

**ANNEXURE 1**

**RULES OF BURSA MALAYSIA DERIVATIVES CLEARING BERHAD**

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

EXISTING PROVISIONS		AMENDED PROVISIONS
Rule 214A	Rule 214A Outsourcing of back office functions by General Clearing Participants	Rule 214A Outsourcing <del>of back office functions</del> by General Clearing Participants
Rule 214A	New provision	<del>(a) A General Clearing Participant is not permitted to outsource any of its functions as a General Clearing Participant except in accordance with these Rules.</del>
Rule 214A	(a) A General Clearing Participant may be permitted to outsource its Back Office Functions subject to the prior approval of the Clearing House and compliance with the Guiding Principles as though the General Clearing Participant is the Market Intermediary mentioned therein.	<del>(a)</del> A General Clearing Participant may <del>be permitted to</del> outsource its Back Office Functions <u>if it:</u>  <u>(i) subject to the prior approval of the Clearing House and compliance complies with the requirements that must be met prior to the outsourcing as set out under the Guiding Principles Guidelines on Outsourcing as though the General Clearing Participant is the Mmarket intermediary mentioned therein the Guidelines on Outsourcing; and</u>  <u>(ii) has obtained the prior written approval of the Clearing House for any material outsourcing arrangement as required under the Guidelines on Outsourcing.</u>
Rule 214A	(b) The Guiding Principles shall be regarded as part of these Rules and consequently any breach by a General Clearing Participant of the Guiding Principles shall be deemed to be a breach of these Rules.	<del>(b) [Deleted]The Guiding Principles shall be regarded as part of these Rules and consequently any breach by a General Clearing Participant of the Guiding Principles shall be deemed to be a breach of these Rules.</del>
Rule 214A	New provision	<u>(c) In relation to paragraph 3.02 of the Guidelines on Outsourcing, a General Clearing Participant may outsource a</u>

EXISTING PROVISIONS		AMENDED PROVISIONS
		<u>Back Office Function that involves decision making or interaction with clients where the functions relates to post trade, financing or custody services.</u>
<b>Rule 214A</b>	(c) The Clearing House may, in consultation with the Commission, issue any directives, instructions or guidelines in relation to the outsourcing of the Back Office Functions of a General Clearing Participant, as it deems fit, from time to time.	<p><del>(c)</del> <u>The Clearing House may, in consultation with the Commission, issue any directives, instructions or guidelines in relation to the outsourcing of the Back Office Functions of a General Clearing Participant, as it deems fit, from time to time. A General Clearing Participant which has outsourced its Back Office Functions under this Rule 214A must, in relation to such functions:</u></p> <p><u>(i) comply with these Rules, the Guidelines on Outsourcing (as though the General Clearing Participant is the market intermediary mentioned in the Guidelines on Outsourcing) and any directives that may be issued by the Clearing House on this matter; and</u></p> <p><u>(ii) ensure that its service provider or sub-contractor complies with the Rules that are applicable to the outsourced functions in the same manner as the General Clearing Participant is required to.</u></p>
<b>Rule 214A</b>	New provision	<del>(e)</del> <u>The Clearing House may, at any time, revoke any approval given to the General Clearing Participant for its material outsourcing or direct the General Clearing Participant to discontinue the outsourcing of the Back Office Functions, partly or wholly, for any reason whatsoever.</u>
<b>Rule 214A</b>	(d) For the purpose of this Rule, unless the context otherwise requires –  “Back Office Functions” means the back office functions as envisaged under clause 4 of the Guiding Principles.	<p><del>(d)</del> For the purpose of this Rule, unless the context otherwise requires:—</p> <p><del>(i)</del> <u>“Back Office Functions” means the back office functions as defined under the Guidelines on Outsourcing envisaged under clause 4 of the Guiding Principles.</u></p>

