be declared by the directors of the Clearing Participant to be true and accurate in all material aspects.~~

~~(3) Clearing Participants which do not have a proprietary e-mail address are required to submit the periodic reports referred to in paragraph 13.2(1) above to the Clearing House stored in a conventional portable storage media or device<sup>4</sup>, including but not limited to, a micro-diskette or a CD-ROM. The micro-diskette or CD-ROM submitted must be under cover of a letter signed by a director and, if the Clearing Participant is a General Clearing Participant, the Compliance Officer of the Clearing Participant,~~

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<sup>4</sup>The portable storage device must be USB-port compatible.

## RULES OF BURSA MALAYSIA DERIVATIVES CLEARING BHD

~~confirming that the information and records contained in the micro diskette or CD-ROM are true and accurate in all material aspects.~~

- (34) In the event any information ~~in the periodic reports submitted or records provided~~ by any Clearing Participant ~~in connection with the aforesaid submissions are~~ is found to be false, misleading or inaccurate in any manner whatsoever, the Clearing House ~~is entitled to may~~ take such disciplinary or other action(s) as it deems necessary or expedient.
- ~~(5) Subject always to paragraph 13.2(7), Clearing Participants may cease their submission of the periodic reports which have been submitted via e-mail, micro diskette or CD-ROM in hard copy form to the Clearing House.~~
- (46) Clearing Participants ~~are not required to need not~~ submit documents in support of the ~~aforesaid~~ periodic reports submitted to the Clearing House. However, Clearing Participants ~~are required to must~~ maintain all the supporting documents at their premises and ~~are required to must~~ produce it to the Clearing House ~~as and when required by the Clearing House.~~
- (57) Notwithstanding paragraph 13.2(15) and (2) above,:
- (a) ~~in the event a Clearing Participant is, for any reason whatsoever, unable to submit by electronic transmission e-mail, micro diskette or CD-ROM, all or any of the periodic reports by the stipulated times pursuant to paragraphs 13.2(1) and (2) above, the Clearing Participant must submit the duly completed and printed hard copy form of such periodic reports by way of facsimile, courier or by hand by the stipulated times set out in Appendix 5 for the duration of its inability to e-mail or to submit the micro diskette or CD-ROM, as the case may be; and~~
- (b) ~~in the event a Clearing Participant rectifies, amends or re-submits all or any of the periodic reports prescribed in this Directive for any reason whatsoever, the Clearing Participant must submit the duly rectified, amended or re-submitted periodic report by way of facsimile,~~
- ~~by the stipulated times set out in Appendix 5, and deliver the printed hard copy by courier or by hand as soon as possible thereafter.~~
- (68) The ~~periodic reports submitted by the Clearing Participants under paragraph 13.2(7)~~ following persons will be held responsible for the truthfulness and accuracy of all the information and records contained in the submissions to the Clearing House ~~above~~ must be duly signed:
- (a) by a director; ~~and,~~
- (b) if the Clearing Participant is a General Clearing Participant, the Compliance Officer of the Clearing Participant, and
- (c) in the case of an Investment Bank, the head of operations or any other authorised person(s) and the head of compliance.
- ~~confirming and undertaking that the information and records contained therein are true and accurate in all material aspects.~~
- (79) The Clearing House may take disciplinary or other action(s) as it deems necessary or expedient in the event the periodic reports are submitted later than the stipulated times set out in **Appendix 5**.

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**RULES OF BURSA MALAYSIA DERIVATIVES CLEARING BHD**


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~~(840) The Clearing House may in its absolute discretion and at any time prescribe any other periodic reports to be submitted in accordance with such mode of communication via e-mail or other conventional portable storage media or device and/or vary the times and manner for submissions of any periodic reports as notified by the Clearing House stipulated under paragraphs 13.2(1) and (2) above.~~

**14. Rule 533**

- (1) Rule 533 empowers the Clearing House to determine from time to time the limits on the Open Positions which may be held or controlled by any Client or Clearing Participant in any Derivatives (“position limits”) or number of Options that can be exercised by any Client or Clearing Participant (“exercise limits”) and grant such exemption, modification or variation in relation to the position limits or exercise limits as the Clearing House deems fit.
- (2) Pursuant to Rule 533(b), a Clearing Participant must ensure that the position limits and exercise limits applicable to any Client or Clearing Participant are adhered to at all times.
- (3) In connection with Rule 533, a Clearing Participant must, amongst others, comply with the requirements set out below.
- (4) Unless the context otherwise requires, a reference to the following terms will be construed as follows:
  - (a) “Market” means the market operated by the Exchange for trading in Futures Contracts;
  - (b) “Market Maker” is an individual or corporation approved by the Exchange as such;
  - (c) “Omnibus Account” means an account of a Client utilised by the Client for the clearing and settlement of Open Contracts for the Underlying Clients of the Client;
  - (d) “Specified Position Limits” means the position limits stated in Appendix 6 of this Directive;
  - (e) “Stock Index Futures Contract” means an Adjustment Agreement where the underlying stock index is an Instrument or a basket of shares of an Underlying Market;
  - (f) “Underlying Client” means the client of the Client; and
  - (g) “Underlying Market” means –
    - (i) in relation to a Stock Index Futures Contract, the market from which prices and other relevant information are taken for the computation of the underlying stock index; and
    - (ii) in relation to any other Futures Contract, the market in which the underlying Instrument is traded.

**14.1 Position limits for Clearing Participants**

- (1) A Client or Clearing Participant acting alone or in concert with others, must not directly or indirectly hold or control Open Positions in Derivatives in excess of the Specified Position Limits.
- (2) For purposes of Options, the limits stated are in relation to Open Positions net on the same side of the Market. A long Call, a short Put and a long underlying Futures Contract are taken as being on the same side of the Market; similarly a short Call, a long Put and a short underlying Futures Contract are taken as being on the same side of the Market.

**RULES OF BURSA MALAYSIA DERIVATIVES CLEARING BHD**

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- (3) For purposes of Futures Contracts, the limits stated are in relation to Open Positions net long or net short.
- (4) If a Client or a Clearing Participant holds or controls a combination of FTSE Bursa Malaysia Kuala Lumpur Composite Index Futures Contracts and Options on FTSE Bursa Malaysia Kuala Lumpur Composite Index Futures, the Client or Clearing Participant must comply with the position limits stated for Options on FTSE Bursa Malaysia Kuala Lumpur Composite Index Futures.
- (5) If a Client or a Clearing Participant holds or controls a combination of Ringgit Malaysia Denominated Crude Palm Oil Futures Contracts and Options on Ringgit Malaysia Denominated Crude Palm Oil Futures, the Client or Clearing Participant must comply with the position limits stated for Options on Ringgit Malaysia Denominated Crude Palm Oil Futures.
- (6) In ensuring that the Specified Position Limits which are applicable to a Client are adhered to at all times, the Clearing Participant must, where applicable, notify the relevant Trading Participant to limit trading of the relevant Derivatives for that Client to liquidation only.
- (7) Notwithstanding any provision contained in these Rules, a Clearing Participant who is in breach of the relevant position limits in respect of its proprietary account must take immediate steps to close out such number of Open Positions required in order to be in compliance with the Specified Position Limits. The Clearing House may take any other action deemed appropriate in the circumstances.

**14.2 Position Limits for Market Makers**

- (1) A Market Maker acting alone or in concert with others, must not directly or indirectly hold or control Open Positions in a Futures Contract in excess of twice the Specified Position Limits.
- (2) A Market Maker may seek an exemption to exceed the position limits stated in paragraph 14.2(1) to assure that there is sufficient depth and liquidity in the marketplace.
- (3) In respect of paragraph 14.2(2) above, a written request by a Market Maker or through a Clearing Participant must be made to the Clearing House setting out the reasons why an exemption should be granted.

**14.3 Exemption for Bona Fide Hedging Transactions**

- (1) A Clearing Participant may apply to the Clearing House for approval to exceed the Specified Position Limits for bona fide hedging transactions. For the avoidance of doubt, the Clearing Participant may make such application on behalf of its Client or an Underlying Client. The Clearing House may approve such application only if the person's Open Positions and proposed Open Positions are for bona fide hedging transactions. The Clearing House's approval must be obtained before a person assumes positions which exceed the Specified Position Limits.
- (2) In considering an application received from a Clearing Participant in paragraph 14.3(1), the Clearing House may require that such Clearing Participant provides or causes to be provided to the Clearing House the details of exposure to the Underlying Market to justify the granting of the exemption for hedging purposes.
- (3) In approving an application received from a Clearing Participant under paragraph 14.3(1), the Clearing House may impose any term or condition as it deems fit.
- (4) If a Clearing Participant receives the Clearing House's approval under this paragraph 14.3, the Open Positions of the relevant person which result from bona fide hedging transactions will not be included in the computation of positions restricted by the Specified Position Limits.

RULES OF BURSA MALAYSIA DERIVATIVES CLEARING BHD

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- (5) In respect of hedging with FTSE Bursa Malaysia Kuala Lumpur Composite Index Futures Contract or Option on FTSE Bursa Malaysia Kuala Lumpur Composite Index Futures, such transactions will only qualify for an exemption if the underlying stock portfolio:
- (a) contains at least 3 FTSE Bursa Malaysia Kuala Lumpur Composite Index (KLCI) stocks and none of these stocks account for more than 50% of the total value of the underlying stock portfolio; and
  - (b) comprises stocks in at least 3 sectors.
- (6) The Clearing House reserves the right to approve any other underlying stock portfolio that may not meet the requirements in paragraph 14.3(5) if it is of the opinion that the underlying stock portfolio does represent a bona fide hedge.
- (7) The Clearing Participant may revoke the exemption granted to a Clearing Participant under paragraph 14.3.

**14.4 Exemption to exceed position limits for Omnibus Accounts**

- (1) A Clearing Participant may allow a Client who maintains an Omnibus Account to hold positions that exceed the Specified Position Limits subject to the following conditions:
- (a) the Clearing Participant is satisfied as to the financial probity of the Client;
  - (b) the Open Positions held or controlled by each of the Underlying Clients in the omnibus account must not exceed:
    - (i) the Specified Position Limits;
    - (ii) the limits as may be approved by the Clearing House pursuant to paragraph 14.3; or
    - (iii) the limits permitted under the Exchange Rules in relation to an omnibus account where the Client has notified and provided the relevant documentary evidence of the same to the Clearing Participant,whichever is the highest; and
  - (c) compliance with any other terms or conditions that the Clearing House may prescribe as it deems fit.
- (2) A Clearing Participant which allows a Client to exceed the Specified Position Limits pursuant to paragraph 14.4(1) above must, in the manner as may be specified by the Clearing House, notify the Clearing House immediately of the following:
- (a) that the relevant conditions in paragraphs 14.4(1) have been complied with;
  - (b) the details of the Omnibus Account including the identity of the Client and the Underlying Clients; and
  - (c) any other information as may be requested by the Clearing House.
- (3) If any of the provisions in this paragraph 14.4 is not complied with, the Clearing House may direct the Clearing Participant to disallow the Client from continuing to hold positions exceed the Specified Position Limits pursuant to paragraph 14.4(1) above.



**RULES OF BURSA MALAYSIA DERIVATIVES CLEARING BHD**

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- (4) Where a Clearing Participant allows a Client to hold positions that exceed the Specified Position Limits pursuant to paragraph 14.4(1), the provisions relating to positions limits and any provision relating to a breach of such limits that is applicable to a Clearing Participant or a Client directly or indirectly (“the relevant provisions”) will also be applicable to each of the Underlying Clients. In this respect, all actions of each of the Underlying Clients will be construed to be the actions of the Clearing Participant or the Client.
- (5) The Clearing Participant must ensure that an Omnibus Account in relation to which a Client is allowed to hold positions that exceed the Specified Position Limits under paragraph 14.4(1) is identified as such in the books and records of the Clearing Participant.

[End of Directive]

# **FINANCIAL REPORTING GUIDE**

**Directive No. 5-001: Appendix 4  
Financial Reporting Guide****Preface**

Bursa Malaysia Derivatives Clearing Berhad (“BMDC”) is a company that has been approved by the Minister of Finance under the Capital Markets and Services Act 2007 to act as a clearing house for derivatives market in Malaysia. In seeking and obtaining that approval, BMDC undertook the responsibility to gain the confidence of investors in the financial integrity of the Malaysian derivatives market, ensure that clearing participant do not become a source of systemic risk or pose a threat to the settlement system, and to act in the public interest generally.

The imposition of a minimum capital standard on clearing members is a key element of BMDC’s overall risk management system, designed to assist BMDC in the discharge of its statutory responsibility. In addition to setting a capital standard, emphasis is also given through our financial audit programme on board and senior management oversight, internal controls as well as the benefit of having in place a system for the proper identification and management of risk. This is because not only do inadequate controls and supervision expose a clearing member to significant risk, they can also adversely affect the integrity of financial statements the purported objective of which is to serve as evidence of compliance with minimum capital requirements.

We believe that the financial statements of the clearing participant should reflect in a meaningful way underlying trends in the financial performance and condition of the firm, the proper values of its assets and liabilities as well as the susceptibility or sensitivity to changes in value. Recognizing that adopting broadbased accounting and disclosure standards does not adequately explain the economic substance of the activities of a clearing member, schedule 2 to the Rules of BMDC therefore provides for the computation, in a particular way, of the minimum assets which a member must hold.

BMDC has prepared the accompanying reporting guide which prescribes the financial reports and information that clearing members are required to submit to BMDC on a monthly basis as well as the forms in which those reports and information are to be presented. As a further guide to the preparation of these financial reports, some terms used in schedule 2 and the reporting guide have been defined for the benefit of clearing participant and detailed instructions have been provided with respect to the completion of the forms.

**Bursa Malaysia Derivatives Clearing Berhad**

## FINANCIAL REPORTING GUIDE

### INTRODUCTION

All Clearing Participants must submit to BMDC within 15 calendar days after the end of each month the following statements completed in accordance with the instructions contained in this document:

1. **FORM A** - Statement of Segregation Requirements and Funds in Segregation for Clients Trading on Malaysian and Foreign Exchanges
2. **FORM B** - Statement of Adjusted Net Capital
3. **FORM C** - Statement of Financial Condition
4. **FORM D** - Statement of Income/(Loss)
5. **Trial Balance**

Clearing Participants are reminded that in addition to the above, they must submit any supporting information or document, their audited financial statements and such other statements or information as may be requested by BMDC from time to time. Failure to do so may result in fines being imposed and/or other forms of disciplinary action being taken by BMDC.

**Directive No. 5-001: Appendix 4  
Financial Reporting Guide****DEFINITIONS**

For the purpose of this guide, the term:

- 1) “Clearing Participant” has the same meaning as that provided in the Rules of BMDC;
- 2) “Client” has the same meaning as that provided in the Rules of BMDC;
- 3) “Clients’ segregated accounts” has the same meaning as that provided by the Capital Markets and Services Act 2007;
- 4) “Computation ~~e~~Date” means any day on which the Adjusted Net Capital of a Clearing Participant is computed;
- 5) “Financial institution” here refers to institutions governed by the Financial Services Act 2013;
- 6) “Proprietary Account” has the same meaning as that provided by the Rules of Bursa Malaysia Derivatives Berhad;
- 7) “Related corporation” has the same meaning as that provided by the Capital Markets and Services Act 2007.
- 8) “Secured” means
  - a) collateral of the type, approved by BMDC, given to the Clearing Participants as security for that loan or receivable and is at least of such value approved by BMDC; or
  - b) the collateral is in the possession or control of the Clearing Participant; and
  - c) the Clearing Participant has a legally enforceable written security agreement executed by the debtor in its favour under which the member has the power to readily sell or otherwise convert the collateral into cash in the event of the receivable being place in jeopardy;
- 9) “Securities” means debentures, stocks and shares in a public company or corporation, or bonds of any government or of any body, corporate or unincorporated, and includes any option in respect thereof and any interest in unit trust schemes;

**Directive No. 5-001: Appendix 4  
Financial Reporting Guide**

- 10) “Unit trust scheme” means any arrangement made for the purpose, or having the effect, of providing facilities for the participation by persons as beneficiaries under a trust in profits or income arising from the acquisition, holding, management or disposal of securities or any other property.

Directive No. 5-001: Appendix 4  
Financial Reporting Guide

## FORM A

**STATEMENT OF SEGREGATION REQUIREMENTS AND FUNDS IN SEGREGATION FOR CLIENTS TRADING  
ON MALAYSIAN AND FOREIGN EXCHANGES AT**

		Malaysia Exchange	Foreign Exchanges	Total
<b>Segregation requirements</b>				
1.	Net ledger balance			
a.	<i>Cash</i>			
b.	<i>Securities</i>			
c.	<i>Foreign currencies</i>			
2.	Net profit/(loss) <del>in open futures contracts</del>			
a.	<u>Exchange traded open derivatives contracts (except for exchange traded options)</u>			
b.	<u>Non-exchange traded open derivatives contracts</u>			
3.	Exchange traded options			
a.	<i>Current market value of open long option contracts</i>			
b.	<i>Current market value of open short option contracts</i>			
4.	Net equity/(deficit) (add Items 1, 2 and 3)			
5.	Net debit balance			
6.	<b>Amount required to be segregated</b> (add Items 4 and 5)			
<b>Funds in segregated accounts</b>				
7.	Cash deposited in segregated bank account			
a.	<i>Ringgit Malaysia</i>			
b.	<i>Foreign Currencies</i>			
8.	Segregated securities			
9.	Margin deposit with clearing house			
a.	<i>Cash and net settlement</i>			
b.	<i>Securities held as margin</i>			
c.	<i>Foreign currencies held as collateral</i>			
10.	Exchange traded options			
a.	<i>Current market value of open long option contracts</i>			
b.	<i>Current market value of open short option contracts</i>			
11.	Net equity with other <del>licensed futures-foreign</del> <u>derivatives</u> brokers			
a.	Net equity			
b.	Securities held as margin			

**ANNEXURE 1**

**Directive No. 5-001: Appendix 4  
Financial Reporting Guide**

c.	Foreign currencies held as collateral			
12.	Segregated funds on hand (please specify)			
13.	Others (please specify)			
14.	<b>Total amount segregated</b> (Add Items 7 to 13)			
15.	Excess/(deficiency) funds in segregation (Item 14 minus Item 6) (Appendix 1)			



**Directive No. 5-001: Appendix 4  
Financial Reporting Guide**

**FORM A – STATEMENT OF SEGREGATION REQUIREMENTS AND FUNDS IN SEGREGATION FOR CLIENTS TRADING ON MALAYSIAN AND FOREIGN EXCHANGES**

The Clearing Participant should clearly differentiate the clearing of trades done on BMDC and foreign clearing houses in the respective columns.

