

**AMENDMENTS TO THE RULES OF BURSA MALAYSIA DERIVATIVES CLEARING BERHAD
 (“THE RULES OF BURSA CLEARING (D)”)
 IN RELATION TO THE OUTSOURCING OF BACK OFFICE FUNCTIONS**

EXISTING PROVISIONS		AMENDED PROVISIONS	
	(New provisions)	<p>Rule 214</p> <p>Rule 214A</p>	<p>Outsourcing of Back Office Functions</p> <p>Outsourcing of back office functions by General Clearing Participants</p> <p>(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.</p> <p>(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.</p> <p>(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> <p>(d) For the purpose of this Rule, unless the context otherwise requires -</p> <p>“Back Office Functions” means the back office functions as envisaged under clause 4 of the Guiding Principles.</p> <p>“Guiding Principles” means the “Guiding Principles For Outsourcing Of Back Office Functions For Capital Market Intermediaries” issued by the Commission</p>

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			<p>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>
	(New provisions)	Rule 214B	<p>Outsourcing of back office functions by Direct Clearing Participants</p> <p>(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 :-</p> <p>(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;</p> <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>

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			<p>(b) An independent company which is located in Malaysia and has its operations conducted in Malaysia.</p> <p>(iii) The service provider shall not further assign or sub-contract the back office functions to another party;</p> <p>(iv) The legal relationship between the Direct Clearing Participant and the service provider shall be a principal-agent relationship;</p> <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>(vi) The Direct Clearing Participant shall be deemed liable as a principal in relation to any breach by 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;</p> <p>(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;</p> <p>(viii) The Direct Clearing Participant shall procure from the service provider a written undertaking that the service provider shall maintain the secrecy and</p>

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			<p>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;</p> <p>(ix) The Direct Clearing Participant must have in place 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;</p> <p>(x) The Direct Clearing Participant must ensure that the Clearing House or its agent shall at all times :-</p> <p style="padding-left: 20px;">(a) have access to and be allowed to make copies of the books (as defined in the Futures Industry Act 1993) 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 style="padding-left: 20px;">(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>

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			<p>(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.</p> <p>(b) The Clearing House reserves the right to add, delete or amend any of the conditions set out in Rule 214B(a).</p> <p>(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).</p> <p>(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.</p> <p>(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.</p>