EXISTING PROVISIONS		AMENDED PROVISIONS
	<p>“Guiding Principles” means the “Guiding Principles For Outsourcing Of Back Office Functions For Capital Market Intermediaries” issued by the Commission on 29 June 2005 including subsequent amendments, modifications, variations, supplements or substitutes thereto and any directives or guidelines as may be issued thereunder.</p> <p>“Market Intermediary” shall have the same meaning as is assigned to it in the Guiding Principles.</p>	<p><del>(ii) “Guiding Principles For Guidelines on Outsourcing Of Back Office Functions For Capital Market Intermediaries” issued by the Commission on 29 June 2005 including subsequent amendments, modifications, variations, supplements or substitutes thereto and any directives or guidelines as may be issued pursuant to the Guidelines on Outsourcing thereunder.</del></p> <p><del>“Market Intermediary” shall have the same meaning as is assigned to it in the Guiding Principles.</del></p> <p><del>(iii) “service provider” has the same meaning as is assigned to it in the Guidelines on Outsourcing.</del></p> <p><del>(iv) “sub-contractor” means the service provider to whom the initial service provider has further contracted the Back Office Functions.</del></p>
<b>Rule 214A</b>	<p>(e) This Rule 214A shall not apply to a General Clearing Participant which is an Investment Bank. A General Clearing Participant which is an Investment Bank shall comply with the Guidelines on Investment Banks and such other requirements of the Central Bank relating to the outsourcing of back-office functions, if any, insofar as the same are applicable to an Investment Bank (“the Relevant Guidelines and Requirements”). The Relevant Guidelines and Requirements shall be regarded as part of these Rules and consequently any breach by a General Clearing Participant which is an Investment Bank of the Relevant Guidelines and Requirements shall be deemed to be a breach of these Rules.</p>	<p><del>(eg) (i) This Rule 214A shall is not apply applicable to a General Clearing Participant which is an Investment Bank.</del></p> <p><del>(ii) A General Clearing Participant which is an Investment Bank shall must instead comply with the Guidelines on Investment Banks and such other requirements of Bank Negara the Central Bank relating to the matter. outsourcing of back-office functions, if any, insofar as the same are applicable to an Investment Bank (“the Relevant Guidelines and Requirements”). The Relevant Guidelines and Requirements shall be regarded as part of these Rules and consequently any breach by a General Clearing Participant which is an Investment Bank of the Relevant Guidelines and Requirements shall be deemed to be a breach of these Rules.</del></p>
<b>Rule 214B</b>	<b>Rule 214B Outsourcing of back office functions by Direct Clearing Participants</b>	<b>Rule 214B Outsourcing of back office functions by Direct Clearing Participants</b>

EXISTING PROVISIONS		AMENDED PROVISIONS
<b>Rule 214B</b>	New provision	<p><u>(a) For the purposes of this Rule, unless the context otherwise requires:</u></p> <p><u>(i) “Back Office Functions” in this rule encompasses only the operational or administrative aspects of the entity’s functions as a Direct Clearing Participant, including clearing and settlement of Open Contracts which have been concluded for its own account;</u></p> <p><u>(ii) “service provider” means any entity which carries out the outsourced Back Office Functions; and</u></p> <p><u>(iii) “sub-contractor” means the service provider to whom the initial service provider has further contracted the Back Office Functions.</u></p>
<b>Rule 214B</b>	New provision	<u>(b) A Direct Clearing Participant is not permitted to outsource any of its functions as a Direct Clearing Participant except in accordance with this Rule.</u>
<b>Rule 214B</b>	(a) A Direct Clearing Participant may outsource its back office functions to a service provider provided that the Direct Clearing Participant complies with the following conditions :-	<u>(ac) A Direct Clearing Participant may outsource its <del>b</del>Back <del>e</del>Office <del>f</del>Functions relating to its function as a Direct Clearing Participant to a service provider or a sub-contractor provided that the Direct Clearing Participant complies with the following conditions <u>set out in this Rule 214B.</u></u>
<b>Rule 214B</b>	(i) The back office functions that are outsourced shall encompass only the operational or administrative aspects of the entity’s functions as a Direct Clearing Participant, including clearing and settlement of Open Contracts which have been concluded for its own account, and shall exclude the Direct Clearing Participant’s decision making and management function and its role of liaising with regulatory authorities and fulfilling regulatory requirements;	<del>(i) — [Deleted]The back office functions that are outsourced shall encompass only the operational or administrative aspects of the entity’s functions as a Direct Clearing Participant, including clearing and settlement of Open Contracts which have been concluded for its own account, and shall exclude the Direct Clearing Participant’s decision making and management function and its role of liaising with regulatory authorities and fulfilling regulatory requirements;</del>