**I. SEGREGATION REQUIREMENTS (Line 1 to Line 6)**

**LINE 1 – *Net ledger balance***

**LINE 1.a – *Net ledger balance – Cash***

This amount should show the net debit or credit balance of all Clearing Participant's clients' accounts. Interest earned on clients' funds which are payable to the clients and all monies received from the Local Participants (as defined in the Rules of Bursa Malaysia Berhad), if any are also included in this line. This amount should exclude all foreign currency collateral received from clients which need to be disclosed separately under line 1.c. The Clearing Participant's error account and proprietary balances should not be included in this balance.

**LINE 1.b – *Net ledger balance – Securities***

The Clearing Participant should report all the securities deposited by its clients to margin, guarantee and secure trading on the exchanges. Securities should be reported at the current market value. Letters of credit and guarantees received from clients to margin their accounts should not be included but should be disclosed as notes to the accounts.

**LINE 1.c – *Net ledger balance – Foreign currencies***

The Clearing Participant should report all the foreign currencies deposited by its clients to margin, guarantee and secure trading on the exchange. This amount should show the Ringgit Malaysia equivalent of total foreign currencies lodged by the Clearing Participant's clients. The foreign currencies must be converted to Ringgit Malaysia based on BMDC's pre haircut rates. This amount must not be used to net off individual client's debit balances.

**LINE 2 - Net profit/loss**

**LINE 2.a – Exchange traded Net profit/(loss) in open futures derivatives contracts (except for exchange traded options)**

This amount should include the net profit/(loss) in exchange traded open futures derivatives contracts (except for exchange traded options) of clients trading on the exchanges. Trades which have not been cleared (outtrades) as of the reporting date should be marked dt to market and included in this amount.

**LINE 2.b – Non-exchange traded open derivatives contracts**

This amount should include the net profit/(loss) in other open derivatives contracts of clients which are carried by the Clearing Participant. These should include contracts for difference

**Directive No. 5-001: Appendix 4  
Financial Reporting Guide**

("CFD") issued or carried by the Clearing Participant on behalf of the clients. All such contracts remaining open as at the reporting date should be marked to market and included in this amount.

**LINE 3 – Exchange traded options**

**LINE 3.a – Current market value of open long option contracts**

This amount should show the current market value of open long option contracts carried in the clients' accounts. Only in-the-money open long option contracts which have positive market value need to be disclosed. Out-of-the-money options have no market value as they would expire unexercised.

**LINE 3.b – Current market value of open short option contracts**

This amount should show as a deduction, the current market value of open short option contracts carried in the clients' accounts. Only in-the-money open short option contracts which have positive market value need to be disclosed. Out-of-the-money options have no market value as they would expire unexercised.

These amounts should not be netted against each other.

**LINE 4 – Net equity/(deficit)**

This amount should show the total of **LINE 1 to LINE 3**.

**LINE 5 – Net debit balance**

An account has a debit balance when the combination of an account's cash ledger balance (debit or credit), profit or loss on exchange traded open derivatives contracts (except for exchange traded options), non-exchange traded open futures-derivatives contracts (including CFDs), and the current market value of open option contracts liquidated to an amount less than zero. This amount should agree with **LINE 7.a or LINE 8.a of FORM C**. Securities used to margin the account are not to be used to reduce the debit balance to be reported in Form A even though such securities are permitted as margin deposits.

**Example 1**

	Computation Date
Cash ledger balance	(1,762)
Cash received	-
Net current market value of open Options contract	-
Open position profit/(loss)	-
Net equity	<b>(1,762)</b>
Margin requirement	-
Net current market value of open Options contract	-

**Directive No. 5-001: Appendix 4  
Financial Reporting Guide**

Excess/(Shortage)	(1,762)
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In this example, the Net Debit Balance on the Computation Date is RM1,762.

**Example 2**

	Computation Date
Cash ledger balance	17,440
Cash received	-
Net current market value of open Options contract	-
Open position profit/(loss)	(40,580)
Net equity	<b>(23,140)</b>
Margin requirement	(180,000)
Net current market value of open Options contract	-
Excess/(Shortage)	(203,140)

In this example, the Net Debit Balance on the Computation Date is RM23,140.

**Example 3**

	Computation Date
Cash ledger balance	7,440
Cash received	-
Net current market value of open Options contract	-
Open position profit/(loss)	(40,580)
Net equity	<b>(33,140)</b>
Margin requirement	(180,000)
Net current market value of open Options contract	-
Securities/collateral	200,000
Excess/(Shortage)	(203,140)

In this example, the Net Debit Balance on the Computation Date is RM33,140.

**LINE 6 – Amount required to be segregated**

This amount should be the total of **LINE 4** and **LINE 5** and should agree with **LINE 23** and **LINE 24** of **FORM C**.

**II. FUNDS IN SEGREGATED ACCOUNTS (Line 7 to Line 14)****LINE 7 – Cash deposited in segregated bank accounts**

**Directive No. 5-001: Appendix 4  
Financial Reporting Guide****LINE 7.a – Ringgit Malaysia**

This amount should show the total cash in Ringgit Malaysia segregated bank accounts.

**LINE 7.b – Foreign Currencies**

This amount should show the Ringgit Malaysia equivalent of foreign currencies in the Clearing Participant's segregated bank accounts. The foreign currencies must be converted to Ringgit Malaysia based on BMDC's pre haircut rates.

**LINE 8 – Segregated securities**

This amount should show the securities owned by clients which is deposited with and retained by the Clearing Participant, at current market value.

**LINE 9 – Margin deposit with clearing house****LINE 9.a – Cash and net settlement**

To report cash and all amounts due from and/or due to BMDC to the Clearing Participant. This amount should agree with BMDC's statement.

**LINE 9.b – Securities held as margin**

This amount should show the securities held as margins and deposited with the clearing house, at current market value.

**LINE 9.c – Foreign currencies held as collateral**

This amount should show the Ringgit Malaysia equivalent of foreign currencies lodged with BMDC. The foreign currencies must be converted to Ringgit Malaysia based on MDCH's pre haircut rates.

**LINE 10 – Exchange traded options****LINE 10.a – Current market value of open long option contracts**

This amount should show the current market value of open long option contracts cleared directly by the Member with the clearing house.

**LINE 10.b – Current market value of open short option contracts**

This amount should show the current market value of open short option contracts cleared directly by the Clearing Participant with BMDC.

These amounts should not be netted against each other.

Options transactions cleared through other licensed futures brokers should be reported on **LINE 11**.

**LINE 11 – Net equity with other ~~licensed futures foreign derivatives~~ brokers**

**Directive No. 5-001: Appendix 4  
Financial Reporting Guide**

**LINE 11.a – Net equity**

This amount should show the net equity of the Clearing Participant's clients' trades ~~which were cleared through with~~ other ~~licensed futures foreign derivatives~~ brokers. Net equity includes the cash ledger balance, profit or loss on ~~exchange traded open derivatives contracts (except for exchange traded options), non-exchange traded~~ open ~~futures derivatives~~ contracts ~~(including CFDs)~~ and the net current market value of open option contracts.

**LINE 11.b – Securities held as margin**

This amount should show the securities held as margin and deposited with other ~~licensed futures foreign derivatives~~ brokers, at current market value.

**LINE 11.c – Foreign currencies held as collateral**

This amount should show the Ringgit Malaysia equivalent of foreign currencies lodged with another ~~broker Clearing Participant~~. The foreign currencies must be converted to Ringgit Malaysia based on BMDC's pre haircut rates.

**LINE 12 – Segregated funds on hand**

This amount should show the total amount of funds received from clients which have not been deposited to the segregated bank account.

**LINE 13 – Others**

This amount includes the marked-to-market value of clients' trades not yet cleared (outtrades) as at the computation date and other segregated funds which are not readily classifiable into other categories.

**LINE 14 – Total amount segregated**

This amount should be the total of **LINE 7** to **LINE 13** and should agree with **LINE 1** of **FORM C**.

**LINE 15 – Excess/(deficiency) of funds in segregation**

This amount should show the difference between **LINE 6** and **LINE 14**. The Clearing Participant is required to take immediate corrective action and must immediately inform BMDC and Commission if there is a deficiency in the segregated funds.

The Clearing Participant is also required to prepare a reconciliation showing the detailed movements of the excess funds. The reconciliation for the excess funds should be disclosed as **Appendix 1** using the format below;

**APPENDIX 1:**

Excess Funds b/f	XX	-	this item should agree with the previous month's excess funds reconciliation carried forward balance
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Directive No. 5-001: Appendix 4  
Financial Reporting Guide

Add:

Addition to the excess funds during the month      XX      -      disclose full details

Less:

Deduction to the excess funds during the month      (XX)      -      disclose full details

Excess funds c/f      XX      -      this item should agree with **LINE 15** of **FORM A.**

**Directive No. 5-001: Appendix 4  
Financial Reporting Guide**

**FORM B**

**STATEMENT OF ADJUSTED NET CAPITAL AS AT**

		Total
	<b>Net Capital</b>	
1.	Permitted assests	
2.	Total liabilities	
3.	Deduction from total liabilities	
a.	Liabilities subject to satisfactory subordinated loan agreements	
b.	Allowable long-term liabilities	
	Total allowable liabilities	(        )
4.	Adjusted liabilities	
5.	<b>Net Capital</b> (Item 1 minus Item 4)	
6.	<b>Additional deductions</b>	
a.	<u>For securities held by the Participant for its proprietary account</u>	
i.	Malaysian government securities	
	- Up to one year of maturity period	
	- More than one year of maturity period	
ii.	Readily marketable Malaysian securities listed on the <del>main board</del> <u>Main Market</u> of Bursa Malaysia Securities Berhad	
	- Shares listed on <u>the Main Market of</u> Bursa Malaysia Securities Berhad up to a total value of 5% of initial margin or RM250,000, whichever is greater	
	- The balance of the aggregated value of shares listed on <u>the Main Market of</u> Bursa Malaysia Securities Berhad <del>main board</del>	
iii.	All other securities listed on Bursa Malaysia Securities Berhad	
b.	Amounts dues from clients in respect of margin where such amount are outstanding not less than <del>three</del> <u>3</u> business days as at the computation date	
c.	The net debit balance arising from the marking-to-market or interim settlement of outstanding <del>futures and/or option derivatives</del> contracts held by clients as at the close of business on the computation date	
d.	The margin requirement on open contracts in the proprietary account of a Clearing Participant which are not bona fide hedged contracts	
e.	Inventories which are not hedged in any market or association	
f.	Inventories which are not hedged by any hedging position in any market or association	

**Directive No. 5-001: Appendix 4  
Financial Reporting Guide**

	<u>Contracts for difference (CFD) – (does not include positions held for hedging its exposures on issuance of CFDs)</u>		
g.			
h.	<u>Amounts due from clients in respect of margin where such amounts are outstanding not less than 3 business days as at the computation date</u>		
i.	<u>The margin requirement on open contracts in the proprietary account of a Participant which are not bona fide hedged contracts</u>		
ii.			
	Total deductions (Add Items 6(a) to 6(hg))		
7.			
8.	<b>Adjusted net capital</b> (Item 5 minus Item 7)		
9.	Amount of margin required		
10.	10% of the amount of margin required		
11.	<b>Adjusted Net Capital required</b> (Enter the greater of Line 10 or RM500,000)		
12.	Excess Adjusted Net Capital (Item 8 minus Item 11)		

**Note: -**

1. Item 6a to 6f is applicable for securities held by the Clearing Participant for its own account
2. Item 6g is applicable for CFDs



**Directive No. 5-001: Appendix 4  
Financial Reporting Guide**

**FORM B – STATEMENT OF ADJUSTED NET CAPITAL**

For the purposes of calculating Adjusted Net Capital:

- (a) all ~~futures and option derivatives~~ contracts must be marked to their current market value.
- (b) all unrealized profits and losses on all ~~futures, options, forward and fixed price commitment derivatives~~ contracts must be treated as realized profits and losses; and
- (c) unless otherwise specifically stated, the value ascribed to all other assets and liabilities must be at their current market value.

**I. NET CAPITAL (Line 1 to Line 5)****LINE 1 – Permitted assets**

This amount should agree with the “Permitted assets” column on LINE 16 of FORM C. Refer to schedule 2 to the Rules of BMDC for the definition of “Permitted Assets”. Note that “Permitted Assets” include securities listed on a stock exchange approved by BMDC Bursa Malaysia Securities Berhad may be included as “Permitted Assets” under sub-paragraph 1(b) (i)(iv) of the definition Schedule 2.

**LINE 2 – Total Liabilities**

This amount should agree with the amount on LINE 27 of FORM C.

**LINE 3 – Deduction from total liabilities.****LINE 3.a – Liabilities subject to satisfactory subordinated loan agreements**

This amount should show the liabilities under a subordinated loan agreement:

- i. which has a remaining term to maturity of not less than one year; and
- ii. to which Bursa Malaysia Derivatives Berhad is a party,

up to a maximum amount of four times the shareholders; funds of the Clearing Participant.

**LINE 3.b - Allowable long term liabilities**

This amount should show long term liabilities owed to a financial institution under a commercial loan secured by a fixed charge over **real property** or **motor vehicles** owned by the Clearing Participant and applied for use in the normal course of the business of the Clearing Participant, up to an amount equal to the lower of net book value of 80% of the market value of the real property or motor vehicles. The market value of the assets should be valued by an appointed valuer ~~and based~~ on an ‘as is’ basis and should be revalued annually.

**Example:**

A Clearing Participant obtains a long term loan of RM4.0 million from a financial institution. The loan is secured by a fixed charge over real property owned by the Clearing Participant. The amount payable within the next 12 months is RM0.5 million and RM 2.5 million is the long term

**Directive No. 5-001: Appendix 4  
Financial Reporting Guide**

liability. The net book value of the real property is RM3.0 million. The allowable long term liability should be the lower of:

- (i) long term liabilities,
  - (ii) 80% of the real property's market value; or
  - (iii) net book value of the real property.
- (1) If the current market value of the real property is RM5.0 million, 80% of the market value will be RM4.0 million. Therefore, the allowable long term liability will be RM2.5 million.
  - (2) If the current market value of the real property is RM3.0 million, 80% of the market value will be RM2.4 million. Therefore, the allowable long term liability will be RM2.4 million.

**LINE 4 – Adjusted liabilities**

This amount should show the difference between **LINE 3** and **LINE 2**.

**LINE 5 – Net Capital**

This amount should show the difference between **LINE 4** and **LINE 1**.

**LINE 6 – Additional deductions**

The Clearing Participant must provide the following charges to its Net Capital to compute its Adjusted Net Capital.

**LINE 6 a – For securities held by the Clearing Participant for its proprietary account**

Line 6.a.i \_\_\_\_\_ Malaysian government securities

**LINE 6. ~~b.a.ii~~ –** Readily marketable Malaysian securities listed on Bursa Malaysia Securities Berhad

**LINE 6. ~~ca.iii~~ –** All ~~o~~ther securities listed on Bursa Malaysia Securities Berhad

the percentage of charges are as follows:

**1. For securities held by the Clearing Participant for its proprietary account**

	%	of market value to be deducted
• Malaysian government securities		
- Up to one year of maturity period	2.5%	
- More than one year of maturity period	5%	
• Shares listed on <u>the Main Market of</u> Bursa Malaysia Securities Berhad <del>main board</del>		
up to a total value of 5% of initial margin or RM250,000, whichever is greater	40%	
• The balance of the aggregate value of shares		

**Directive No. 5-001: Appendix 4  
Financial Reporting Guide**

listed on <u>the Main Market of</u> Bursa Malaysia Securities Berhad <del>main board</del>	100%
• All other securities listed on Bursa Malaysia Securities Berhad	100%
 <b>2. <u>Contracts for difference (CFDs) which do not include positions held for hedging its exposures on issuance of CFDs</u></b>	
	<u>% of market value to be deducted</u>
• <u>Single share CFDs</u>	
<u>Index shares</u>	<u>15%</u>
<u>Non-index shares</u>	<u>21%</u>
• <u>Index CFDs</u>	<u>5%</u>

For the purposes of **LINES 6.d** and **6.e** of this statement:

Net equity refers to the combination of an account's cash ledger balance (debit or credit), profit or loss on exchange traded open derivatives contracts (except for exchange traded options), non-exchange traded open ~~futures-derivatives~~ contracts (including CFDs) and the net current market value of open options contract.

**Securities or collateral used to margin the account are to be used to reduce the Net Debit balance in the account before such securities are used to reduce the initial margin.**

Net current market value of open option contracts refers to current market value of open long option contracts less the current market value of open short option contracts.

**LINE 6.db** – *Amounts due from clients in respect of margin where such amounts are outstanding not less than ~~three-3~~ business days as at the computation date.*

An under margined situation arises if the net equity and secured collateral are not sufficient to cover the margin requirement for that particular client account. The margin requirement should refer to the BMDC's margin requirement. The foreign brokers' margin requirements to the Clearing Participant would be applicable to clients trading in foreign exchanges.

The under margin amount will be determined as follows:

**(a) If the net equity is in a net credit position, then the under margin amount will be:**

The margin requirement less net equity less secured collateral add/less net current market value of open options contract.

**(b) If the net equity is in a net debit position, then the under margin amount will be:**

**Directive No. 5-001: Appendix 4  
Financial Reporting Guide**

The margin requirement less balance of secured collateral (secured collateral less amount used to secured net debit balance) add/less net current market value of open options contract.

An under margin charge will be imposed if the Clearing Participant has an under margin amount outstanding for more than 3 business days as at the computation date.

The charge will be imposed on the amount under margined on T day itself unless the under margin amount is fully eliminated. T day is the day when the futures and options contracts are executed by the Clearing Participant.

The under margin amount will only be fully eliminated if;

- (a) The total of net equity and any secured collateral become greater than the margin requirement either on T+1 or T+2 or T+3; or
- (b) There is no longer any margin requirement for the account either on T+1 or T+2 or T+3; or
- (c) Total cash received either on T+1 and/or T+2 and/or T+3 is greater than the under margin amount on T day.

