

ANNEXURE 1

RULES OF BURSA MALAYSIA SECURITIES CLEARING SDN BHD

RULE AMENDMENTS IN RELATION TO THE INTRODUCTION OF MARGIN ON TRADING CLEARING PARTICIPANTS

RULE	EXISTING PROVISIONS	RULE	AMENDED PROVISIONS
Interpretation	New definition	Interpretation	<p><u>“Collateral”</u></p> <p><u>All or any of the monies and assets provided to the Clearing House by or for a Trading Clearing Participant in connection with Margin and includes the excess Collateral referred to in Rule 5.12.</u></p>
Interpretation	New definition	Interpretation	<p><u>“Margin”</u></p> <p><u>The amounts required to be provided by a Trading Clearing Participant to the Clearing House pursuant to Rule 5.9 to manage the risks arising from the Trading Clearing Participant’s obligations in respect of its Novated Contracts.</u></p>
2.12	TERMINATION OF PARTICIPATION	2.12	TERMINATION OF PARTICIPATION
2.12	(a) Subject as otherwise provided in these Rules or the Agreement, the Clearing House may at any time by giving of not less than thirty (30) Market Days’ notice in writing terminate the participation of a Clearing Participant in any one or more or all of the services and/or facilities made available by the Clearing House to the Clearing Participant.	2.12	(a) No change.
2.12	(b) Subject as otherwise provided in these Rules or the Agreement, any Clearing Participant may by giving of not less than thirty (30) Market Days’ notice in writing to the Clearing House terminate its	2.12	(b) Subject as otherwise provided in these Rules <u>and notwithstanding what is provided in or</u> the Agreement, any Clearing Participant may by giving of not less than thirty (30) Market Days’ notice in writing

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	<p>participation in all or any one or more of the services and/or facilities made available to it by the Clearing House.</p>		<p>to the Clearing House terminate its participation in all or any one or more of the services and/or facilities made available to it by the Clearing House <u>and the termination takes effect at either:</u></p> <p><u>(i) the expiration of that notice period; or</u></p> <p><u>(ii) when the Clearing Participant is no longer a counterparty to any Novated Contract (if applicable) and there is no further obligation or liability owed by the Clearing Participant to the Clearing House in respect of the relevant services or facilities,</u></p> <p><u>whichever is later.</u></p>
2.12	(c) The Clearing House may, in its absolute discretion, refuse to accept any notice of termination given by a Clearing Participant, or reject such a notice after it had been served but prior to its taking effect, if the Clearing House considers that any matter affecting such a Clearing Participant should be investigated under the disciplinary procedures or for any other reason.	2.12	(c) No change.
2.14	CONSEQUENCES OF NOTICE OF TERMINATION	2.14	CONSEQUENCES OF NOTICE OF TERMINATION
2.14	(a) If at any time after the receipt of any notice to terminate from a Clearing Participant but before such notice takes effect, the Clearing House shall have the absolute discretion to decline to accept any instructions or give effect to any transaction involving the Clearing Participant if the Clearing House considers it is appropriate in the interest of the Clearing House, other Clearing Participant or if	2.14	(a) No change.

RULE	EXISTING PROVISIONS	RULE	AMENDED PROVISIONS
	it would adversely affect any of the services or facilities provided by the Clearing House to the Clearing Participant.		
2.14	(b) The termination of participation in any one or more or all of the services of the Clearing House of a Clearing Participant, for whatever reason, shall be without prejudice to the rights of the Clearing House to enforce or sue upon any obligation owed to it which arises out of any matter which has taken place prior to the effective date of such termination.	2.14	(b) No change.
2.14	New provision	2.14	<u>(c) The rights, powers and remedies of the Clearing House under Rules 1.5, 1.16(d), 5.10(g), 7.17, 7.18, 8.12(k) and 8.20 in relation to a Clearing Participant will survive the Clearing Participant's termination or suspension as a Clearing Participant.</u>
2.17	New provision	2.17	<u>INCONSISTENCY BETWEEN RULES AND AGREEMENT</u>
2.17	New provision	2.17	<u>In the event of any conflict or inconsistency between these Rules and the Agreement, these Rules will prevail to the extent of the conflict or inconsistency.</u>
4.1	EVENTS OF DEFAULT	4.1	EVENTS OF DEFAULT
4.1	(b) For the purposes of sub-rule (a) but without limiting the generality of the same, a Trading Clearing Participant is deemed to have failed, or appear to be unable, or likely to become unable, to meet its obligations in respect of all or any unsettled Novated Contracts to which the Trading Clearing Participant is a party in the event, inter alia, that:-	4.1	(b) No change.