EXISTING PROVISIONS		AMENDED PROVISIONS
<b>Rule 214B</b>	<p>(ii) The service provider must be either one of the following :-</p> <p>(a) A company within the group of companies to which the Direct Clearing Participant belongs; or</p> <p>(b) An independent company which is located in Malaysia and has its operations conducted in Malaysia.</p>	<p><del>(ii) [Deleted]The service provider must be either one of the following :-</del></p> <p><del>(a) A company within the group of companies to which the Direct Clearing Participant belongs; or</del></p> <p><del>(b) An independent company which is located in Malaysia and has its operations conducted in Malaysia.</del></p>
<b>Rule 214B</b>	<p>(iii) The service provider shall not further assign or sub-contract the back office functions to another party;</p>	<p><del>(iii) The Direct Clearing Participant must ensure that:</del></p> <p><del>(i) the service provider does not further assign the Back Office Functions to a sub-contractor unless the prior approval of the Direct Clearing Participant is first obtained; and</del></p> <p><del>(ii) the sub-contractor does not further assign the Back Office Functions to any party. The service provider shall not further assign or sub-contract the back office functions to another party;</del></p>
<b>Rule 214B</b>	<p>(iv) The legal relationship between the Direct Clearing Participant and the service provider shall be a principal-agent relationship;</p>	<p><del>(iv) [Deleted]The legal relationship between the Direct Clearing Participant and the service provider shall be a principal-agent relationship;</del></p>
<b>Rule 214B</b>	<p>(v) The Direct Clearing Participant must ensure compliance by the service provider with all relevant requirements stipulated in any provision in these Rules, agreement between the Direct Clearing Participant and the Clearing House and direction issued by the Clearing House;</p>	<p><del>(v) The Direct Clearing Participant must ensure compliance by the service provider and if applicable, the sub-contractor of with all relevant requirements stipulated in any provision in these Rules, agreement between the Direct Clearing Participant and the Clearing House and direction issued by the Clearing House;.</del></p>
<b>Rule 214B</b>	<p>(vi) The Direct Clearing Participant shall be deemed liable as a principal in relation to any breach by</p>	<p><del>(vi) The Direct Clearing Participant shall will be deemed liable as a principal in relation to any breach by the service provider or</del></p>

EXISTING PROVISIONS		AMENDED PROVISIONS
	the service provider of any provision in these Rules, agreement between the Direct Clearing Participant and the Clearing House and direction issued by the Clearing House;	<u>the sub-contractor</u> of any provision in these Rules, agreement between the Direct Clearing Participant and the Clearing House and direction issued by the Clearing House.;
<b>Rule 214B</b>	(vii) Any direction issued by the Clearing House and directed to the Direct Clearing Participant is deemed to have also been issued and directed to the service provider and shall be regarded to be within the knowledge of the service provider;	<del>(gvii)</del> Any direction issued by the Clearing House and directed to the Direct Clearing Participant, <u>where applicable</u> , is deemed to have also been issued and directed to the service provider <u>and the sub-contractor</u> and shall be regarded to be within the knowledge of the service provider <u>and the sub-contractor</u> .;
<b>Rule 214B</b>	(viii) The Direct Clearing Participant shall procure from the service provider a written undertaking that the service provider shall maintain the secrecy and confidentiality of the documents and information of clients that the service provider shall have access to, from any intentional or inadvertent disclosure to unauthorised person(s), and that the service provider's security policies, procedures and controls enable the protection of such confidentiality and security of client information;	<del>(hvi)</del> The Direct Clearing Participant <del>shall</del> <u>must ensure that:</u>  (i) <del>procure from</del> the service provider <u>and if applicable, the sub-contractor protects the a written undertaking that the service provider shall maintain the secrecy and confidentiality and security of the documents and information of clients and that the Direct Clearing Participant is immediately notified of any breach of this requirement by the service provider or the sub-contractor; and that the service provider shall have access to, from any intentional or inadvertent disclosure to unauthorised person(s), and that the service provider's</u>  (ii) <u>the service provider and if applicable, the sub-contractor has policies and procedures in place to maintain the confidentiality of clients' information and where there is a need to do so pursuant to any written law or contractual obligation, seek approval for or notify clients that their information may be disclosed to a service provider or a sub-contractor, as the case may be security policies, procedures and controls enable the protection of such confidentiality and security of client information.</u> ;
<b>Rule 214B</b>	(ix) The Direct Clearing Participant must have in place	<del>(ix)</del> The Direct Clearing Participant must have in place an