However, if the account is also in a Net Debit Balance position on T day, any cash received will first be used to set off against the Net Debit Balance amount. The balance of the cash received can then be used to either fully or partially set off against the under margin amount on T day.

- (i) If the balance of the cash received (i.e. total cash received less Net Debit Balance amount on T day) can fully eliminate the under margin amount on T day, then an under margin charge shall no be imposed:
- (ii) If the balance of the cash received (i.e. total cash received less net Debit Balance amount on T day) can only partially eliminate the under margin amount on T day, then an under margin charge shall be imposed on the difference in the balance of the cash received and the under margin amount.

**Example 1**

	<b>T</b>	<b>T+1</b>	<b>T+2</b>	<b>T+3</b> Computation Date
Cash ledger balance	21,397	21,397	21,277	21,277
Cash received	-	-	-	-
Net current market value of open Options contract	10,000	9,900	9,800	9,700
Open position profit/(loss)	720	9,320	10,330	10,000
Net equity	32,117	40,617	41,407	40,977
Margin requirement	(26,000)	(26,000)	(39,000)	(39,000)
Net current market value of open Options contract	(10,000)	(9,900)	(9,800)	(9,700)

**Directive No. 5-001: Appendix 4  
Financial Reporting Guide**

Excess/(Shortage)	<b>(3,883)</b>	4,717	(7,393)	(7,723)
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In this example, the under margin amount on T day is RM3,883. However, an under margin charge will not be imposed when computing the Adjusted Net Capital as the under margin amount on T day has been completely eliminated on T+1 since the net equity is greater than the margin requirement. The under margin amount of RM7,393 on T+2 is not subjected to a charge as it is outstanding for less than 3 business days as at the computation date.

The same principle will apply if the net equity becomes greater than the margin requirement on either T+2 or T+3.

**Example 2**

	<b>T</b>	<b>T+1</b>	<b>T+2</b>	<b>T+3</b> Computation Date
Cash ledger balance	36,494	(16,947)	(15,606)	(25,505)
Cash received	-	-	-	-
Net current market value of open Options contract	(5,000)	-	(4,000)	(4,500)
Open position profit/(loss)	(30,010)	-	(9,960)	(700)
Net equity	1,484	(16,947)	(29,566)	(30,705)
Margin requirement	(175,500)	-	<b>(26,000)</b>	(6,500)
Net current market value of open Options contract	5,000	-	4,000	4,500
Excess/(Shortage)	<b>(169,016)</b>	(16,947)	(51,566)	(32,705)

In this example, the under margin amount on T day is RM169,016. However, an under margin charge will not be imposed when computing the Adjusted Net Capital as the under margin amount on T day has been completely eliminated since there is no longer a margin requirement on T+1.

No charge will be imposed for the under margin amount of RM26,000 on T+2 because this under margin amount has not been outstanding for more than 3 business days.

The same principle will apply if there is no longer any margin requirement on either T+2 or T+3.

**Example 3**

	<b>T</b>	<b>T+1</b>	<b>T+2</b>	<b>T+3</b> Computation Date
Cash ledger balance	620,375	728,725	728,735	780,565
Cash received	-	-	-	-
Net current market value of	-	-	-	-

ANNEXURE 1

Directive No. 5-001: Appendix 4  
Financial Reporting Guide

open Options contract				
Open position profit/(loss)	(208,650)	(374,380)	(239,910)	(365,576)
Net equity	422,725	353,945	488,415	423,989
Margin requirement	(824,500)	(659,500)	(659,500)	(457,500)
Net current market value of open Options contract	-	-	-	-
Excess/(Shortage)	<b>(412,775)</b>	(305,555)	(171,085)	(33,511)

In this example, the under margin amount on T day is RM412,775. A charge of RM412,775 shall be imposed as a deduction against Net Capital when computing the Adjusted Net Capital because the under margin amount on T day has not been completely eliminated as at the computation date.

Example 4

	T	T+1	T+2	T+3 Computation Date
Cash ledger balance	1,725,942	1,724,742	1,723,742	1,721,342
Cash received	-	-	-	-
Net current market value of open Options contract	-	-	-	-
Open position profit/(loss)	(451,680)	(398,740)	(86,640)	(16,390)
Net equity	1,274,262	1,326,002	1,637,102	1,704,952
Margin requirement	(1,482,000)	(1,612,000)	(2,593,500)	(3,163,500)
Net current market value of open Options contract	-	-	-	-
Excess/(Shortage)	<b>(207,738)</b>	(285,998)	(956,398)	(1,458,548)

In this example, the under margin amount on T day is RM207,738. A charge of RM207,738 shall be imposed as a deduction against Net Capital when computing the Adjusted Net Capital because the under margin amount on T day has not been completely eliminated as at the computation date.

Example 5

	T	T+1	T+2	T+3 Computation Date
Cash ledger balance	(300)	(280)	(280)	(280)
Cash received	-	-	-	-
Net current market value of open Options contract	-	-	-	-
Open position profit/(loss)	(750)	4,700	6,500	8,300
Net equity	<b>(1,050)</b>	4,420	6,220	8,020
Margin requirement	<b>(32,500)</b>	(13,000)	(13,000)	(13,000)

**Directive No. 5-001: Appendix 4  
Financial Reporting Guide**

Net current market value of open Options contract				
Excess/(Shortage)	<b>(15,652)</b>	(8,850)	(6,780)	(4,980)

In this example the under margin amount on T day is RM32,500 (i.e. the margin requirement on T day). The under margin amount is **not** RM33,550 because this amount is inclusive of the Net Debit Balance of RM1,050 on T day.

A charge of RM 32,500 shall be imposed as a deduction against Net Capital when computing the ANC because the under margin amount on T day has not been completely eliminated by the Computation Date.

**Example 6**

	<b>T</b>	<b>T+1</b>	<b>T+2</b>	<b>T+3</b> Computation Date
Cash ledger balance	3,588	2,768	2,768	2,768
Cash received	-	-	-	<b>10,000</b>
Net current market value of open Options contract	-	-	-	-
Open position profit/(loss)	260	700	8,340	(7,540)
Net equity	3,848	3,468	(5,572)	5,228
Margin requirement	(19,500)	(26,000)	(26,000)	(26,000)
Net current market value of open Options contract	-	-	-	-
Excess/(Shortage)	<b>(15,652)</b>	(22,532)	(31,572)	(20,772)

In this example, the under margin amount on T day is RM15,652. The under margin amount of RM15,652 has been partially eliminated by cash receipt of RM10,000 on T+3. The remaining balance of the under margin amount RM5,652 (i.e. RM15,652 – RM10,000) has not yet been eliminated and this balance has been outstanding for more than 3 business days as at the Computation Date.

A charge of RM5,652 shall be imposed as a deduction against Net Capital when computing the Adjusted Net Capital because the under margin amount on T day has not been completely eliminated by the Computation Date.

**Example 7**

	<b>T</b>	<b>T+1</b>	<b>T+2</b>	<b>T+3</b> Computation Date

**ANNEXURE 1**

**Directive No. 5-001: Appendix 4  
Financial Reporting Guide**

Cash ledger balance	4,327	4,327	11,327	11,327
Cash received	-	<b>7,000</b>	-	<b>10,000</b>
Net current market value of open Options contract	-	-	-	-
Open position profit/(loss)	2,600	8,400	1,600	1,600
Net equity	6,927	19,727	12,927	22,927
Margin requirement	(24,000)	(24,000)	(24,000)	(24,000)
Net current market value of open Options contract	-	-	-	-
Excess/(Shortage)	<b>(17,073)</b>	(4,273)	(11,073)	(1,073)

In this example, the under margin amount on T day is RM17,073. The under margin amount of RM17,073 has been partially eliminated by the total cash receipt of RM17,000 on T+1 and T+3. The remaining balance of the under margin amount RM73 (i.e. RM17,073 – RM17,000) has not yet been eliminated and this balance has been outstanding for more than 3 business days as at the Computation Date.

A charge of RM73 shall be imposed as a deduction against Net Capital when computing the Adjusted Net Capital because the under margin amount on T day has not been completely eliminated by the Computation Date.

**Example 8**

	<b>T</b>	<b>T+1</b>	<b>T+2</b>	<b>T+3</b> Computation Date
Cash ledger balance	2,768	2,768	2,398	2,398
Cash received	-	<b>10,000</b>	-	-
Net current market value of open Options contract	-	-	-	-
Open position profit/(loss)	(8,340)	(7,540)	(4,100)	(4,000)
Net equity	<b>(5,572)</b>	5,228	(1,702)	(1,602)
Margin requirement	<b>(26,000)</b>	(26,000)	(6,500)	(6,500)
Net current market value of open Options contract	-	-	-	-
Excess/(Shortage)	(31,572)	(20,772)	(8,202)	(8,102)

In this example, the under margin amount on T day is RM26,000 and the Net Debit Balance is RM5,572.

The RM10,000 total cash received on T+1 is required to set off the Net Debit Balance on T day. The balance of cash received after setting off the Net Debit Balance is RM4,428 (i.e. RM10,000 – RM5,572)



**Directive No. 5-001: Appendix 4  
Financial Reporting Guide**

The under margin amount of RM26,000 shall be partially eliminated by the remaining cash balance of RM4,428. The balance of the under margin amount of RM21,572 (i.e. RM26,000 – RM4,428) has not yet been eliminated and has been outstanding for more than 3 business days as at the eComputation dDate.

A charge of RM21,572 shall be imposed as a deduction against Net Capital when computing the Adjusted Net Capital because the under margin amount on T day has not been completely eliminated by the eComputation dDate.

**Example 9**

	T	T+1	T+2	T+3 Computation Date
Cash ledger balance	2,768	2,768	2,398	2,398
Cash received	-	<b>3,000</b>	-	-
Net current market value of open Options contract	-	-	-	-
Open position profit/(loss)	(8,340)	(7,540)	(4,100)	(4,000)
Net equity	<b>(5,572)</b>	(1,772)	(1,702)	(1,602)
Margin requirement	<b>(26,000)</b>	(26,000)	(6,500)	(6,500)
Net current market value of open Options contract	-	-	-	-
Excess/(Shortage)	(31,572)	(27,772)	(8,202)	(8,102)

In this example, the under margin amount on T day is RM26,000 AND THE Net Debit balance is RM5,572.

The RM3,000 total cash received on T+1 is required to set off the Net Debit Balance on t day. However, the cash received is insufficient to fully eliminate the Net Debit Balance.

Therefore the under margin amount of RM26,000 has not been eliminated and this balance has been outstanding for more than 3 business days as at the computation date. An under margin charge of RM26,000 shall be imposed as a deduction against Net Capital when computing the Adjusted Net Capital at the eComputation dDate.

**Example 10**

	T	T+1	T+2	T+3
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## ANNEXURE 1

Directive No. 5-001: Appendix 4  
Financial Reporting Guide

				Computation Date
Cash ledger balance	7,440	7,440	7,440	7,440
Cash received	-	-	-	-
Net current market value of open Options contract	-	-	-	-
Open position profit/(loss)	(58,580)	(81,080)	(51,380)	(40,580)
Net equity	(51,140)	(73,640)	(43,940)	<b>(33,140)</b>
Margin requirement	(180,000)	(180,000)	(180,000)	(180,000)
Net current market value of open Options contract	-	-	-	-
Secured Collateral	200,000	200,000	200,000	200,000
Excess/(Shortage)	(31,140)	(53,640)	(23,940)	(13,140)

In this example, the under margin on T day is RM31,140. Amount of collateral available to offset margin requirement is RM148,860 (RM200,000 less Net Debit Balance of RM51,140).

## Example 11

	T	T+1	T+2	T+3 Computation Date
Cash ledger balance	7,440	7,440	7,440	7,440
Cash received	-	-	-	-
Net current market value of open Options contract	-	-	-	-
Open position profit/(loss)	(58,580)	(81,080)	(51,380)	(40,580)
Net equity	(51,140)	(73,640)	(43,940)	(33,140)
Margin requirement	<b>(180,000)</b>	(180,000)	(180,000)	(180,000)
Net current market value of open Options contract	-	-	-	-
Secured Collateral	<b>100,000</b>	100,000	100,000	100,000
Excess/(Shortage)	(131,140)	(153,640)	(123,940)	(113,140)

In this example, the under margin amount on T day is RM131,140 (i.e. RM100,000 – (RM51,140 + RM180,000)). A charge of RM131,140 shall be imposed as a deduction against Net Capital when computing the Adjusted Net Capital because the under margin amount on T day has not been completely eliminated by the eComputation dDate.

## Example 12

	T	T+1	T+2	T+3 Computation Date
Cash ledger balance	67,440	67,440	67,440	67,440

**Directive No. 5-001: Appendix 4  
Financial Reporting Guide**

Cash received	-	-	-	-
Net current market value of open Options contract	-	-	-	-
Open position profit/(loss)	(58,580)	(81,080)	(51,380)	(40,580)
Net equity	<b>8,860</b>	(13,640)	16,060	26,860
Margin requirement	<b>(180,000)</b>	(180,000)	(180,000)	(180,000)
Net current market value of open Options contract	-	-	-	-
Secured Collateral	<b>100,000</b>	100,000	100,000	100,000
Excess/(Shortage)	<b>(71,140)</b>	(93,640)	(63,940)	(53,140)

In this example, the under margin amount on T day is RM71,140 (i.e. RM180,000 – RM8,860 – RM100,000). A charge of RM71,140 shall be imposed as a deduction against Net Capital when computing the Adjusted Net Capital because the under margin amount on T day has not been completely eliminated by the Computation Date.

**LINE 6.ec** – *The net debit balance arising from marking-to-market or interim settlement of outstanding futures and/or option derivatives contracts held by clients as at the close of business on the computation date.*

A charge on the client's account with a Net Debit balance refers to a charge that **may be imposed** if the net equity has a debit balance on the computation date and, **if imposed**, this charge must be deducted from the Member's Net Capital in order to arrive at the Adjusted Net Capital ~~(ANC)~~.

This charge is computed as a percentage of the client's account with a Net Debit Balance if the client's account has a Net Debit Balance at the net equity level on computation date.

**LINE 6.df** – *Charges against The margin requirement on open position contracts in the proprietary account of a Clearing Participant which are not bona fide hedged contracts.*

The reporting Trading Member-Clearing Participant must take a charge on the margin requirement for all uncovered futures or option derivatives granted (sold) positions in its proprietary account.

**LINES 6.ge** and **6.h.f** will be defined as and when the haircuts are imposed by BMDC

**LINE 7 – Total deductions**

This amount should show the total of **LINES 6.a** to **6.h**

**LINE 8 – Adjusted ~~Net~~ Capital**

This amount should show the difference between **LINE 7** and **LINE 5**.

**LINE 9 – Amount of margin required**

**Directive No. 5-001: Appendix 4  
Financial Reporting Guide**

This amount should show the margin required to be paid to BMDC or to any party or clearing house organisation, for client and proprietary accounts (including CFDs). This amount should agree with the total margin for both the segregated and unsegregated accounts in the clearing house's statement or Clearing Participant's statement (in the case of non-clearing participants) and positions in CFDs.

**LINE 10 – 10% of the amount of margin required**

This amount should be 10% of **LINE 9**.

**LINE 11 – Adjusted Net Capital required**

This amount should be the greater of **LINE 10** or RM500,000. This is the minimum ~~a~~Adjusted ~~n~~Net ~~e~~Capital requirement required by BMDC

**LINE 12 – Excess Adjusted Net Capital**

This amount should be the difference between **LINE 8** and **LINE 11**. If a deficit is recorded, the Clearing Participant must take immediate corrective action and file the appropriate notices to BMDC.

**Directive No. 5-001: Appendix 4  
Financial Reporting Guide**

## FORM C

## STATEMENT OF FINANCIAL CONDITION AS AT

	<b>Assets</b>	<b>Permitted Assets</b>	<b>Non-Permitted Assets</b>	<b>Total</b>
1.	Funds segregated for clients			
2.	Cash with financial institutions and on hand			
3.	Receivables from and margin deposit with the Clearing House			
a.	<i>Cash and settlement receivables</i>			
b.	<i>Marketable securities</i>			
c.	<i>Net long option value</i>			
d.	<i>Security deposit and clearing funds</i>			
e.	<i>Interest receivable</i>			
4.	Receivables from and margin deposit with foreign clearing houses			
a.	<i>Cash and settlement receivables</i>			
b.	<i>Marketable securities</i>			
c.	<i>Net long option value</i>			
d.	<i>Security deposit and clearing funds</i>			
e.	<i>Interest receivable</i>			
5.	Receivable from other <del>licensed futures brokers</del> <u>Clearing Participants</u>			
a.	<i>Cash and settlement receivables</i>			
b.	<i>Marketable securities</i>			
c.	<i>Net long option value</i>			
d.	<i>Security deposit</i>			
e.	<i>Others</i>			
f.	<i>Allowances for doubtful accounts</i>			
6.	Receivables from foreign futures brokers			
a.	<i>Cash and settlement receivables</i>			
b.	<i>Marketable securities</i>			
c.	<i>Net long option value</i>			
d.	<i>Security deposit</i>			
e.	<i>Others</i>			
f.	<i>Allowances for doubtful accounts</i>			
7.	Receivables from clients clearing on BMDC			
a.	<i>Clients debit balances</i>			
b.	<i>Others (please itemise)</i>			
c.	<i>Allowance for doubtful accounts</i>			

**Directive No. 5-001: Appendix 4  
Financial Reporting Guide**

8.	Receivable from clients trading on foreign exchanges/ <u>OTC derivatives contract (including CFDs)</u>			
a.	<i>Clients debit balances</i>			
b.	<i>Others (please itemise)</i>			
c.	<i>Allowance for doubtful accounts</i>			
9.	Other receivables, advances and loans			
a.	<i>Merchandise accounts receivable</i>			
b.	<i>Interest</i>			
c.	<i>Dividends</i>			
d.	<i>Advances and loans to directors, employees of the <del>BMDC</del>-<u>Clearing Participant</u> or any third party</i>			
e.	<i>Receivables from related corporations</i>			
f.	<i>Others (please itemise)</i>			
g.	<i>Allowance for doubtful accounts</i>			
10.	Securities			
a.	Owned by Clearing Participant			
b.	Securities in exchanges and clearing houses			
11.	Inventories of physical commodities			
12.	Exchange( <u>if applicable</u> )/clearing house membership, at cost			
13.	Investment in related corporation			
14.	Fixed asset (plant, property, etc.) at net book value			
15.	Other assets (please itemise)			
16.	<b>Total assets</b>			
	<b>Liabilities</b>			<b>Total</b>
17.a	Bank overdrafts			
i.	Secured			
ii.	Unsecured			
17.b	Loans			
i.	Due for payment within 12 months			
ii.	Due for payment after 12 months			
18.	Payables to related corporations			
19.	Payables to BMDC			
20.	Payables to foreign clearing houses			
21.	Payables to other <del>licensed brokers</del> <u>Clearing Participants</u>			
22.	Payable to foreign <del>futures derivatives</del> brokers			
23.	Payables to clients clearing on BMDC			

**Directive No. 5-001: Appendix 4  
Financial Reporting Guide**

24.	Payables to clients trading on foreign exchanges/ <u>OTC derivatives contract (including CFDs)</u>			
25.	Liabilities subordinated to claims of general creditors			
a.	<i>Subject to satisfactory subordinated loan agreement</i>			
b.	<i>Not subject to satisfactory subordinated loan agreement</i>			
26.	Other payables and accrued liabilities (please itemise)			
27.	<b>Total liabilities</b>			
	<b>Shareholders Funds</b>			
28.	Shareholders' Funds			
a.	<i>Paid-up capital</i>			
b.	<i>Share premium</i>			
c.	<i>Capital reserves</i>			
d.	<i>Unappropriated profits/(accumulated losses)</i>			
29.	Total shareholders' funds			
30.	Total liabilities and shareholders' funds			

**Directive No. 5-001: Appendix 4  
Financial Reporting Guide**

**FORM C – STATEMENT OF FINANCIAL CONDITION****I. ASSETS** (Line 1 to Line 16)**LINE 1 – Funds segregated for clients**

This amount should agree with the total amount on **LINE 14** of **FORM A**.