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	(i) the Trading Clearing Participant's licence is suspended or revoked by the Commission or has expired and is not renewed by the Commission;		(i) No change.
	(ii) the Trading Clearing Participant fails to comply with or settle any of its financial obligations in relation to a Novated Contract under these Rules or the Exchange Rules or the rules and regulations of any exchange or clearing house in which the Trading Clearing Participant is a participant or member;		(ii) the Trading Clearing Participant fails to comply with or settle any of its financial obligations in relation to <u>the following</u> : <u>(aa) a Novated Contract, Contribution or Margin in accordance with or</u> under these Rules or the Exchange Rules; or <u>(bb) similar financial obligations under the</u> rules and regulations of any <u>other</u> exchange or clearing house in which the Trading Clearing Participant is a participant or member;
	(iii) the Trading Clearing Participant fails to pay when due any sum due and payable, or is otherwise in default under the terms of any loan or other agreement relating to the Trading Clearing Participant's indebtedness, or threatens or proposes to suspend, stop, defer or reschedule payment or to default under the terms of such loan or agreement;		(iii) No change.
	(iv) a Trading Clearing Participant is insolvent, or unable to pay its debts when they fall due, or a bankruptcy or winding-up petition is presented, or a notice of a proposal for a resolution for the Trading Clearing Participant's winding-up is given, or a voluntary arrangement is approved by a Court of Law for the benefit of its creditors,		(iv) No change.

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	<p>or an assignment or composition is made by the Trading Clearing Participant for the benefit of its creditors or any of them, or the Clearing House considers in its absolute discretion that the occurrence of any such events or their equivalent is imminent or likely in any jurisdiction;</p>		
	<p>(v) a liquidator, receiver, manager, trustee, an administrative receiver or a similar officer is appointed, or a composition or scheme of arrangement is approved by a Court of Law against the Trading Clearing Participant or an assignment or composition is made by the Trading Clearing Participant for the benefits of its creditors or any of them, or the Clearing House considers in its absolute discretion that the occurrence of any such events or their equivalent is imminent or likely in any jurisdiction;</p>		<p>(v) No change.</p>
	<p>(vi) a resolution to wind-up the Trading Clearing Participant (save for the purpose of amalgamation or reconstruction) is passed or a bankruptcy or winding-up order is made; or</p>		<p>(vi) No change.</p>
	<p>(vii) any distress, execution or other process is levied or enforced or served upon or against any property or assets of a Trading Clearing Participant.</p>		<p>(vii) No change.</p>
<p>4.2</p>	<p>DEFAULT PROCEEDINGS IN RELATION TO NOVATED CONTRACTS</p>	<p>4.2</p>	<p>DEFAULT PROCEEDINGS IN RELATION TO NOVATED CONTRACTS</p>
<p>4.2.1</p>	<p>(a) On the occurrence of any Event of Default under</p>	<p>4.2.1</p>	<p>(a) No change.</p>

RULE	EXISTING PROVISIONS	RULE	AMENDED PROVISIONS
	Rule 4.1, the Clearing House may settle the defaulting Trading Clearing Participant's Novated Contracts.		
4.2.1	(b) For the purposes of sub-rule (a), the Clearing House shall determine if the defaulting Trading Clearing Participant shall pay or receive any sum of money in relation to each such Novated Contract after taking into account all the rights and liabilities of the defaulting Trading Clearing Participant under or in respect of the Novated Contract concerned.	4.2.1	(b) For the purposes of sub-rule (a), the Clearing House shall determine if the defaulting Trading Clearing Participant shall pay or receive any sum of money in relation to each such Novated Contract after taking into account all the rights and liabilities of the defaulting Trading Clearing Participant under or in respect of the Novated Contract concerned <u>and all expenses referred to in Rule 4.2.2.</u>
4.2.1	(c) The Clearing House shall enable all sums of money payable by or to the defaulting Trading Clearing Participant as determined in accordance with sub-rule (b) to be aggregated or set-off so as to produce a net sum, if any, payable by or to the defaulting Trading Clearing Participant;	4.2.1	(c) No change.
4.2.1	(d) If any net sum referred to in sub-rule (c) is payable by a defaulting Trading Clearing Participant, the Clearing House may set-off against all property of the defaulting Trading Clearing Participant which is either subject to any lien in favour of the Clearing House (or set off against the proceeds of the realisation of such property held under lien by the Clearing House) so as to produce a further net sum, if any, payable by or to the defaulting Trading Clearing Participant;	4.2.1	(d) If any net sum referred to in sub-rule (c) is payable by a defaulting Trading Clearing Participant, the Clearing House may set-off <u>such sum</u> against <u>any or all of the following including where relevant, the proceeds from the realisation of any or all of the following:</u> <u>(i) Collateral of the defaulting Trading Clearing Participant;</u> <u>(ii) Contribution of the defaulting Trading Clearing Participant;</u> <u>(iii) all any other</u> property of the defaulting Trading Clearing Participant which is either subject to