EXISTING PROVISIONS		AMENDED PROVISIONS
	an insurance policy to protect it against any liability, loss or damage arising from any action or omission of the service provider in performing the said back office functions;	insurance policy to protect it against any liability, loss or damage arising from any action or omission of the service provider <u>and if applicable, the sub-contractor</u> in performing the said <del>b</del> Back <del>e</del> Office <del>f</del> Functions.;
<b>Rule 214B</b>	<p>(x) The Direct Clearing Participant must ensure that the Clearing House or its agent shall at all times :-</p> <p>(a) have access to and be allowed to make copies of the books (as defined in the Act) of the Direct Clearing Participant or the service provider and further to obtain promptly any other information concerning activities that are relevant for the performance of its regulatory duties; and</p> <p>(b) have access to the premises of the Direct Clearing Participant or the service provider for the purposes of conducting any audit, inspection or investigation.</p> <p>The Direct Clearing Participant shall procure a written consent from the service provider to allow the Clearing House to exercise its powers as stated above; and</p>	<p>(xi) The Direct Clearing Participant must ensure that the Clearing House or its agent shall at all times:</p> <p><del>(a)</del> have access to and be allowed to make copies of the books (as defined in the Act) of the Direct Clearing Participant, <u>or the service provider or the sub-contractor</u> and <del>further to obtain promptly any other information concerning</del> <u>activities that are relevant for the performance of its regulatory duties.;</u> and</p> <p><del>(b)</del> <u>have access to the premises of the Direct Clearing Participant or the service provider for the purposes of conducting any audit, inspection or investigation.</u></p> <p>The Direct Clearing Participant shall procure a written consent <u>through a letter of undertaking</u> from the service provider <u>or the sub-contractor</u> to allow the Clearing House <u>or its agent</u> to exercise its powers as stated above.; and</p>
<b>Rule 214B</b>	(xi) The Direct Clearing Participant shall provide a letter of undertaking to the Clearing House on an annual basis, that the service provider has complied with all relevant requirements imposed on the Direct Clearing Participant under any provision in these Rules, agreement between the Direct Clearing Participant and the Clearing House and direction issued by the Clearing House.	<del>(xi) [Deleted]The Direct Clearing Participant shall provide a letter of undertaking to the Clearing House on an annual basis, that the service provider has complied with all relevant requirements imposed on the Direct Clearing Participant under any provision in these Rules, agreement between the Direct Clearing Participant and the Clearing House and direction issued by the Clearing House.</del>
<b>Rule 214B</b>	(b) The Clearing House reserves the right to add, delete or amend any of the conditions set out in Rule	<del>(b) [Deleted]The Clearing House reserves the right to add, delete or amend any of the conditions set out in Rule 214B(a).</del>

EXISTING PROVISIONS		AMENDED PROVISIONS
	214B(a).	
<b>Rule 214B</b>	(c) Save as otherwise approved by the Clearing House, no Direct Clearing Participant shall commence outsourcing its back office functions as permitted under Rule 214B(a) unless it has given prior notification to the Clearing House of its intention to outsource and provided a letter of undertaking that it has complied with the conditions set out in Rule 214B(a).	(ek) Save as otherwise approved by the Clearing House, <del>no a</del> Direct Clearing Participant <u>must not shall</u> commence outsourcing <u>of its bBack eOffice fFunctions</u> as permitted under Rule 214B(ac) unless it has given prior notification to the Clearing House of its intention to outsource, <del>and provided a letter of undertaking that it has complied with the conditions set out in Rule 214B(a).</del>
<b>Rule 214B</b>	(d) If the Direct Clearing Participant terminates the services of its service provider, it shall notify the Clearing House within 14 days from the date of the termination notice.	(dl) <del>The If the</del> Direct Clearing Participant <u>must notify the Clearing House of the termination or any variation of the terminates the services of its the Direct Clearing Participant's</u> service provider <u>or any sub-contractor not later than 10 Business Days from the date of the termination or variation notice or the effective date of termination or variation, whichever the earlier,</u> it shall notify the Clearing House within 14 days from <del>the date of the termination notice.</del>
<b>Rule 214B</b>	(e) Notwithstanding any provision herein to the contrary, the Clearing House may, where it deems fit, revoke the right of the Direct Clearing Participant to outsource its back office functions pursuant to this Rule, without assigning any reason for such revocation.	(em) Notwithstanding any provision <u>in these Rules herein</u> to the contrary, the Clearing House may, where it deems fit, revoke the right of the Direct Clearing Participant to outsource its <del>bBack eOffice fFunctions</del> pursuant to this Rule, without assigning any reason for such revocation.
<b>Rule 216</b>	New provision	<b><u>Rule 216 Clearing Participant to include other persons</u></b>  <u>A Clearing Participant is responsible to the Clearing House for all acts or omissions of its owners, principals, directors, officers, employees, trainees, agents, service providers and sub-contractors.</u>

[End of Rule Amendments]