**LINE 2 – Cash with financial institutions and on hand**

This amount should show the total petty cash, marked-to-market money market instruments (e.g. Repo, Bankers Acceptance, Negotiable Certificates of Deposits) and deposits belonging to the Clearing Participant placed with financial institutions. Fixed deposits can be considered as permitted assets if the member can withdraw the deposits at any time before the maturity date.

Assets, of which possession or control over their disposal, have been given to a financial institution as security for any credit facility provided by the financial institution to the Clearing Participant or as security for an irrevocable letter of credit, bank guarantee or surety or any other line of credit provided by that financial institution to BMDC, an exchange, another clearing house or to any other person shall be considered as non-permitted assets and details are to be disclosed as notes to the accounts.

Accrued interest receivable should be reported on **LINE 9.b** of this statement. Bank overdrafts are not to be netted against balances in these accounts. Such overdrafts should be reported on **LINE 17.a** of this statement.

**LINE 3 – Receivables from and margin deposits with the Clearing House.**

To report all items on this line as permitted assets except for the Security Deposit and Clearing Fund paid to BMDC.

**LINE 3.a – Cash and settlement receivables**

This amount should agree with the unsegregated balance in the clearing House's statement. Settlement amount payable to BMDC should be included as a liability on Line 19 of this statement.

**LINE 3.b – Marketable securities**

This amount should show the marketable securities deposited with BMDC for margining proprietary accounts, valued at the current market prices without haircuts.

**LINE 3.c – Net Long Option value**

This amount should show the current market value of the net long option contracts of proprietary accounts. The current market value of the net short option contracts should be included as a liability on Line 19 of this statement.



**Directive No. 5-001: Appendix 4  
Financial Reporting Guide**

**LINE 3.d – Security deposit and clearing funds**

This amount should be shown as a non-permitted asset. Accrued interest receivable from the placement of this security deposit and clearing fund should be reported on Line 3.e of this statement. Letters of credit deposited with BMDC should not be included here but must be disclosed as notes to the accounts.

**LINE 4 – Receivables from and margin deposit with foreign clearing houses**

The same treatment as on **LINE 3** above should be accorded for the amount deposited with and due from foreign clearing houses, with payables to foreign clearing houses to be reflected on LINE 20 of this statement. Settlement amount due from one foreign clearing house should not be netted against payables to another foreign clearing house.

**LINE 5 – Receivables from other ~~licensed futures brokers~~ Clearing Participants****LINE 5.a – Cash and settlement receivables**

This amount should show the unsegregated cash and net settlement amount due from other ~~licensed futures brokers~~ Clearing Participants. Settlement amount due from one ~~licensed futures broker~~ Clearing Participant should not be netted against payables to another ~~licensed futures broker~~ Clearing Participant. Settlement payable to a ~~licensed futures broker~~ Clearing Participant should be included as a liability on **Line 21** of this statement.

**LINE 5.b - Marketable securities**

This amount should show the marketable securities due from another ~~licensed futures brokers~~ Clearing Participant, at the current market value without haircuts.

**LINE 5.c – Net long option value**

This amount should show the current market value of the net long option contracts with other ~~licensed futures brokers~~ Clearing Participants. The current market value of the net short option contracts should be included as a liability on LINE 21 of this statement.

**LINE 5.d – Security deposit**

This is the amount of security deposits placed by the member with other ~~licensed futures brokers~~ Clearing Participants. This amount should be shown as non-permitted assets.

Collateral (such as letters of credit, bank guarantee etc.) deposited with other ~~licensed futures brokers~~ Clearing Participants should not be included here but must be disclosed as notes to the accounts.

**LINE 5.e – Others**

This amount should include other receivables such as interest receivable and commission receivable from other ~~licensed futures brokers~~ Clearing Participants. All give-up trade commission and brokerage receivable from other ~~licensed futures brokers~~ Clearing Participants should be itemized in **Appendix 2**. The commission and brokerage receivable which has not been

**Directive No. 5-001: Appendix 4  
Financial Reporting Guide**

outstanding for longer than 10 business days from ~~C~~computation ~~D~~date should be classified as a permitted asset. This amount should not be netted against the take-up trade commission and brokerage payable reported under **LINE 21** of this statement.

**APPENDIX 2**

Execution date	Brokers				Total
	Broker X		Broker Y		
	Lots traded	RM	Lots traded	RM	
<b>Total</b>					

**LINE 5.f – Allowances for doubtful accounts**

This amount should show the appropriate allowances for doubtful accounts.

**LINE 6 – Receivables from foreign ~~futures-derivatives~~ brokers**

The same treatment applied to LINE 5 should be accorded for the amount due from foreign ~~futures-derivatives~~ brokers, with a payables to other foreign ~~futures-derivatives~~ brokers to be reflected in LINE 22 of this statement.

**LINE 7 – Receivables from clients clearing on BMDC****LINE 7.a – Client debit balances**

This is the amount of debit balances in the client's accounts. This amount should be shown as permitted assets if they are secured. The amount to be included as permitted assets should be limited to the extent of the market value of the collateral minus the haircut. The Clearing Participant should not net this receivable against the payables arising from the clearing of other clients' accounts. The payables should be reported in LINE 23 of this statement. This amount must agree with the amount in **LINE 5** of **FORM A**.

**LINE 7.b – Others**

The Clearing Participant should show as non-permitted assets any other receivables due from clients unless secured.

**LINE 7.c – Allowances for doubtful accounts**

This amount should show the appropriate allowance for doubtful accounts.

**LINE 8 – Receivables from clients trading on foreign exchanges / / over the counter derivatives contracts (including contracts for difference)**

**Directive No. 5-001: Appendix 4  
Financial Reporting Guide**

The same treatment as on LINE 7 should be accorded for the amount due from clients clearing on foreign clearing houses or over the counter derivatives contracts (including contracts for difference), with payables to clients clearing on foreign clearing houses or over the counter derivatives contracts (including contracts for difference) to be reflected in LINE 24 of this statement.

**LINE 9 – Other receivables, advances and loans****LINE 9.a – Merchandise accounts receivable**

This amount should be the receivable resulting from the Clearing Participant's sales of inventory commonly associated with the business activities of the Clearing Participant, which in the opinion of the Clearing Participant's auditors, are good for collection.

**LINE 9.b – Interest**

If the interest due is to be paid on the next business day from the computation date, it would be reported as a permitted asset. Otherwise, it should be reported as a non-permitted asset.

**LINE 9.c – Dividends**

This amount should be shown as a permitted asset if the dividends have not been outstanding for longer than 10 business days from the payable date. Dividends payables should not be netted off against this amount.

**LINE 9.d – Advances and loans to directors, employees of the Clearing Participant or any third party**  
This amount should be shown as a non-permitted asset.

**LINE 9.e – Receivables from related corporations**

This amount should be shown as a non-permitted asset unless the related corporation is a financial institution licensed or otherwise approved by Bank Negara Malaysia. Receivables from related corporations which the member considers as their clients in relation to trading in futures contracts should be disclosed in **LINE 7.a** or **8.a** of this statement. These receivables from one related corporation should not be netted against payables to another related corporation.

**LINE 9.f – Others**

This amount should include other receivables such as sundry deposits and transferable club memberships which are not specified above with details itemized showing the amount and description of the receivable. This amount should be shown as a non-permitted asset.

**LINE 9.g – Allowance for doubtful accounts**

This amount should show the appropriate allowance for doubtful accounts.

**LINE 10 – Securities****LINE 10.a – Owned by Clearing Participant**

This is the amount of securities held by the Clearing Participant at current market value and should be reported as **Appendix 3**.

**Directive No. 5-001: Appendix 4  
Financial Reporting Guide**

**APPENDIX 3****Investment Ledger**

		BUY			SELL			B/F		C/F		Unrealised Gain/(Loss )
Date	Counter	Price	Qty	RM	Price	Qty	RM	Price	RM	Price	RM	Current month
	<b>Total</b>											

**LINE 10.b – Securities in clearing houses**

This amount should be shown as a non-permitted asset.

**LINE 11 – Inventory of physical commodities**

This amount should be shown as a non-permitted asset. The inventory should be valued at the lower of cost or net realizable value, for the Clearing Participant who is also in the business of merchandising goods. Obsolete inventory should be written off.

**LINE 12 – Clearing House membership**

This amount should be shown as a non-permitted asset.

**LINE 13 – Investment in related corporations**

This amount should be shown as non-permitted asset.

**LINE 14 – Fixed asset (plant, property, etc.) at net book value**

This amount should be shown as a non-permitted asset. For reporting purposes, depreciation should be charged on a monthly basis.

**LINE 15 – Other assets**

This amount should include:

- (i) trades that have not been cleared (outtrades) which have been marked-to-market
- (ii) Prepayments
- (iii) intangible assets and
- (iv) any other assets which are not readily classifiable into other categories.

The above should be itemized and shown as non-permitted assets.

**Directive No. 5-001: Appendix 4  
Financial Reporting Guide**

**II. LIABILITIES (Line 17 to Line 27)****LINE 17****LINE 17.a – Bank overdrafts & LINE 17.b – Loans**

These amounts should show bank loans payable, including overdrafts. The Clearing Participant should disclose in detail any loan or overdraft which is secured by the Clearing Participant's assets as notes to the accounts. Accrued interest and loans payables other than to banks are to be reported on **LINE 26** of this statement. Payables to related corporations are to be reported on **LINE 18** of this statement.

**LINE 18 – Payables to related corporations**

This amount should show the Clearing Participant's liability to its related corporations but excluding any subordinated loan. Payables to related corporations which the ~~member~~ Clearing Participants considers as their clients in relation to clearing in futures-derivatives contracts should be disclosed in LINE 23 or LINE 24 of this statement.

**LINE 19 – Payables to BMDC**

This amount should agree with the unsegregated debit balance of BMDC's statement.

**LINE 20 – Payables to foreign clearing houses**

The same treatment as on **LINE 19** should be accorded for payables to foreign clearing houses for settlement. The net amount payable and receivable from each of the foreign clearing house should not be netted off.

**LINE 21 – Payables to other ~~licensed futures brokers~~ Clearing Participants**

This amount should include the unsegregated cash and net settlement payable, take-up trade commission and brokerage payable to other ~~licensed futures brokers~~ Clearing Participants. All take-up trade commission and brokerage payable to other ~~licensed futures brokers~~ Clearing Participants should be itemized in **Appendix 4**. The amount payable to other ~~licensed futures brokers~~ Clearing Participants should not be netted against the amount due from another ~~licensed futures broker~~ Clearing Participant. Commission and brokerage due from ~~a licensed futures broker~~ Clearing Participants should be reported on **LINE 5.e** of this statement.

**APPENDIX 4**

Execution date	<del>Brokers</del> <u>Clearing Participants</u>				Total
	<del>Broker</del> <u>Clearing Participant X</u>		<del>Broker</del> <u>Clearing Participant Y</u>		
	Lots traded	RM	Lots traded	RM	

**Directive No. 5-001: Appendix 4  
Financial Reporting Guide**

Total					
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**LINE 22 – Payables to foreign ~~futures-derivatives~~ brokers**

The same treatment as on LINE 21 should be accorded for payables to foreign ~~futures-derivatives~~ brokers.

**LINE 23 – Payables to client trading on ~~MDXBursa Malaysia Derivatives Berhad~~**

This amount should agree with the total amount on LINE 6 of FORM A.

**LINE 24 – Payables to clients trading on foreign exchanges/ / over the counter derivatives contracts (including contracts for difference)**

~~†~~The same treatment as on LINE 23 should be accorded for clients' trades done on foreign exchanges or over the counter derivatives contracts (including contracts for difference).

**LINE 25 – Liabilities subordinated to claims of general creditors**

**LINE 25.A – Subject to satisfactory subordinated loan agreements**

This amount should show the liabilities which are subordinated to the claims from general creditors and subject to a satisfactory subordinated loan agreement. The minimum requirements which must be met for a satisfactory subordinated loan agreement is provided in the Rules of Bursa Malaysia Derivatives Berhad.

**LINE 25.b – Not subject to satisfactory subordinated loan agreements**

This amount should show the liabilities which are subordinated to the claims from general creditors and are not subject to a satisfactory subordinated loan agreement.

**LINE 26 – Other payables and accrued liabilities**

This amount should include:

- (i) trades that have not been cleared (outtrades) which have been marked-to-market
- (ii) security deposit from ~~the futures broker~~ Registered Representatives (as defined in the Rules of Bursa Malaysia Berhad)
- (iii) provision for taxation
- (iv) accruals and
- (v) any other payables which are not readily classifiable into other categories.

The above should be itemized.

**LINE 28 – Shareholders' fund**

The amount on LINE 28.d of this statement should agree with LINE 21 of FORM D.

Directive No. 5-001: Appendix 4  
Financial Reporting Guide

**FORM D**  
**STATEMENT OF INCOME/(LOSS) FOR THE MONTH OF**

	REVENUE	Total
1.	Commission and brokerage	
a.	On Malaysian Derivatives Exchange	
i.	Single licence	
(a)	<i>Normal trade commission</i>	
(b)	<i>Give-up commission</i>	
ii.	Dual licence	
(a)	<i>Normal trade commission</i>	
(b)	<i>Give-up commission</i>	
b.	On foreign exchanges	
c.	Other brokerage activities (please itemise)	
2.	Proprietary trading activities	
a.	<del>Options and futures</del> <i>Derivatives transactions</i> (please itemise)	
b.	<i>Securities transactions</i>	
c.	<i>Other trading activities</i> (please itemise)	
3.	Income from advisory services	
4.	Interest and dividends	
a.	<i>Interest earned on investment of clients' funds</i> (please itemise)	
b.	<i>Interest earned on investment of other clients' funds</i>	
c.	<i>Dividends</i>	
5.	Other income (please itemise)	
6.	<b>Total revenue</b>	
	<b>EXPENSES</b>	
7.	Director's emoluments	
a.	<i>Fees</i>	
b.	<i>Others</i>	
8.	Salaries and allowances	
9.	Interest	
a.	<i>Clients</i>	
b.	<i>Financial institutions</i>	
c.	<i>Others</i>	
10.	Commissions	
11.	Occupancy and equipment cost	
12.	Bad and doubtful debts	
13.	Depreciation and amortisation (please itemise)	
14.	Other expenses (please itemise)	
15.	<b>Total expenses</b>	
16.	<b>Net profit/(loss) before taxation</b> (Item 6 minus Item 15)	
17.	Taxation	
18.	Others (please itemise)	
19.	<b>Net profit/(loss) after taxation</b>	
20.	Balance brought forward	

**Directive No. 5-001: Appendix 4  
Financial Reporting Guide**

21.	Unappropriated profits/(accumulated losses)	
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**FORM D – STATEMENT OF INCOME/(LOSS)**

**I. REVENUE** (Line 1 to Line 6)

**LINE 1 – Commission and fees**

**LINE 1.a – On Bursa Malaysia Derivatives Berhad**

This amount should show the total commission and fees earned from clearing ~~futures and options derivatives~~ contracts for the month on BMDC. Commission derived by dual license holder i.e. a person who holds a ~~futures broker Capital Market Services~~ license for Clearing and for dealing in equity broker license securities should be disclosed here.

**LINE 1.b – On foreign exchanges**

This amount should show the total commission and brokerage earned for the month on foreign exchanges

**LINE 1.c – Other brokerage activities**

This amount should show the total commission and brokerage earned for the month from other brokerage activities.

**LINE 2 – Proprietary account**

**LINE 2.a – ~~Options and futures Derivatives~~ transactions**

This amount should show the total profit or loss for the month from undertaking proprietary trading in the ~~options and futures derivatives~~ market. This should also include the current market value of the net long or net short option contracts of the proprietary account.

**LINE 2.b – Securities transactions**

This amount should show the total profit or loss for the month from the company's investment activities in the securities market.

**LINE 2.c – Other trading activities**

This amount should include profit or loss from the Clearing Participant's error account for the month. This should also include the current market value of the net long or net short option contracts of the error account.

**LINE 3 – Income from advisory services**

This amount should show the income earned for the month from advisory services performed.

**LINE 4 – Interest and dividends**

**LINE 4.a – Interest earned on investment of clients' funds**



**Directive No. 5-001: Appendix 4  
Financial Reporting Guide**

This amount should show the total gross interest earned for the month from the investment of clients' segregated account funds.