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			<p>any lien in favour of the Clearing House; <u>or</u></p> <p><u>(iv) those Securities delivered by the Clearing House to the defaulting Trading Clearing Participant where the amount owing by the defaulting Trading Clearing Participant in respect of the net purchase of such Securities has not been settled in full,</u></p> <p><u>(or set off against the proceeds of the realisation of such property held under lien by the Clearing House)</u>so as to produce a further net sum, if any, payable by or to the defaulting Trading Clearing Participant;</p>
4.2.1	(e) If any net sum referred to in sub-rule (c) is payable to a Trading Clearing Participant, the property of the defaulting Trading Clearing Participant subject to any lien in favour of the Clearing House shall cease to be subject to such lien;	4.2.1	(e) <u>[Deleted]</u>
4.2.1	(f) The Clearing House shall certify any net sum referred to in sub-rule (c) payable to the defaulting Trading Clearing Participant, or of any further net sum referred to in sub-rule (d) payable by or to a defaulting Trading Clearing Participant, as the case may be, or, if there is no such sum the certification by the Clearing House of that fact.	4.2.1	(f) No change.
4.2.2	In performance of its functions under Rule 4.2.1, the Clearing House may take all or any of the following actions:-	4.2.2	In performance of its functions under Rule 4.2.1, the Clearing House may take all or any of the following actions <u>at the expense of the defaulting Trading Clearing Participant, in any order, immediately or at any other time the Clearing House determines, and without the need for any prior notice to or consent of the defaulting Trading</u>

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			<u>Clearing Participant or any other person:-</u>
4.2.2	(a) Close-out all Novated Contracts of the defaulting Trading Clearing Participant at what the Clearing House determines to be the best prevailing market price and terms available. For the purpose of this sub-rule “close-out” means liquidating an existing Novated Contract with an equal and opposite transaction.	4.2.2	(a) No change.
4.2.2	(b) Dispose such Securities held under lien without any further reference to the defaulting Trading Clearing Participant. The Clearing House shall have a right of lien on all Securities delivered by it to all Trading Clearing Participants (notwithstanding that the Clearing House may not have physical possession of such Securities) unless all moneys owing to it by such Clearing Participant in respect of the net purchase of such Securities, has been settled in full.	4.2.2	(b) <u>liquidate the property of the defaulting Trading Clearing Participant held under lien pursuant to Rule 5.16(a) or the Securities referred to in Rule 4.2.1(d)(iv)</u> Dispose such Securities held under lien without any further reference to the defaulting Trading Clearing Participant. The Clearing House shall have a right of lien on all Securities delivered by it to all Trading Clearing Participants (notwithstanding that the Clearing House may not have physical possession of such Securities) unless all moneys owing to it by such Clearing Participant in respect of the net purchase of such Securities, has been settled in full and for that purpose, in relation to Securities, the Clearing House may give instructions to the Central Depository for transfers of Securities to be effected into or out of the relevant securities account, including nominee accounts.
4.2.2	(c) Apply all sums obtained under sub-rule (b) or any other sum standing to the credit of the defaulting Trading Clearing Participant.	4.2.2	(c) <u>[Deleted]</u>
4.2.2	(d) Give instructions for transfers of securities to be effected into or out of a securities account which	4.2.2	(d) <u>[Deleted]</u>