**LINE 4.b – Interest earned on investment of other than clients' funds**

This amount should show the total interest earned for the month from the investment of company's fund.

**LINE 4.c – Dividends**

This amount should show the total dividends earned for the month from the company's investments.

**LINE 5 – Other income**

This amount should show the total income earned for the month by the Clearing Participant not disclosed anywhere else in this statement.

**II. EXPENSES (Line 7 to Line 15)****LINE 7 – Directors' emoluments****LINE 7.a – Fees**

This amount should show the total directors' fees incurred for the month

**LINE 7.b – Others**

This amount should show all other emoluments incurred for the month.

**LINE 8 – Salaries and allowances**

This amount should show the total staff salaries and allowances incurred for the month.

**LINE 9 – Interest****LINE 9.a – Clients**

This amount should show the total interest expense to the clients and incurred for the month

**LINE 9.b – Financial Institutions**

This amount should show the total interest expense incurred for the month.

**LINE 9.c – Others**

This line should show the total interest expense incurred for the month which is not otherwise disclosed under LINE 9.a and 9.b.

**LINE 10 – Commission**

This amount should show all commissions incurred for the month.

**LINE 11 – Occupancy and equipment cost**

**Directive No. 5-001: Appendix 4  
Financial Reporting Guide**

This amount should show the occupancy and equipment cost incurred for the month. Included in this amount are office and booth rental, ~~insoft charges~~ as well as charges on price reporting system.

**LINE 12 – Bad and doubtful debts.**

This amount should show the amount of provision made on the account which are doubtful of collection or amount which have been written off during the month.

**LINE 13 – Depreciation and amortization**

This amount should show the depreciation and amortization charge for the month.

**LINE 14 – Other expenses**

This amount should show the total or other expenses incurred for the month which is not otherwise disclose in this statement with details itemized on a separate page showing the amount and description of the expenses.

**LINE 17 – Taxation**

This item should show the provision for taxation for the month.

**LINE 18 – Others**

This amount should include items not otherwise dealt with in this statement which may include prior-year adjustments, extraordinary profit and loss etc.

**LINE 20 – Balance brought forward**

This amount should agree with LINE 21 of FORM D in the previous month.

**LINE 21 – Unappropriated profits/(accumulated losses)**

This amount should show the total of LINE 19 and LINE 20 and should be carried to LINE 28.d of FORM C.

[End of Appendix]

# **PERIODIC REPORTS**

**ANNEXURE 1**

**Directive No. 5-001: Appendix 5  
Periodic Reports**

No.	Name of Report	Schedule	Frequency	Timing of submission of <u>periodic reports</u> via <u>Facsimile</u> [ <u>paragraph 13.2(1)</u> ]	<u>Timing of re-submission of periodic reports</u> [ <u>paragraphs 13.2(2) and 13.2(5)</u> ]
1.	Statement of segregation requirements and funds in segregation (Form A)	Schedule 1(a)	As and when there is a deficiency of funds in segregation	<u>Ad-hoc</u>  By 2.30 p.m. of the market day following date of report	<u>By 5.30 p.m. of the market day following the date of the report.</u>
<b>No.</b>	<b>Name of Report</b>	<b>Schedule</b>	<b>Frequency</b>	<b>Timing of submission to Bursa Derivatives via e-mail address <u>tradingparticipant@bursamalaysia.com</u></b>	<b>Timing of submission of reports via facsimile pursuant to paragraph 13.2 (g)(ii)</b>
2.	Statement of segregation requirements and funds in segregation (Form A) and the following supporting documents:-  i. Form EWL1 – Statement of Undermargined Clients' Position; and ii. Form EWL2 – List of Overloss Account.	Schedule 1(b)	<u>Weekly</u>	<u>Weekly report</u>  By 2.30 p.m. of the market day following the date of the report.	<u>Weekly report</u>  By 5.30 p.m. of the market day following the date of the report.
3.	Cash & Bank Balances and Banking Facilities Position	Schedule 1(c)	Weekly	<u>Weekly report</u>  By 2.30 p.m. of the market day following the date of the report.	<u>Weekly report</u>  By 5.30 p.m. of the market day following the date of the report.

**ANNEXURE 1**

**Directive No. 5-001: Appendix 5  
Periodic Reports**

4.	Statement of segregation requirements and funds in segregation (Form A)	Schedule 1(d)	Monthly	<u>Monthly report</u>  By 5.30 p.m. of the <del>fifteen</del> -(15 <sup>th</sup> ) calendar days after the end of each month.	<u>Monthly report</u>  By 8.30 p.m. of the <del>fifteen</del> -(15 <sup>th</sup> ) calendar days after the end of each month.
<u>5.</u>	<u>Explanatory Notes on Form A</u>	<u>Schedule 1 (e)</u>			
<u>56.</u>	Statement of Adjusted Net Capital (Form B)	Schedule 2(a)	Monthly	<u>Monthly report</u>  By 5.30 p.m. of the <del>fifteen</del> -(15 <sup>th</sup> ) calendar days after the end of each month.	<u>Monthly report</u>  By 8.30 p.m. of the <del>fifteen</del> -(15 <sup>th</sup> ) calendar days after the end of each month.
<u>7.</u>	<u>Explanatory Notes on Form B</u>	<u>Schedule 2(b)</u>			
<u>68.</u>	Statement of Financial Condition (Form C)	Schedule 3(a)	Monthly	<u>Monthly report</u>  By 5.30 p.m. of the <del>fifteen</del> -(15 <sup>th</sup> ) calendar days after the end of each month.	<u>Monthly report</u>  By 8.30 p.m. of the <del>fifteen</del> -(15 <sup>th</sup> ) calendar days after the end of each month.
<u>9.</u>	<u>Explanatory Notes on Form C</u>	<u>Schedule 3(b)</u>			
<u>710.</u>	Statement of Income/(Loss) (Form D)	Schedule 4(a)	Monthly	<u>Monthly report</u>  By 5.30 p.m. of the <del>fifteen</del> -(15 <sup>th</sup> ) calendar days after the end of each month.	<u>Monthly report</u>  By 8.30 p.m. of the <del>fifteen</del> -(15 <sup>th</sup> ) calendar days after the end of each month.
<u>11.</u>	<u>Explanatory Notes on Form D</u>	<u>Schedule 4(b)</u>			

**Directive No. 5-001: Appendix 5  
Periodic Reports**

Schedule 1(a)

## FORM A

**STATEMENT OF SEGREGATION REQUIREMENTS AND FUNDS IN SEGREGATION FOR  
CLIENTS TRADING ON MALAYSIAN AND FOREIGN EXCHANGES  
(AD-HOC)**

**Clearing Participant:  
Position As At:**

<<insert name of CP>>  
<<dd/mth/yr>>

		Malaysia Exchange	Foreign Exchanges	Total
<b>Segregation requirements</b>				
1.	Net ledger balance			
a.	<i>Cash</i>			
b.	<i>Securities</i>			
c.	<i>Foreign currencies</i>			
2.	Net profit/(loss) <del>in open futures contracts</del>			
a.	<u>Exchange traded open derivatives contracts (except for exchange traded options)</u>			
b.	<u>Non-exchange traded open derivatives contracts</u>			
3.	Exchange traded options			
a.	<i>Current market value of open long option contracts</i>			
b.	<i>Current market value of open short option contracts</i>			
4.	Net equity/(deficit) (add Items 1, 2 and 3)			
5.	Net debit balance			
6.	<b>Amount required to be segregated (add Items 4 and 5)</b>			
<b>Funds in segregated accounts</b>				
7.	Cash deposited in segregated bank account			
a.	<i>Ringgit Malaysia</i>			
b.	<i>Foreign Currencies</i>			
8.	Segregated securities			
9.	Margin deposit with clearing house			
a.	<i>Cash and net settlement</i>			
b.	<i>Securities held as margin</i>			
c.	<i>Foreign currencies held as collateral</i>			
10.	Exchange traded options			
a.	<i>Current market value of open long option contracts</i>			
b.	<i>Current market value of open short option contracts</i>			
11.	Net equity with other <del>licensed futures</del> <u>foreign derivatives</u> brokers			
a.	Net equity			
b.	Securities held as margin			
c.	Foreign currencies held as collateral			
12.	Segregated funds on hand (please specify)			
13.	Others (please specify)			
14.	<b>Total amount segregated (Add Items 7 to 13)</b>			
15.	<b>Excess/(deficiency) <u>of</u> funds in segregation (Item 14 minus Item 6) (Appendix 1 of the Financial Reporting Guide)</b>			

**Directive No. 5-001: Appendix 5  
Periodic Reports**

Schedule 1(b)

## FORM A

**STATEMENT OF SEGREGATION REQUIREMENTS AND FUNDS IN SEGREGATION FOR  
CLIENTS TRADING ON MALAYSIAN AND FOREIGN EXCHANGES  
(WEEKLY SUBMISSION)**

**Clearing Participant:  
Position As At:**

<<insert name of CP>>  
<<dd/mth/yr>>

		Malaysia Exchange	Foreign Exchanges	Total
<b>Segregation requirements</b>				
1.	Net ledger balance			
a.	<i>Cash</i>			
b.	<i>Securities</i>			
c.	<i>Foreign currencies</i>			
2.	Net profit/(loss) <del>in open futures contracts</del>			
a.	<u>Exchange traded open derivatives contracts (except for exchange traded options)</u>			
b.	<u>Non-exchange traded open derivatives contracts</u>			
3.	Exchange traded options			
a.	<i>Current market value of open long option contracts</i>			
b.	<i>Current market value of open short option contracts</i>			
4.	Net equity/(deficit) (add Items 1, 2 and 3)			
5.	Net debit balance			
6.	<b>Amount required to be segregated (add Items 4 and 5)</b>			
<b>Funds in segregated accounts</b>				
7.	Cash deposited in segregated bank account			
a.	<i>Ringgit Malaysia</i>			
b.	<i>Foreign Currencies</i>			
8.	Segregated securities			
9.	Margin deposit with clearing house			
a.	<i>Cash and net settlement</i>			
b.	<i>Securities held as margin</i>			
c.	<i>Foreign currencies held as collateral</i>			
10.	Exchange traded options			
a.	<i>Current market value of open long option contracts</i>			
b.	<i>Current market value of open short option contracts</i>			
11.	Net equity with other <del>licensed futures</del> <u>foreign derivatives</u> brokers			
a.	Net equity			
b.	Securities held as margin			
c.	Foreign currencies held as collateral			
12.	Segregated funds on hand (please specify)			
13.	Others (please specify)			
14.	<b>Total amount segregated (Add Items 7 to 13)</b>			
15.	<b>Excess/(deficiency) <u>of</u> funds in segregation (Item 14 minus Item 6) (Appendix 1 of the Financial Reporting Guide)</b>			

**ANNEXURE 1****Directive No. 5-001: Appendix 5  
Periodic Reports****Schedule 1(c)****SUBMISSION TO BURSA MALAYSIA DERIVATIVES CLEARING BERHAD ON CASH &  
BANK BALANCES AND BANKING FACILITIES POSITION  
(WEEKLY SUBMISSION)**

**Clearing Participant:** <<insert name of ~~Trading-Clearing~~ Participant>>  
**Position As At:** month/date/year

(last market day of the week)

<b>Banking Facilities</b>	<b>Approved Facility Limit</b>	<b>Amount Available for Utilisation</b>	<b>Amount Utilised</b>	<b>Amount Unutilised</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Total Amount	0.00	0.00	0.00	0.00

<b>Items</b>	<b>Unsegregated Funds RM</b>	<b>Segregated Funds RM</b>	<b>Total RM</b>
Cash & Bank Balances	0.00	0.00	0.00
Deposits – Banks and financial institutions	0.00	0.00	0.00
Deposits – Others	0.00	0.00	0.00
<b>Total</b>	0.00	0.00	0.00

(Note: Information relating to the above is to be submitted weekly for the position as at the last market day of the corresponding week)



**Directive No. 5-001: Appendix 5  
Periodic Reports**

Schedule 1(d)

## FORM A

**STATEMENT OF SEGREGATION REQUIREMENTS AND FUNDS IN SEGREGATION FOR  
CLIENTS TRADING ON MALAYSIAN AND FOREIGN EXCHANGES  
(MONTHLY SUBMISSION)**

**Clearing Participant:  
Position As At:**

<<insert name of CP>>  
<<dd/mth/yr>>

		Malaysia Exchange	Foreign Exchanges	Total
<b>Segregation requirements</b>				
1.	Net ledger balance			
a.	<i>Cash</i>			
b.	<i>Securities</i>			
c.	<i>Foreign currencies</i>			
2.	Net profit/(loss) <del>in open futures contracts</del>			
a.	<u>Exchange traded open derivatives contracts (except for exchange traded options)</u>			
b.	<u>Non-exchange traded open derivatives contracts</u>			
3.	Exchange traded options			
a.	<i>Current market value of open long option contracts</i>			
b.	<i>Current market value of open short option contracts</i>			
4.	Net equity/(deficit) (add Items 1, 2 and 3)			
5.	Net debit balance			
6.	<b>Amount required to be segregated (add Items 4 and 5)</b>			
<b>Funds in segregated accounts</b>				
7.	Cash deposited in segregated bank account			
a.	<i>Ringgit Malaysia</i>			
b.	<i>Foreign Currencies</i>			
8.	Segregated securities			
9.	Margin deposit with clearing house			
a.	<i>Cash and net settlement</i>			
b.	<i>Securities held as margin</i>			
c.	<i>Foreign currencies held as collateral</i>			
10.	Exchange traded options			
a.	<i>Current market value of open long option contracts</i>			
b.	<i>Current market value of open short option contracts</i>			
11.	Net equity with other <del>licensed futures</del> <u>foreign derivatives</u> brokers			
a.	Net equity			
b.	Securities held as margin			
c.	Foreign currencies held as collateral			
12.	Segregated funds on hand (please specify)			
13.	Others (please specify)			
14.	<b>Total amount segregated (Add Items 7 to 13)</b>			
15.	<b>Excess/(deficiency) <u>of</u> funds in segregation (Item 14 minus Item 6) (Appendix 1 of the Financial Reporting Guide)</b>			

**Directive No. 5-001: Appendix 5  
Periodic Reports**

**Schedule 1(e) – EXPLANATORY NOTES TO FORM A**

This statement must be prepared by a Clearing Participant for all clients trading on Bursa Malaysia Derivatives Berhad and/or foreign exchanges. The Clearing Participant should clearly differentiate between the clearing of trades done on the Clearing House and foreign clearing houses in the respective columns.

**I. SEGREGATION REQUIREMENTS (Line 1 to Line 6)**

**LINE 1 – Net ledger balance**

**LINE 1.a – Net ledger balance – Cash**

This amount should show the net debit or credit balance of all Clearing Participant's clients' accounts. -Interest earned on clients' funds which are payable to the clients and all monies received from the Local Participants (as defined in the Rules of Bursa Malaysia Derivatives Berhad) are also included in this line. This amount should exclude all foreign currency collateral received from clients which need to be disclosed separately under line 1.c. -The Clearing Participant's error account and proprietary balances should not be included in this balance.

**LINE 1.b – Net ledger balance – Securities**

The Clearing Participant should report all the securities deposited by its clients to margin, guarantee and secure trading on the exchanges. -Securities should be reported at the current market value. -Letters of credit and guarantees received from clients to margin their accounts should not be included but should be disclosed as notes to the accounts.

**LINE 1.c – Net ledger balance – Foreign currencies**

The Clearing Participant should report all the foreign currencies deposited by its clients to margin, guarantee and secure trading on the exchange. -This amount should show the Ringgit Malaysia equivalent of total foreign currencies lodged by the Clearing Participant's clients. -The foreign currencies must be converted to Ringgit Malaysia based on the Clearing House's pre haircut rates. -This amount must not be used to net off individual client's debit balances.

**LINE 2 – ———Net profit/(loss)**

**LINE 2.a – Exchange traded open derivatives contracts (except for exchange traded options)**

This amount should include the net profit/(loss) in exchange traded open derivatives contracts (except for exchange traded options) of clients trading on the exchanges. Trades which have not been cleared (outrades) as of the reporting date should be marked to market and included in this amount.

**LINE 2.b – Non-exchange traded open derivatives contracts**

This amount should include the net profit/(loss) in non-exchange traded open derivatives contracts of clients which are carried by the Clearing Participant. These should include contracts for difference ("CFD") issued or carried by the Clearing Participant on behalf of the clients. All such contracts remaining open as at the reporting date should be marked to market and included in this amount.

**Directive No. 5-001: Appendix 5  
Periodic Reports**

**LINE 3 – Exchange traded options****LINE 3.a – Current market value of open long option contracts**

This amount should show the current market value of open long option contracts carried in the clients' accounts. Only in-the-money open long option contracts which have positive market value need to be disclosed. Out-of-the-money options have no market value as they would expire unexercised.

**LINE 3.b – Current market value of open short option contracts**

This amount should show as a deduction, the current market value of open short option contracts carried in the clients' accounts. Only in-the-money open short option contracts which have positive market value need to be disclosed. Out-of-the-money options have no market value as they would expire unexercised.

These amounts should not be netted against each other.

**LINE 4 – Net equity / (deficit)**

This amount should show the total of **LINE 1** to **LINE 3**.

**LINE 5 – Net debit balance**

An account has a debit balance when the combination of an account's cash ledger balance (debit or credit), profit or loss on exchange traded open derivatives contracts (except for exchange traded options), non-exchange traded open derivatives contracts (including CFDs), and the current market value of open option contracts liquidated to an amount less than zero. This amount should agree with **LINE 7.a** or **LINE 8.a** of **Schedule 3(a) (FORM C)**. Securities used to margin the account are not to be used to reduce the debit balance to be reported in **Schedules 1(a) / 1(b) / 1(d) (Form A)** even though such securities are permitted as margin deposits.

**Example 1**

	<u>Computation Date</u>
<u>Cash ledger balance</u>	<u>(1,762)</u>
<u>Cash received</u>	-
<u>Net current market value of open Options contract</u>	-
<u>Open position profit/(loss)</u>	-
<u>Net equity</u>	<u><b>(1,762)</b></u>
<u>Margin requirement</u>	-
<u>Net current market value of open Options contract</u>	-
<u>Excess/(Shortage)</u>	<u>(1,762)</u>

In this example, the Net Debit Balance on the Computation Date is RM1, 762.