RULE	EXISTING PROVISIONS	RULE	AMENDED PROVISIONS
	relates to a depositor who is a party to a Novated Contract or a depositor who had instructed the defaulting Trading Clearing Participant to effect a trade which results in a Novated Contract to which the defaulting Trading Clearing Participant has become a party, for the purposes of settlement of a Novated Contract or otherwise dealing with a Novated Contract in accordance with these Rules.		
4.2.2	(e) Take any other action as it deems necessary for the protection of its interest with respect to Novated Contracts to which a defaulting Trading Clearing Participant is a party, at the defaulting Trading Clearing Participant's expense and if appropriate in its name.	4.2.2	(e) No change.
4.2.2	(f) Engage under such terms and conditions of engagement as the Clearing House may determine from time to time, any person to render assistance as the Clearing House may require or specify in the performance of its functions under Rule 4.2. The defaulting Trading Clearing Participant shall bear the costs and expenses of the engagement such person(s).	4.2.2	(f) No change.
4.2.3	New provision	4.2.3	<u>For the avoidance of doubt, notwithstanding Rule 6.13, the Clearing House may determine the order of application and use of the monies and assets of a defaulting Trading Clearing Participant (including Collateral and Contributions) that has been deposited with or which are available to the Clearing House.</u>
5.9	NEW RULE	5.9	<u>MARGIN</u>
5.9	New provision	5.9	<u>(a) The Clearing House may determine a Trading</u>

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			<u>Clearing Participant's Margin using a risk based algorithm or such other method as may be determined by the Clearing House.</u>
5.9	New provision	5.9	<u>(b) A Trading Clearing Participant must provide the required amount of acceptable Collateral in accordance with the directions of the Clearing House to meet its Margin including any additional Margin required by the Clearing House.</u>
5.9	New provision	5.9	<u>(c) The Clearing House may at any time require additional Margin to be satisfied by a Trading Clearing Participant immediately or within a specified time, if in the opinion of the Clearing House, the additional Margin is necessary or desirable as additional security against the non-performance of obligations by such Trading Clearing Participant under these Rules having regard to the changes in market price, price volatility or trading activity.</u>
5.9	New provision	5.9	<u>(d) A Trading Clearing Participant's Margin is additional to and independent of any other sums payable to the Clearing House by the Trading Clearing Participant and for the avoidance of any doubt, may be utilised by the Clearing House in such manner as may be specified in these Rules.</u>
5.9	New provision	5.9	<u>(e) The Clearing House may, at any time and in its absolute discretion, cease to require all or any of the Trading Clearing Participants to provide Margin.</u>
5.10	NEW RULE	5.10	<u>COLLATERAL - GENERAL</u>

RULE	EXISTING PROVISIONS	RULE	AMENDED PROVISIONS
5.10	New provision	5.10	<u>(a) The Clearing House may from time to time prescribe the form of monies and assets acceptable by the Clearing House as Collateral.</u>
5.10	New provision	5.10	<u>(b) A Trading Clearing Participant must provide to the Clearing House the Collateral in such manner and on such conditions as may be prescribed by the Clearing House.</u>
5.10	New provision	5.10	<u>(c) The Clearing House may invest, manage and use such Collateral including excess Collateral in such manner as the Clearing House deems expedient.</u>
5.10	New provision	5.10	<u>(d) A Trading Clearing Participant must not provide to the Clearing House, monies and assets of the Trading Clearing Participant's client for the purpose of meeting the Trading Clearing Participant's Margin.</u>
5.10	New provision	5.10	<u>(e) The Clearing House has no obligation or responsibility to preserve, protect, collect or realise a Trading Clearing Participant's Collateral, and under no circumstance will the Clearing House be liable for any loss or diminution in value or depreciation in or in connection with the Collateral maintained pursuant to these Rules.</u>
5.10	New provision	5.10	<u>(f) The Clearing House may deposit any Collateral accepted by the Clearing House with the appropriate custodian(s) designated by the Clearing House for safekeeping.</u>
5.10	New provision	5.10	<u>(g) A Trading Clearing Participant who maintains Collateral with the Clearing House must indemnify and hold the Clearing House harmless from any</u>

RULE	EXISTING PROVISIONS	RULE	AMENDED PROVISIONS
			<p><u>loss, damage, costs, charges and expenses of whatsoever nature and howsoever arising (“Loss”) suffered or incurred by the Clearing House to any designated custodian which may result from or arise with respect to:</u></p> <p><u>(i) any act, delay or omission in connection with the Collateral (whether by such Trading Clearing Participant or the Clearing House) deposited with such designated custodian; or</u></p> <p><u>(ii) any contract or agreement between the Clearing House and any designated custodian, or any representation, warranty or undertaking given by the Clearing House to any designated custodian, in relation to or otherwise in connection with Collateral deposited with such designated custodian,</u></p> <p><u>provided that this indemnity does not cover any Loss or liability of the Clearing House attributable or referable to the Clearing House or any person acting for the Clearing House acting otherwise than in good faith in the performance or purported performance of the Clearing House’s or such person’s duty.</u></p>
5.11	NEW RULE	5.11	<u>COLLATERAL – INTEREST AND FEES</u>
5.11	New provision	5.11	<u>(a) Interest or other sums accruing to cash Collateral will be appropriated by the Clearing House to the Trading Clearing Participant’s Collateral as may be determined by the Clearing House.</u>
5.11	New provision	5.11	<u>(b) A Trading Clearing Participant must pay to the</u>