**Example 2**

	<u>Computation Date</u>
<u>Cash ledger balance</u>	<u>17,440</u>
<u>Cash received</u>	-
<u>Net current market value of open Options contract</u>	-
<u>Open position profit/(loss)</u>	

**Directive No. 5-001: Appendix 5  
Periodic Reports**

<u>Net equity</u>	<u>(40,580)</u>
<u>Margin requirement</u>	<u><b>(23,140)</b></u>
<u>Net current market value of open Options contract</u>	<u>(180,000)</u>
	=
<u>Excess/(Shortage)</u>	<u>(203,140)</u>

In this example, the Net Debit Balance on the Computation Date is RM23, 140.

**Example 3**

	<u>Computation Date</u>
<u>Cash ledger balance</u>	<u>7,440</u>
<u>Cash received</u>	=
<u>Net current market value of open Options contract</u>	=
<u>Open position profit/(loss)</u>	<u>(40,580)</u>
<u>Net equity</u>	<u><b>(33,140)</b></u>
<u>Margin requirement</u>	<u>(180,000)</u>
<u>Net current market value of open Options contract</u>	=
<u>Securities/collateral</u>	<u>200,000</u>
<u>Excess/(Shortage)</u>	<u>(13,140)</u>

In this example, the Net Debit Balance on the Computation Date is RM33, 140.

**LINE 6 – Amount required to be segregated**

This amount should be the total of **LINE 4** and **LINE 5** and should agree with **LINE 23** and **LINE 24** of **Schedule 3(a) (FORM C)**.

**II. FUNDS IN SEGREGATED ACCOUNTS (Line 7 to Line 14)**

**LINE 7 – Cash deposited in segregated bank accounts**

**LINE 7.a – Ringgit Malaysia**

This amount should show the total cash in Ringgit Malaysia segregated bank accounts.

**LINE 7.b – Foreign Currencies**

This amount should show the Ringgit Malaysia equivalent of foreign currencies in the Clearing Participant's segregated bank accounts. The foreign currencies must be converted to Ringgit Malaysia based on the Clearing House's -pre haircut rates.

**LINE 8 – Segregated securities**

This amount should show the securities owned by clients which is deposited with and retained by the Clearing Participant, at current market value.

**LINE 9 – Margin deposit with Clearing House**

**LINE 9.a – Cash and net settlement**

**Directive No. 5-001: Appendix 5  
Periodic Reports**

To report cash and all amounts due from and/or due to the Clearing House to the Clearing Participant. -This amount should agree with the Clearing House's statement.

**LINE 9.b – Securities held as margin**

This amount should show the securities held as margins and deposited with the Clearing House, at current market value.

**LINE 9.c – Foreign currencies held as collateral**

This amount should show the Ringgit Malaysia equivalent of foreign currencies lodged with the Clearing House. -The foreign currencies must be converted to Ringgit Malaysia based on Clearing House's pre haircut rates.

**LINE 10 – Exchange traded options**

**LINE 10.a – Current market value of open long option contracts**

This amount should show the current market value of open long option contracts cleared directly by the Clearing Participant with the Clearing House.

**LINE 10.b – Current market value of open short option contracts**

This amount should show the current market value of open short option contracts cleared directly by the Clearing Participant with the Clearing House.

These amounts should not be netted against each other.

Options transactions cleared through other foreign derivatives brokers should be reported on **LINE 11.**

**LINE 11 – Net equity with other foreign derivatives brokers**

**LINE 11.a – Net equity**

This amount should show the net equity of the Clearing Participant's clients' trades which were cleared through other foreign derivatives brokers. -Net equity includes the cash ledger balance, profit or loss on exchange traded open derivatives contracts (except for exchange traded options), non-exchange traded open derivatives contracts (including CFDs) and the net current market value of open option contracts.

**LINE 11.b – Securities held as margin**

This amount should show the securities held as margin and deposited with other foreign derivatives brokers, at current market value.

**LINE 11.c – Foreign currencies held as collateral**

This amount should show the Ringgit Malaysia equivalent of foreign currencies lodged with another Clearing Participant. -The foreign currencies must be converted to Ringgit Malaysia based on the Clearing House's pre haircut rates.

**LINE 12 – Segregated funds on hand**

This amount should show the total amount of funds received from clients which have not been deposited to the segregated bank account.

**Directive No. 5-001: Appendix 5  
Periodic Reports**

**LINE 13 – Others**

This amount includes the marked-to-market value of clients' trades not yet cleared (outtrades) as at the computation date and other segregated funds which are not readily classifiable into other categories.

**LINE 14 – Total amount segregated**

This amount should be the total of LINE 7 to LINE 13 and should agree with LINE 1 of Schedule 3(a) (FORM C).

**LINE 15 – Excess/(deficiency) of funds in segregation**

This amount should show the difference between LINE 6 and LINE 14. –The Clearing Participant is required to take immediate corrective action and must immediately inform the Clearing House, the Bursa Malaysia Derivatives and the Commission if there is a deficiency in the segregated funds.

The Clearing Participant is also required to prepare a reconciliation showing the detailed movements of the excess funds. –The reconciliation for the excess funds should be disclosed as Appendix 1 using the format below;:

**APPENDIX 1:**

<u>Excess Funds b/f</u>	<u>XX</u>	<u>:</u>	<u>this item should agree with the previous month's excess funds reconciliation carried forward balance</u>
<u>Add:</u>			
<u>Addition to the excess funds during the month</u>	<u>XX</u>	<u>:</u>	<u>disclose full details</u>
<u>Less:</u>			
<u>Deduction to the excess funds during the month</u>	<u>(XX)</u>	<u>:</u>	<u>disclose full details</u>
<u>Excess funds c/f</u>	<u>XX</u>	<u>:</u>	<u>this item should agree with LINE 15 of Schedule 1(a) (FORM A).</u>

**Directive No. 5-001: Appendix 5  
Periodic Reports**

Schedule 2(a)

**FORM B  
STATEMENT OF ADJUSTED NET CAPITAL  
(MONTHLY SUBMISSION)**

**Clearing Participant:  
Position As At:**

<<insert name of CP>>  
<<dd/mth/yr>>

## STATEMENT OF ADJUSTED NET CAPITAL AS AT

		Total
	<b>Net Capital</b>	
1.	Permitted assets	
2.	Total liabilities	
3.	Deduction from total liabilities	
a.	Liabilities subject to satisfactory subordinated loan agreements	
b.	Allowable long-term liabilities	
	Total allowable liabilities	(        )
4.	Adjusted liabilities	
5.	<b>Net Capital</b> (Item 1 minus Item 4)	
6.	<b>Additional deductions</b>	
a.	<u>For securities held by the Clearing Participant for its proprietary account</u>	
i.	Malaysian government securities	
	- Up to one year of maturity period	
	- More than one year of maturity period	
ii.	Readily marketable Malaysian securities listed on the <del>main</del> <u>Main Market</u> of Bursa Malaysia Securities Berhad	
	- Shares listed on <u>the Main Market of</u> Bursa Malaysia Securities Berhad up to a total value of 5% of initial margin or RM250,000, whichever is greater	
	- The balance of the aggregated value of shares listed on <u>the Main Market of</u> Bursa Malaysia Securities Berhad <del>main</del> <u>board</u>	
iii.	All other securities listed on Bursa Malaysia Securities Berhad	
b.	Amounts due from clients in respect of margin where such amount are outstanding not less than <del>three</del> <u>3</u> business days as at the computation date	
c.	The net debit balance arising from the marking-to-market or interim settlement of outstanding <del>futures and/or option</del> <u>derivatives</u> contracts held by clients as at the close of business on the computation date	
d.	The margin requirement on open contracts in the proprietary account of a Clearing Participant which are not bona fide hedged contracts	
e.	Inventories which are not hedged in any market or association	
f.	Inventories which are not hedged by any hedging position in any market or association	
g.	<u>Contracts for difference (CFD) – (does not include positions held</u>	
h.	<u>for hedging its exposures on issuance of CFDs)</u>	

**ANNEXURE 1**

**Directive No. 5-001: Appendix 5  
Periodic Reports**

i.	<u>Amounts due from clients in respect of margin where such amounts are outstanding not less than 3 business days as at the computation date</u>		
ii.	<u>The margin requirement on open contracts in the proprietary account of a Participant which are not bona fide hedged contracts</u>		
7.	Total deductions (Add Items 6(a) to 6(hg))		
8.	<b>Adjusted net capital</b> (Item 5 minus Item 7)		
9.	Amount of margin required		
10.	10% of the amount of margin required		
11.	<b>Adjusted Net Capital required</b> (Enter the greater of Line 10 or RM500,000)		
12.	Excess Adjusted Net Capital (Item 8 minus Item 11)		

**Note: -**

1. Item 6a to 6f is applicable for securities held by the Clearing Participant for its own account
2. Item 6g is applicable for CFDs



**Directive No. 5-001: Appendix 5  
Periodic Reports**

**Schedule 2(b) – EXPLANATORY NOTES TO FORM B**

For the purposes of calculating Adjusted Net Capital:

- (a) all derivatives contracts must be marked to their current market value.;
- (b) all unrealised profits and losses on all derivatives contracts must be treated as realised profits and losses; and
- (c) unless otherwise specifically stated, the value ascribed to all other assets and liabilities must be at their current market value.

**I. NET CAPITAL (Line 1 to Line 5)**

**LINE 1 – Permitted assets**

This amount should agree with the “Permitted assets” column on **LINE 16 of Schedule 3(a) (FORM C)**. Refer to Schedule 2 of the Rules of BMDC for the definition of “Permitted Assets”. Note that “Permitted Assets” include securities listed on a stock exchange approved by the Clearing House under paragraph 1(b)(i)(iv) of Schedule 2.

**LINE 2 – Total Liabilities**

This amount should agree with the amount on **LINE 27 of Schedule 3(a) (FORM C)**.

**LINE 3 – Deduction from total liabilities.**

**LINE 3.a – Liabilities subject to satisfactory subordinated loan agreements**

This amount should show the liabilities under a subordinated loan agreement:

- i. which has a remaining term to maturity of not less than one year; and
- ii. up to a maximum amount of four times the shareholders’ funds of the Clearing Participant.

**LINE 3.b - Allowable long term liabilities**

This amount should show long term liabilities owed to a financial institution under a commercial loan secured by a fixed charge over **real property or motor vehicles** owned by the Clearing Participant and applied for use in the normal course of the business of the Clearing Participant, up to an amount equal to the lower of net book value of 80% of the market value of the real property or motor vehicles. -The market value of the assets should be valued by an appointed valuer on an ‘as is’ basis and should be revalued annually.

**Example:**

A Clearing Participant obtains a long term loan of RM4.0 million from a financial institution. -The loan is secured by a fixed charge over real property owned by the Clearing Participant. -The amount payable within the next 12 months is RM0.5 million and RM 2.5 million is the long term liability. -The net book value of the real property is RM3.0 million. -The allowable long term liability should be the lower of:

- (i) long term liabilities,

**Directive No. 5-001: Appendix 5  
Periodic Reports**

- (ii) 80% of the real property's market value; or
- (iii) net book value of the real property.
- (1) If the current market value of the real property is RM5.0 million, 80% of the market value will be RM4.0 million. Therefore, the allowable long term liability will be RM2.5 million.
- (2) If the current market value of the real property is RM3.0 million, 80% of the market value will be RM2.4 million. Therefore, the allowable long term liability will be RM2.4 million.

**LINE 4 – Adjusted liabilities**

This amount should show the difference between LINE 3 and LINE 2.

**LINE 5 – Net Capital**

This amount should show the difference between LINE 4 and LINE 1.

**LINE 6 – Additional deductions**

The Clearing Participant must provide the following charges to its Net Capital to compute its Adjusted Net Capital.

**LINE 6.a – For securities held by the Clearing Participant for its proprietary account**

**LINE 6.a i – Malaysian government securities**

**LINE 6.a ii – Readily marketable Malaysian securities listed on the Main Market of Bursa Malaysia Securities Berhad**

**LINE 6.a iii – All other securities listed on Bursa Malaysia Securities Berhad**

The percentage of charges are as follows:

1. For securities held by the Clearing Participant for its proprietary account

	<u>% of market value to be deducted</u>
<ul style="list-style-type: none"> <li>● <u>Malaysian government securities</u></li> <li style="padding-left: 20px;"><u>- Up to one year of maturity period</u></li> <li style="padding-left: 20px;"><u>- More than one year of maturity period</u></li> </ul>	<p><u>2.5%</u></p> <p><u>5%</u></p>
<ul style="list-style-type: none"> <li>● <u>Shares listed on the Main Market of Bursa Malaysia Securities Berhad up to a total value of 5% of initial margin or RM250,000, whichever is greater</u></li> </ul>	<p><u>40%</u></p>
<ul style="list-style-type: none"> <li>● <u>The balance of the aggregate value of shares listed on the Main Market of Bursa Malaysia Securities Berhad</u></li> </ul>	<p><u>100%</u></p>
<ul style="list-style-type: none"> <li>● <u>All other securities listed on Bursa Malaysia Securities Berhad</u></li> </ul>	<p><u>100%</u></p>

**Directive No. 5-001: Appendix 5  
Periodic Reports**

2. Contracts for difference (CFDs) which do not include positions held for hedging its exposures on issuance of CFDs

% of market value to be deducted

• <u>Single share CFDs</u>	
<u>Index shares</u>	<u>15%</u>
<u>Non-index shares</u>	<u>21%</u>
• <u>Index CFDs</u>	<u>5%</u>

For the purposes of **LINE 6.b** and **6.c** of this statement:

Net equity refers to the combination of an account's cash ledger balance (debit or credit), profit or loss on exchange traded open derivatives contracts (except for exchange traded options), non-exchange traded open derivatives contracts (including CFDs) and the net current market value of open options contract.

**Securities or collateral used to margin the account are to be used to reduce the Net Debit Balance in the account before such securities are used to reduce the initial margin.**

Net current market value of open option contracts refers to current market value of open long option contracts less the current market value of open short option contracts.

**LINE 6.b – Amounts due from clients in respect of margin where such amounts are outstanding not less than 3 business days as at the computation date.**

An under margined situation arises if the net equity and secured collateral are not sufficient to cover the margin requirement for that particular client account. –The margin requirement should refer to the Clearing House's margin requirement. –The foreign brokers' margin requirements to the Clearing Participant would be applicable to clients trading in foreign exchanges.

The under margin amount will be determined as follows:

**(a) If the net equity is in a net credit position, then the under margin amount will be:**

The margin requirement less net equity less secured collateral add/less net current market value of open options contract.

**(b) If the net equity is in a net debit position, then the under margin amount will be:**

The margin requirement less balance of secured collateral (secured collateral less amount used to secured net debit balance) add/less net current market value of open options contract.

An under margin charge will be imposed if the Clearing Participant has an under margin amount outstanding for more than 3 business days as at the computation date.

**Directive No. 5-001: Appendix 5  
Periodic Reports**

The charge will be imposed on the amount under margined on T day itself unless the under margin amount is fully eliminated. T day is the day when the derivatives contracts are executed by the Clearing Participant.

The under margin amount will only be fully eliminated if:

- (a) The total of net equity and any secured collateral become greater than the margin requirement either on T+1 or T+2 or T+3; or
- (b) There is no longer any margin requirement for the account either on T+1 or T+2 or T+3; or
- (c) Total cash received either on T+1 and/or T+2 and/or T+3 is greater than the under margin amount on T day.

However, if the account is also in a Net Debit Balance position on T day, any cash received will first be used to set off against the Net Debit Balance amount. The balance of the cash received can then be used to either fully or partially set off against the under margin amount on T day.

- (i) If the balance of the cash received (i.e. total cash received less Net Debit Balance amount on T day) can fully eliminate the under margin amount on T day, then an under margin charge shall not be imposed.
- (ii) If the balance of the cash received (i.e. total cash received less net Debit Balance amount on T day) can only partially eliminate the under margin amount on T day, then an under margin charge shall be imposed on the difference in the balance of the cash received and the under margin amount.

**Example 1**

	<u>T</u>	<u>T+1</u>	<u>T+2</u>	<u>T+3</u> Computation Date
<u>Cash ledger balance</u>	<u>21,397</u>	<u>21,397</u>	<u>21,277</u>	<u>21,277</u>
<u>Cash received</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>Net current market value of open Options contract</u>	<u>10,000</u>	<u>9,900</u>	<u>9,800</u>	<u>9,700</u>
<u>Open position profit/(loss)</u>	<u>720</u>	<u>9,320</u>	<u>10,330</u>	<u>10,000</u>
<u>Net equity</u>	<u>32,117</u>	<u>40,617</u>	<u>41,407</u>	<u>40,977</u>
<u>Margin requirement</u>	<u>(26,000)</u>	<u>(26,000)</u>	<u>(39,000)</u>	<u>(39,000)</u>
<u>Net current market value of open Options contract</u>	<u>(10,000)</u>	<u>(9,900)</u>	<u>(9,800)</u>	<u>(9,700)</u>
<u>Excess/(Shortage)</u>	<u>(3,883)</u>	<u>4,717</u>	<u>(7,393)</u>	<u>(7,723)</u>

In this example, the under margin amount on T day is RM3,883. -However, an under margin charge will not be imposed when computing the Adjusted Net Capital as the under margin amount on T day has been completely eliminated on T+1 since the net equity is greater than the margin requirement. -The under margin amount of RM7,393 on T+2 is not subjected to a charge as it is outstanding for less than 3 business days as at the computation date.

The same principle will apply if the net equity becomes greater than the margin requirement on either T+2 or T+3.

## ANNEXURE 1

### Directive No. 5-001: Appendix 5 Periodic Reports

#### Example 2

	<u>T</u>	<u>T+1</u>	<u>T+2</u>	<u>T+3</u> Computation Date
Cash ledger balance	36,494	(16,947)	(15,606)	(25,505)
Cash received	-	-	-	-
Net current market value of open Options contract	(5,000)	-	(4,000)	(4,500)
Open position profit/(loss)	(30,010)	-	(9,960)	(700)
Net equity	1,484	(16,947)	(29,566)	(30,705)
Margin requirement	(175,500)	-	<b>(26,000)</b>	(6,500)
Net current market value of open Options contract	5,000	-	4,000	4,500
Excess/(Shortage)	<b>(169,016)</b>	(16,947)	(51,566)	(32,705)

In this example, the under margin amount on T day is RM169,016. –However, an under margin charge will not be imposed when computing the Adjusted Net Capital as the under margin amount on T day has been completely eliminated since there is no longer a margin requirement on T+1.

No charge will be imposed for the under margin amount of RM26,000 on T+2 because this under margin amount has not been outstanding for more than 3 business days.

The same principle will apply if there is no longer any margin requirement on either T+2 or T+3.

#### Example 3

	<u>T</u>	<u>T+1</u>	<u>T+2</u>	<u>T+3</u> Computation Date
Cash ledger balance	620,375	728,725	728,325	780,565
Cash received	-	-	-	-
Net current market value of open Options contract	-	-	-	-
Open position profit/(loss)	(208,650)	(374,380)	(239,910)	(365,576)
Net equity	422,725	353,945	488,415	423,989
Margin requirement	(824,500)	(659,500)	(659,500)	(457,500)
Net current market value of open Options contract	-	-	-	-
Excess/(Shortage)	<b>(412,775)</b>	(305,555)	(171,085)	(33,511)

In this example, the under margin amount on T day is RM412,775. –A charge of RM412,775 shall be imposed as a deduction against Net Capital when computing the Adjusted Net Capital because the under margin amount on T day has not been completely eliminated as at the computation date.

#### Example 4

	<u>T</u>	<u>T+1</u>	<u>T+2</u>	<u>T+3</u> Computation Date
Cash ledger balance	1,725,942	1,724,742	1,723,742	1,721,342
Cash received	-	-	-	-
Net current market value of open Options contract	-	-	-	-

## ANNEXURE 1

### Directive No. 5-001: Appendix 5 Periodic Reports

Open position profit/(loss)	(451,680)	(398,740)	(86,640)	(16,390)
Net equity	1,274,262	1,326,002	1,637,102	1,704,952
Margin requirement	(1,482,000)	(1,612,000)	(2,593,500)	(3,163,500)
Net current market value of open Options contract	-	-	-	-
Excess/(Shortage)	<b>(207,738)</b>	(285,998)	(956,398)	(1,458,548)

In this example, the under margin amount on T day is RM207,738. -A charge of RM207,738 shall be imposed as a deduction against Net Capital when computing the Adjusted Net Capital because the under margin amount on T day has not been completely eliminated as at the computation date.

#### Example 5

	<u>T</u>	<u>T+1</u>	<u>T+2</u>	<u>T+3</u> Computation Date
Cash ledger balance	(300)	(280)	(280)	(280)
Cash received	-	-	-	-
Net current market value of open Options contract	-	-	-	-
Open position profit/(loss)	(750)	4,700	6,500	8,300
Net equity	<b>(1,050)</b>	4,420	6,220	8,020
Margin requirement	<b>(32,500)</b>	(13,000)	(13,000)	(13,000)
Net current market value of open Options contract	-	-	-	-
Excess/(Shortage)	<b>(33,550)</b>	(8,580)	(6,780)	(4,980)

In this example the under margin amount on T day is RM32,500 (i.e. the margin requirement on T day). -The under margin amount is **not** RM33,550 because this amount is inclusive of the Net Debit Balance of RM1,050 on T day.

A charge of RM 32,500 shall be imposed as a deduction against Net Capital when computing the Adjusted Net Capital because the under margin amount on T day has not been completely eliminated by the computation date.

#### Example 6

	<u>T</u>	<u>T+1</u>	<u>T+2</u>	<u>T+3</u> Computation Date
Cash ledger balance	3,588	2,768	2,768	2,768
Cash received	-	-	-	<b>10,000</b>
Net current market value of open Options contract	-	-	-	-
Open position profit/(loss)	260	700	(8,340)	(7,540)
Net equity	3,848	3,468	(5,572)	5,228
Margin requirement	(19,500)	(26,000)	(26,000)	(26,000)
Net current market value of open Options contract	-	-	-	-
Excess/(Shortage)	<b>(15,652)</b>	(22,532)	(31,572)	(20,772)

In this example, the under margin amount on T day is RM15,652. -The under margin amount of RM15,652 has been partially eliminated by cash receipt of RM10,000 on T+3. -The remaining balance of the under margin amount RM5,652 (i.e. RM15,652 – RM10,000) has not

## ANNEXURE 1

### Directive No. 5-001: Appendix 5 Periodic Reports

yet been eliminated and this balance has been outstanding for more than 3 business days as at the computation date.

A charge of RM5,652 shall be imposed as a deduction against Net Capital when computing the Adjusted Net Capital because the under margin amount on T day has not been completely eliminated by the computation date.

#### Example 7

	<u>T</u>	<u>T+1</u>	<u>T+2</u>	<u>T+3</u> Computation Date
Cash ledger balance	4,327	4,327	11,327	11,327
Cash received	:	7,000	:	10,000
Net current market value of open Options contract	:	:	:	:
Open position profit/(loss)	2,600	8,400	1,600	1,600
Net equity	6,927	19,727	12,927	22,927
Margin requirement	(24,000)	(24,000)	(24,000)	(24,000)
Net current market value of open Options contract	:	:	:	:
Excess/(Shortage)	(17,073)	(4,273)	(11,073)	(1,073)

In this example, the under margin amount on T day is RM17,073. -The under margin amount of RM17,073 has been partially eliminated by the total cash receipt of RM17,000 on T+1 and T+3. -The remaining balance of the under margin amount RM73 (i.e. RM17,073 – RM17,000) has not yet been eliminated and this balance has been outstanding for more than 3 business days as at the computation date.

A charge of RM73 shall be imposed as a deduction against Net Capital when computing the Adjusted Net Capital because the under margin amount on T day has not been completely eliminated by the computation date.

#### Example 8

	<u>T</u>	<u>T+1</u>	<u>T+2</u>	<u>T+3</u> Computation Date
Cash ledger balance	2,768	2,768	2,398	2,398
Cash received	:	10,000	:	:
Net current market value of open Options contract	:	:	:	:
Open position profit/(loss)	(8,340)	(7,540)	(4,100)	(4,000)
Net equity	(5,572)	5,228	(1,702)	(1,602)
Margin requirement	(26,000)	(26,000)	(6,500)	(6,500)
Net current market value of open Options contract	:	:	:	:
Excess/(Shortage)	(31,572)	(20,772)	(8,202)	(8,102)

In this example, the under margin amount on T day is RM26,000 and the Net Debit Balance is RM5,572.

The RM10,000 total cash received on T+1 is required to set off the Net Debit Balance on T day. -The balance of cash received after setting off the Net Debit Balance is RM4,428 (i.e. RM10,000 – RM5,572)

The under margin amount of RM26,000 shall be partially eliminated by the remaining cash balance of RM4,428. -The balance of the under margin amount of RM21,572 (i.e. RM26,000 –

## ANNEXURE 1

### Directive No. 5-001: Appendix 5 Periodic Reports

RM4,428) has not yet been eliminated and has been outstanding for more than 3 business days as at the computation date.

A charge of RM21,572 shall be imposed as a deduction against Net Capital when computing the Adjusted Net Capital because the under margin amount on T day has not been completely eliminated by the computation date.

#### -Example 9

	<u>T</u>	<u>T+1</u>	<u>T+2</u>	<u>T+3</u> Computation Date
Cash ledger balance	2,768	2,768	2,398	2,398
Cash received	:	3,000	:	:
Net current market value of open Options contract	:	:	:	:
Open position profit/(loss)	(8,340)	(7,540)	(4,100)	(4,000)
Net equity	(5,572)	(1,772)	(1,702)	(1,602)
Margin requirement	(26,000)	(26,000)	(6,500)	(6,500)
Net current market value of open Options contract	:	:	:	:
Excess/(Shortage)	(31,572)	(27,772)	(8,202)	(8,102)

In this example, the under margin amount on T day is RM26,000 and the Net Debit balance is RM5,572.

The RM3,000 total cash received on T+1 is required to set off the Net Debit Balance on T day. -However, the cash received is insufficient to fully eliminate the Net Debit Balance.

Therefore the under margin amount of RM26,000 has not been eliminated and this balance has been outstanding for more than 3 business days as at the computation date. -An under margin charge of RM26,000 shall be imposed as a deduction against Net Capital when computing the Adjusted Net Capital at the computation date.

#### Example 10

	<u>T</u>	<u>T+1</u>	<u>T+2</u>	<u>T+3</u> Computation Date
Cash ledger balance	7,440	7,440	7,440	7,440
Cash received	:	:	:	:
Net current market value of open Options contract	:	:	:	:
Open position profit/(loss)	(58,580)	(81,080)	(51,380)	(40,580)
Net equity	(51,140)	(73,640)	(43,940)	(33,140)
Margin requirement	(180,000)	(180,000)	(180,000)	(180,000)
Net current market value of open Options contract	:	:	:	:
Secured Collateral	200,000	200,000	200,000	200,000
Excess/(Shortage)	(31,140)	(53,640)	(23,940)	(13,140)

In this example, the under margin on T day is RM31,140. -Amount of collateral available to offset margin requirement is RM148,860 (RM200,000 less Net Debit Balance of RM51,140).



## ANNEXURE 1

### Directive No. 5-001: Appendix 5 Periodic Reports

#### Example 11

	<u>T</u>	<u>T+1</u>	<u>T+2</u>	<u>T+3</u> Computation Date
Cash ledger balance	7,440	7,440	7,440	7,440
Cash received	:	:	:	:
Net current market value of open Options contract	:	:	:	:
Open position profit/(loss)	(58,580)	(81,080)	(51,380)	(40,580)
Net equity	(51,140)	(73,640)	(43,940)	(33,140)
Margin requirement	<b>(180,000)</b>	(180,000)	(180,000)	(180,000)
Net current market value of open Options contract	:	:	:	:
Secured Collateral	<b>100,000</b>	100,000	100,000	100,000
Excess/(Shortage)	(131,140)	(153,640)	(123,940)	(113,140)

In this example, the under margin amount on T day is RM131,140 (i.e. RM100,000 – (RM51,140 + RM180,000)). -A charge of RM131,140 shall be imposed as a deduction against Net Capital when computing the Adjusted Net Capital because the under margin amount on T day has not been completely eliminated by the computation date.

#### Example 12

	<u>T</u>	<u>T+1</u>	<u>T+2</u>	<u>T+3</u> Computation Date
Cash ledger balance	67,440	67,440	67,440	67,440
Cash received	:	:	:	:
Net current market value of open Options contract	:	:	:	:
Open position profit/(loss)	(58,580)	(81,080)	(51,380)	(40,580)
Net equity	<b>8,860</b>	(13,640)	16,060	26,860
Margin requirement	<b>(180,000)</b>	(180,000)	(180,000)	(180,000)
Net current market value of open Options contract	:	:	:	:
Secured Collateral	<b>100,000</b>	100,000	100,000	100,000
Excess/(Shortage)	<b>(71,140)</b>	(93,640)	(63,940)	(53,140)

In this example, the under margin amount on T day is RM71,140 (i.e. RM180,000 – RM8,860 – RM100,000). -A charge of RM71,140 shall be imposed as a deduction against Net Capital when computing the Adjusted Net Capital because the under margin amount on T day has not been completely eliminated by the computation date.

**LINE 6.c** – *The net debit balance arising from marking-to-market or interim settlement of outstanding derivatives contracts held by clients as at the close of business on the computation date.*

A charge on the client's account with a Net Debit balance refers to a charge that **may be imposed** if the net equity has a debit balance on the computation date and, **if imposed**, this charge must be deducted from the Clearing Participant's Net Capital in order to arrive at the Adjusted Net Capital.

This charge is computed as a percentage of the client's account with a Net Debit Balance if the client's account has a Net Debit Balance at the net equity level on computation date.

Directive No. 5-001: Appendix 5  
Periodic Reports

LINE 6.d – The margin requirement on open contracts in the proprietary account of a Participant which are not bona fide hedged contracts.

The reporting Clearing Participant must take a charge on the margin requirement for all uncovered derivatives granted (sold) positions in its proprietary account.

LINE 6.e and 6.f will be defined as and when the haircuts are imposed by the Clearing House and the Exchange.

**LINE 7 – Total deductions**

This amount should show the total of LINE 6.a to 6.h.

**LINE 8 – Adjusted Net Capital**

This amount should show the difference between LINE 7 and LINE 5.

**LINE 9 – Amount of margin required**

This amount should show the margin required to be paid to the Clearing House or to any party or clearing house organisation, for client and proprietary accounts (including CFDs). This amount should agree with the total margin for both the segregated and unsegregated accounts in the Clearing House's statement or Clearing Participant's statement (in the case of non-clearing Participants) and position in CFDs.

**LINE 10 – 10% of the amount of margin required**

This amount should be 10% of LINE 9.

**LINE 11 – Adjusted Net Capital required**

This amount should be the greater of LINE 10 or RM500,000. -This is the minimum Adjusted Net Capital requirement required by the Clearing House and the Bursa Malaysia Derivatives Berhad.

**LINE 12 – Excess Adjusted Net Capital**

This amount should be the difference between LINE 8 and LINE 11. -If a deficit is recorded, the Clearing Participant must take immediate corrective action and file the appropriate notices to the Clearing House and the Bursa Malaysia Derivatives Berhad.

**Directive No. 5-001: Appendix 5  
Periodic Reports**

Schedule 3(a)

**FORM C  
STATEMENT OF FINANCIAL CONDITION  
(MONTHLY SUBMISSION)**

**Clearing Participant:  
Position As At:**

<<insert name of CP>>  
<<dd/mth/yr>>

	<b>Assets</b>	<b>Permitted Assets</b>	<b>Non-Permitted Assets</b>	<b>Total</b>
1.	Funds segregated for clients			
2.	Cash with financial institutions and on hand			
3.	Receivables from and margin deposit with the Clearing House			
a.	<i>Cash and settlement receivables</i>			
b.	<i>Marketable securities</i>			
c.	<i>Net long option value</i>			
d.	<i>Security deposit and clearing funds</i>			
e.	<i>Interest receivable</i>			
4.	Receivables from and margin deposit with foreign clearing houses			
a.	<i>Cash and settlement receivables</i>			
b.	<i>Marketable securities</i>			
c.	<i>Net long option value</i>			
d.	<i>Security deposit and clearing funds</i>			
e.	<i>Interest receivable</i>			
5.	Receivable from other <del>licensed futures brokers</del> <u>Clearing Participants</u>			
a.	<i>Cash and settlement receivables</i>			
b.	<i>Marketable securities</i>			
c.	<i>Net long option value</i>			
d.	<i>Security deposit</i>			
e.	<i>Others</i>			
f.	<i>Allowances for doubtful accounts</i>			
6.	Receivables from foreign <del>futures derivatives</del> brokers			
a.	<i>Cash and settlement receivables</i>			
b.	<i>Marketable securities</i>			
c.	<i>Net long option value</i>			
d.	<i>Security deposit</i>			
e.	<i>Others</i>			
f.	<i>Allowances for doubtful accounts</i>			
7.	Receivables from clients clearing on BMDC			
a.	<i>Clients debit balances</i>			
b.	<i>Others (please itemise)</i>			
c.	<i>Allowance for doubtful accounts</i>			
8.	Receivable from clients trading on foreign exchanges/ <u>over the counter derivatives contracts (including contracts for difference)</u>			
a.	<i>Clients debit balances</i>			
b.	<i>Others (please itemise)</i>			
c.	<i>Allowance for doubtful accounts</i>			

## ANNEXURE 1

Directive No. 5-001: Appendix 5  
Periodic Reports

9.	Other receivables, advances and loans			
a.	<i>Merchandise accounts receivable</i>			
b.	<i>Interest</i>			
c.	<i>Dividends</i>			
d.	<i>Advances and loans to directors, employees of the BMDC or any third party</i>			
e.	<i>Receivables from related corporations</i>			
f.	<i>Others (please itemise)</i>			
g.	<i>Allowance for doubtful accounts</i>			
10.	Securities			
a.	Owned by Clearing Participant			
b.	Securities in exchanges and clearing houses			
11.	Inventories of physical commodities			
12.	Exchange/clearing house membership, at cost			
13.	Investment in related corporation			
14.	Fixed asset (plant, property, etc.) at net book value			
15.	Other assets (please itemise)			
16.	<b>Total assets</b>			
	<b>Liabilities</b>			<b>Total</b>
17.a	Bank overdrafts			
i.	Secured			
ii.	Unsecured			
17.b	Loans			
i.	Due for payment within 12 months			
ii.	Due for payment after 12 months			
18.	Payables to related corporations			
19.	Payables to the Clearing House			
20.	Payables to foreign clearing houses			
21.	Payables to other licensed brokers			
22.	Payable to foreign <del>futures</del> <u>derivatives</u> brokers			
23.	Payables to clients clearing on BMDC			
24.	Payables to clients trading on foreign exchanges/ <u>over the counter derivatives contracts (including contracts for difference)</u>			
25.	Liabilities subordinated to claims of general creditors			
a.	<i>Subject to satisfactory subordinated loan agreement</i>			
b.	<i>Not subject to satisfactory subordinated loan agreement</i>			
26.	Other payables and accrued liabilities (please itemise)			
27.	<b>Total liabilities</b>			
	<b>Shareholders Funds</b>			
28.	Shareholders' Funds			
a.	<i>Paid-up capital</i>			
b.	<i>Share premium</i>			
c.	<i>Capital reserves</i>			
d.	<i>Unappropriated profits/(accumulated losses)</i>			

**Directive No. 5-001: Appendix 5  
Periodic Reports**

29.	Total shareholders' funds			
30.	Total liabilities and shareholders' funds			

**Schedule 3(b) – EXPLANATORY NOTES TO FORM C**

**I. ASSETS (Line 1 to Line 16)**

**LINE 1 – Funds segregated for clients**

This amount should agree with the total amount on LINE 14 of Schedules 1(a) / 1(b) / 1(d) (FORM A).

**LINE 2 – Cash with financial institutions and on hand**

This amount should show the total petty cash, marked-to-market money market instruments (e.g. Repo, Bankers Acceptance, Negotiable Certificates of Deposits) and deposits belonging to the Clearing Participant placed with financial institutions. -Fixed deposits can be considered as permitted assets if the Clearing Participant can withdraw the deposits at any time before the maturity date.