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			<u>Clearing House such administrative fees and charges as may be prescribed by the Clearing House in connection with the Collateral accepted by the Clearing House.</u>
5.11	New provision	5.11	<u>(c) The Clearing House may deduct the administrative fees and charges from the interest on the Collateral payable by the Clearing House to the Trading Clearing Participant pursuant to this Rule.</u>
5.12	NEW RULE	5.12	<u>COLLATERAL – EXCESS COLLATERAL</u>
5.12	New provision	5.12	<u>A Trading Clearing Participant has the option to provide the Clearing House Collateral in excess of the Trading Clearing Participant’s Margin and the Clearing House may use such excess to meet future Margin required from the Trading Clearing Participant.</u>
5.13	NEW RULE	5.13	<u>COLLATERAL – VALUATION</u>
5.13	New provision	5.13	<u>(a) The Clearing House will at its sole discretion determine the value to be attributed to the Collateral provided to the Clearing House.</u>
5.13	New provision	5.13	<u>(b) Without limiting the generality of Rule 5.13(a), the Clearing House may give zero value to any Collateral provided by a Trading Clearing Participant for the purposes of satisfying its obligations under these Rules if such Collateral is found in any way to be unacceptable by the Clearing House.</u>
5.14	NEW RULE	5.14	<u>COLLATERAL – MEMORANDUM OF DEPOSIT</u>
5.14	New provision	5.14	<u>(a) A Trading Clearing Participant must within the time</u>

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			<u>specified by the Clearing House, execute and deliver a memorandum of deposit in the form and on terms prescribed by the Clearing House, setting out the terms under which the Collateral in the form of Securities is provided to, and held by the Clearing House.</u>
5.14	New provision	5.14	<u>(b) The Trading Clearing Participant must comply with the terms of the memorandum of deposit and any breach of such memorandum of deposit will constitute a breach of this Rule.</u>
5.15	NEW RULE	5.15	<u>COLLATERAL – RETURN OF COLLATERAL</u> <u>(a) The Clearing House may return the Collateral or any part of it to the Trading Clearing Participant upon the Trading Clearing Participant’s application if the obligations under these Rules for which such Collateral have been provided for have been met or where the Trading Clearing Participant provides alternative Collateral.</u>
5.15	NEW RULE	5.15	<u>(b) The Clearing House may at any time return the Collateral or any part of it to the Trading Clearing Participant as the Clearing House deems appropriate including in the event the Clearing House determines under Rule 5.9(e) to cease to require a Trading Clearing Participant to provide Margin.</u>
5.16	NEW RULE	5.16	<u>GENERAL LIEN AND RIGHT OF SET-OFF</u>
5.16	New provision	5.16	<u>(a) Without prejudice and in addition to any other right or remedy which the Clearing House may have under these Rules, contract, law or equity, the</u>

RULE	EXISTING PROVISIONS	RULE	AMENDED PROVISIONS
			<p><u>Clearing House shall have a lien on the following:</u></p> <p><u>(i) all Collateral provided to the Clearing House;</u></p> <p><u>(ii) all Securities which constitute the property or assets of such Trading Clearing Participant (notwithstanding that the Clearing House may not have physical possession of such Securities); and</u></p> <p><u>(iii) any other monies and assets of the Trading Clearing Participant which may be or become available to the Clearing House.</u></p>
5.16	New provision	5.16	<p><u>(b) Without prejudice to the generality of Rule 5.16(a) and notwithstanding anything in these Rules, in addition to any other right or remedy which the Clearing House may have under these Rules, contract, law or equity, the Clearing House may at any time consolidate any or all amounts payable to or receivable from a Trading Clearing Participant, and set-off or transfer or apply any property of the Trading Clearing Participant which is subject to lien towards satisfaction of any liabilities of the Trading Clearing Participant to the Clearing House, whether or not:</u></p> <p><u>(i) such property of the Trading Clearing Participant and liabilities are denominated in the same currency; and</u></p> <p><u>(ii) such liabilities are due, owing or incurred, or joint or several.</u></p>

[End of Rule Amendments]