Assets, of which possession or control over their disposal, have been given to a financial institution as security for any credit facility provided by the financial institution to the Clearing Participant or as security for an irrevocable letter of credit, bank guarantee or surety or any other line of credit provided by that financial institution to the Clearing House, an exchange, another clearing house or to any other person shall be considered as non-permitted assets and details are to be disclosed as notes to the accounts.

Accrued interest receivable should be reported on LINE 9.b of this statement. -Bank overdrafts are not to be netted against balances in these accounts. -Such overdrafts should be reported on LINE 17.a of this statement.

**LINE 3 – Receivables from and margin deposits with the Clearing House.**

To report all items on this line as permitted assets except for the Security Deposit and Clearing Fund paid to the Clearing House.

**LINE 3.a – Cash and settlement receivables**

This amount should agree with the unsegregated balance in the Clearing House's statement. -Settlement amount payable to the Clearing House should be included as a liability on Line 19 of this statement.

**LINE 3.b – Marketable securities**

This amount should show the marketable securities deposited with the Clearing House for margining proprietary accounts, valued at the current market prices without haircuts.

**LINE 3.c – Net long option value**

This amount should show the current market value of the net long option contracts of proprietary accounts. -The current market value of the net short option contracts should be included as a liability on Line 19 of this statement.

**LINE 3.d – Security deposit and clearing funds**

**Directive No. 5-001: Appendix 5  
Periodic Reports**

This amount should be shown as a non-permitted asset. -Accrued interest receivable from the placement of this security deposit and clearing fund should be reported on **Line 3.e** of this statement. -Letters of credit deposited with the Clearing House should not be included here but must be disclosed as notes to the accounts.

**LINE 4 – Receivables from and margin deposit with foreign clearing houses**

The same treatment as on **LINE 3** above should be accorded for the amount deposited with and due from foreign clearing houses, with payables to foreign clearing houses to be reflected on **LINE 20** of this statement. -Settlement amount due from one foreign clearing house should not be netted against payables to another foreign clearing house.

**LINE 5 – Receivables from other Clearing Participants****LINE 5.a – Cash and settlement receivables**

This amount should show the unsegregated cash and net settlement amount due from other Clearing Participants. –Settlement amount due from one Clearing Participants should not be netted against payables to another Clearing Participants. Settlement payable to a Clearing Participants should be included as a liability on **Line 21** of this statement.

**LINE 5.b - Marketable securities**

This amount should show the marketable securities due from other Clearing Participants, at the current market value without haircuts.

**LINE 5.c – Net long option value**

This amount should show the current market value of the net long option contracts with other Clearing Participants. The current market value of the net short option contracts should be included as a liability on **LINE 21** of this statement.

**LINE 5.d – Security deposit**

This is the amount of security deposits placed by the Clearing Participant with other Clearing Participants. -This amount should be shown as non-permitted assets.

Collateral (such as letters of credit, bank guarantee etc.) deposited with other Clearing Participants should not be included here but must be disclosed as notes to the accounts.

**LINE 5.e – Others**

This amount should include other receivables such as interest receivable and commission receivable from other Clearing Participants. All give-up trade commission and brokerage receivable from Clearing Participants should be itemized in **Appendix 2**. The commission and brokerage receivable which has not been outstanding for longer than 10 business days from computation date should be classified as a permitted asset. –This amount should not be netted against the take-up trade commission and brokerage payable reported under **LINE 21** of this statement.

**Directive No. 5-001: Appendix 5  
Periodic Reports**

**APPENDIX 2**

<u>Execution date</u>	<u>Brokers</u>				<u>Total</u>
	<u>Broker X</u>		<u>Broker Y</u>		
	<u>Lots traded</u>	<u>RM</u>	<u>Lots traded</u>	<u>RM</u>	
<b>Total</b>					

**LINE 5.f – Allowances for doubtful accounts**

This amount should show the appropriate allowances for doubtful accounts.

**LINE 6 – Receivables from foreign derivatives brokers**

The same treatment applied to LINE 5 should be accorded for the amount due from foreign derivatives brokers, with a payables to other foreign derivatives brokers to be reflected in LINE 22 of this statement.

**LINE 7 – Receivables from clients trading on Bursa Malaysia Derivatives Berhad****LINE 7.a – Client debit balances**

This is the amount of debit balances in the client's accounts. -This amount should be shown as permitted assets if they are secured. The amount to be included as permitted assets should be limited to the extent of the market value of the collateral minus the haircut. The Clearing Participant should not net this receivable against the payables arising from the trading of other clients' accounts. -The payables should be reported in LINE 23 of this statement. -This amount must agree with the amount in LINE 5 of Schedules 1(a) / 1(b) / 1(d) (FORM A).

**LINE 7.b – Others**

The Clearing Participant should show as non-permitted assets any other receivables due from clients unless secured.

**LINE 7.c – Allowances for doubtful accounts**

This amount should show the appropriate allowance for doubtful accounts.

**LINE 8 – Receivables from clients trading on foreign exchanges / over the counter derivatives contracts (including contracts for difference)**

The same treatment as on LINE 7 should be accorded for the amount due from clients clearing on foreign clearing houses or over the counter derivatives contracts (including contracts for difference), with payables to clients clearing -on foreign clearing houses or over the counter derivatives contracts (including contracts for difference) to be reflected in LINE 24 of this statement.

**LINE 9 – Other receivables, advances and loans****LINE 9.a – Merchandise accounts receivable**

This amount should be the receivable resulting from the Clearing Participant's sales of inventory commonly associated with the business activities of the Clearing Participant, which in the opinion of the Clearing Participant's auditors, are good for collection.

**LINE 9.b – Interest**

**Directive No. 5-001: Appendix 5  
Periodic Reports**

If the interest due is to be paid on the next business day from the computation date, it would be reported as a permitted asset. Otherwise, it should be reported as a non-permitted asset.

**LINE 9.c – Dividends**

This amount should be shown as a permitted asset if the dividends have not been outstanding for longer than 10 business days from the payable date. –Dividends payables should not be netted off against this amount.

**LINE 9.d – Advances and loans to directors, employees of the Clearing Participant or any third party**

This amount should be shown as a non-permitted asset.

**LINE 9.e – Receivables from related corporations**

This amount should be shown as a non-permitted asset unless the related corporation is a financial institution licensed or otherwise approved by Bank Negara Malaysia. Receivables from related corporations which the Clearing Participant considers as their clients in relation to trading in derivatives contracts should be disclosed in **LINE 7.a** or **8.a** of this statement. –These receivables from one related corporation should not be netted against payables to another related corporation.

**LINE 9.f – Others**

This amount should include other receivables such as sundry deposits and transferable club memberships which are not specified above with details itemised showing the amount and description of the receivable. –This amount should be shown as a non-permitted asset.

**LINE 9.g – Allowance for doubtful accounts**

This amount should show the appropriate allowance for doubtful accounts.

**LINE 10 – Securities**

**LINE 10.a – Owned by Clearing Participant**

This is the amount of securities held by the Clearing Participant at current market value and should be reported as **Appendix 3**.

**APPENDIX 3**

**Investment Ledger**

		<b><u>BUY</u></b>			<b><u>SELL</u></b>			<b><u>B/F</u></b>		<b><u>C/F</u></b>		<b><u>Unrealised Gain/(Loss)</u></b>
<b><u>Date</u></b>	<b><u>Counter</u></b>	<b><u>Price</u></b>	<b><u>Qty</u></b>	<b><u>RM</u></b>	<b><u>Price</u></b>	<b><u>Qty</u></b>	<b><u>RM</u></b>	<b><u>Price</u></b>	<b><u>RM</u></b>	<b><u>Price</u></b>	<b><u>RM</u></b>	<b><u>Current month</u></b>
	<b><u>Total</u></b>											

**LINE 10.b – Securities in exchanges and clearing houses**

This amount should be shown as a non-permitted asset.



**Directive No. 5-001: Appendix 5  
Periodic Reports**

**LINE 11 – Inventory of physical commodities**

This amount should be shown as a non-permitted asset. -The inventory should be valued at the lower of cost or net realisable value, for the Clearing Participant who is also in the business of merchandising goods. -Obsolete inventory should be written off.

**LINE 12 – Exchange / Clearing House (if applicable) participation**

This amount should be shown as a non-permitted asset.

**LINE 13 – Investment in related corporations**

This amount should be shown as non-permitted asset.

**LINE 14 – Fixed asset (plant, property, etc.) at net book value**

This amount should be shown as a non-permitted asset. -For reporting purposes, depreciation should be charged on a monthly basis.

**LINE 15 – Other assets**

This amount should include:

- (i) trades that have not been cleared (outtrades) which have been marked-to-market;
- (ii) prepayments;
- (iii) intangible assets; and
- (iv) any other assets which are not readily classifiable into other categories.

The above should be itemised and shown as non-permitted assets.

**II. LIABILITIES (Line 17 to Line 27)**

**LINE 17**

**LINE 17.a – Bank overdrafts & LINE 17.b – Loans**

These amounts should show bank loans payable, including overdrafts. -The Clearing Participant should disclose in detail any loan or overdraft which is secured by the Clearing Participant's assets as notes to the accounts. Accrued interest and loans payables other than to banks are to be reported on **LINE 26** of this statement. Payables to related corporations are to be reported on **LINE 18** of this statement.

**LINE 18 – Payables to related corporations**

This amount should show the Clearing Participant's liability to its related corporations but excluding any subordinated loan. Payables to related corporations which the Clearing Participant considers as their clients in relation to clearing in derivatives contracts should be disclosed in **LINE 23** or **LINE 24** of this statement.

**LINE 19 – Payables to the Clearing House**

This amount should agree with the unsegregated debit balance of the Clearing House's statement.

**Directive No. 5-001: Appendix 5  
Periodic Reports**

**LINE 20 – Payables to foreign clearing houses**

The same treatment as on LINE 19 should be accorded for payables to foreign clearing houses for settlement. The net amount payable and receivable from each of the foreign clearing house should not be netted off.

**LINE 21 – Payables to other Clearing Participants**

This amount should include the unsegregated cash and net settlement payable, take-up trade commission and brokerage payable to other Clearing Participants. All take-up trade commission and brokerage payable to other Clearing Participants should be itemised in Appendix 4. -The amount payable to other Clearing Participants should not be netted against the amount due from another Clearing Participants. Commission and brokerage due from a Clearing Participants should be reported on LINE 5.e of this statement.

**APPENDIX 4**

<u>Execution date</u>	<u>Clearing Participants</u>				<u>Total</u>
	<u>Clearing Participant X</u>		<u>Clearing Participant Y</u>		
	<u>Lots traded</u>	<u>RM</u>	<u>Lots traded</u>	<u>RM</u>	
<b>Total</b>					

**LINE 22 – Payables to foreign derivatives brokers**

The same treatment as on LINE 21 should be accorded for payables to foreign derivatives brokers.

**LINE 23 – Payables to client trading on Bursa Malaysia Derivatives Berhad**

This amount should agree with the total amount on LINE 6 of Schedule 1(a) (FORM A).

**LINE 24 – Payables to clients trading on foreign exchanges / over the counter derivatives contracts (including contracts for difference)**

The same treatment as on LINE 23 should be accorded for clients' trades done on foreign exchanges or over the counter derivatives contracts (including contracts for difference).

**LINE 25 – Liabilities subordinated to claims of general creditors**

**LINE 25.a – Subject to satisfactory subordinated loan agreements**

This amount should show the liabilities which are subordinated to the claims from general creditors and subject to a satisfactory subordinated loan agreement. The minimum requirements which must be met for a satisfactory subordinated loan agreement is provided in the Rules of the Bursa Malaysia Derivatives Berhad.

**LINE 25.b – Not subject to satisfactory subordinated loan agreements**

This amount should show the liabilities which are subordinated to the claims from general creditors and are not subject to a satisfactory subordinated loan agreement.

**LINE 26 – Other payables and accrued liabilities**

This amount should include:

## ANNEXURE 1

### Directive No. 5-001: Appendix 5 Periodic Reports

- (i) trades that have not been cleared (outtrades) which have been marked-to-market;
- (ii) security deposit from the Registered Representatives (as defined in the Rules of Bursa Malaysia Derivatives Berhad);
- (iii) provision for taxation;
- (iv) accruals; and
- (v) any other payables which are not readily classifiable into other categories.

The above should be itemised.

#### **LINE 28 – Shareholders' fund**

The amount on **LINE 28.d** of this statement should agree with **LINE 21** of **Schedule 4(a) (FORM D)**.

**Directive No. 5-001: Appendix 5  
Periodic Reports**

Schedule 4(a)

**FORM D  
STATEMENT OF INCOME/LOSS  
(MONTHLY SUBMISSION)**

**Clearing Participant:  
Position As At:**

<<insert name of CP>>  
<<dd/mth/yr>>

Schedule 4 FORM D  
**STATEMENT OF INCOME/(LOSS) FOR THE MONTH OF**

	<b>REVENUE</b>	<b>Total</b>
1.	Commission and brokerage	
a.	On Malaysian Derivatives Exchange	
i.	Single licence	
	(a) Normal trade commission	
	(b) Give-up commission	
ii.	Dual licence	
	(a) Normal trade commission	
	(b) Give-up commission	
b.	On foreign exchanges	
c.	Other brokerage activities (please itemise)	
2.	Proprietary trading activities	
a.	<del>Options and futures</del> Derivatives transactions (please itemise)	
b.	Securities transactions	
c.	Other trading activities (please itemise)	
3.	Income from advisory services	
4.	Interest and dividends	
a.	Interest earned on investment of clients' funds (please itemise)	
b.	Interest earned on investment of other clients' funds	
c.	Dividends	
5.	Other income (please itemise)	
6.	<b>Total revenue</b>	
	<b>EXPENSES</b>	
7.	Director's emoluments	
a.	Fees	
b.	Others	
8.	Salaries and allowances	
9.	Interest	
a.	Clients	
b.	Financial institutions	
c.	Others	
10.	Commissions	
11.	Occupancy and equipment cost	
12.	Bad and doubtful debts	
13.	Depreciation and amortisation (please itemise)	
14.	Other expenses (please itemise)	
15.	<b>Total expenses</b>	
16.	<b>Net profit/(loss) before taxation</b> (Item 6 minus Item 15)	
17.	Taxation	
18.	Others (please itemise)	
19.	<b>Net profit/(loss) after taxation</b>	
20.	Balance brought forward	
21.	<b>Unappropriated profits/(accumulated losses)</b>	

**Schedule 4(b) – EXPLANATORY NOTES TO FORM D****I. REVENUE (Line 1 to Line 6)****LINE 1 – Commission and brokerage****LINE 1.a – On Bursa Malaysia Derivatives Berhad**

This amount should show the total commission and brokerage earned from trading derivatives contracts for the month on the Exchange. Commission derived by dual licence holder i.e. a person who holds a Capital Markets Services Licence for dealing in derivatives and a Capital Markets Services Licence for dealing in securities should be disclosed here.

**LINE 1.b – On foreign exchanges**

This amount should show the total commission and brokerage earned for the month on foreign exchanges

**LINE 1.c – Other brokerage activities**

This amount should show the total commission and brokerage earned for the month from other brokerage activities.

**LINE 2 – Proprietary trading account****LINE 2.a – Derivatives transactions**

This amount should show the total profit or loss for the month from undertaking proprietary trading in the derivatives market. This should also include the current market value of the net long or net short option contracts of the proprietary account.

**LINE 2.b – Securities transactions**

This amount should show the total profit or loss for the month from the company's investment activities in the securities market.

**LINE 2.c – Other trading activities**

This amount should include profit or loss from the Clearing Participant's error account for the month. -This should also include the current market value of the net long or net short option contracts of the error account.

**LINE 3 – Income from advisory services**

This amount should show the income earned for the month from advisory services performed.

**LINE 4 – Interest and dividends****LINE 4.a – Interest earned on investment of clients' funds**

This amount should show the total gross interest earned for the month from the investment of clients' segregated account funds.

**LINE 4.b – Interest earned on investment of other than clients' funds**

Directive No. 5-001: Appendix 5  
Periodic Reports

This amount should show the total interest earned for the month from the investment of company's fund.

**LINE 4.c – Dividends**

This amount should show the total dividends earned for the month from the company's investments.

**LINE 5 – Other income**

This amount should show the total income earned for the month by the Clearing Participant not disclosed anywhere else in this statement.

**II. EXPENSES (Line 7 to Line 15)**

**LINE 7 – Directors' emoluments**

**LINE 7.a – Fees**

This amount should show the total directors' fees incurred for the month.

**LINE 7.b – Others**

This amount should show all other emoluments incurred for the month.

**LINE 8 – Salaries and allowances**

This amount should show the total staff salaries and allowances incurred for the month.

**LINE 9 – Interest**

**LINE 9.a – Clients**

This amount should show the total interest expense to the clients and incurred for the month.

**LINE 9.b – Financial Institutions**

This amount should show the total interest expense incurred for the month.

**LINE 9.c – Others**

This line should show the total interest expense incurred for the month which is not otherwise disclosed under **LINE 9.a** and **9.b**.

**LINE 10 – Commission**

This amount should show all commissions incurred for the month.

**LINE 11 – Occupancy and equipment cost**

This amount should show the occupancy and equipment cost incurred for the month. Included in this amount are office and booth rental as well as charges on price reporting system.

Directive No. 5-001: Appendix 5  
Periodic Reports

**LINE 12 – Bad and doubtful debts.**

This amount should show the amount of provision made on the accounts which are doubtful of collection or amount which have been written off during the month.

**LINE 13 – Depreciation and amortisation**

This amount should show the depreciation and amortization charge for the month.

**LINE 14 – Other expenses**

This amount should show the total or other expenses incurred for the month which is not otherwise disclose in this statement with details itemized on a separate page showing the amount and description of the expenses.

**LINE 17 – Taxation**

This item should show the provision for taxation for the month.

**LINE 18 – Others**

This amount should include items not otherwise dealt with in this statement which may include prior-year adjustments, extraordinary profit and loss, etc.

**LINE 20 – Balance brought forward**

This amount should agree with **LINE 21** of **Schedule 4(a) (FORM D)** in the previous month.

**LINE 21 – Unappropriated profits / (accumulated losses)**

This amount should show the total of **LINE 19** and **LINE 20** and should be carried to **LINE 28.d** of **Schedule 3(a) (FORM C)**.

[End of Appendix]