

**CHAPTER 5                    AUTOMATED MATCHING**

**RULE 501                    AUTOMATED MATCHING**

**RULE 501.1    GENERAL**

- (1)    A TPM or an EPM may post a firm bid or ask quote into ETP for possible matching with any other firm ask or bid quotes entered into ETP by any other TPMs or EPMS, in accordance with the matching priority stated in Rule 503.3. This process is referred to as automated matching.
- (2)    Automated matching will be available for execution of Outright Buy and Sell and When Issued trades for all financial instruments stipulated under Schedule 3 whether the same is traded on a stock or Band based on the terms set out in Schedule 3.
- (3)    Trades done through automated matching will either be based on price yield or discount as indicated in ETP.

**RULE 502                      TRADING HOURS FOR AUTOMATED  
MATCHING**

**RULE 502.1    TRADING HOURS**

(1)    **Trading Hours:** The trading hours for automated matching are on any market day, from Mondays to Fridays (subject to public and other holidays as declared by Bursa Bonds) in two (2) sessions as follows: –

- (a)    Morning session            :            9.00 am to 12.30pm
- (b)    Afternoon session            :            2.30 pm to 5.00 pm

**RULE 503**

**ENTRY OF ORDERS FOR AUTOMATED  
MATCHING**

**RULE 503.1 TYPE OF ORDERS**

- (1) Only Limit Orders can be entered into ETP for automated matching.
- (2) A TPM or an EPM must specify any one type of the Limit Order stated below when entering an order into ETP for execution:
  - (a) **Normal**

A Limit Order specified as Normal means that the order will remain in ETP for matching until the end of the market day that the order was entered. If it is not matched by the end of the market day the order will be cancelled.

If a Normal order is partially matched, the remaining unmatched amount of the order will remain in the ETP for matching until the end of the market day. If the remaining amount of the Normal order is not matched by the end of the market day, the order will be cancelled.
  - (b) **Immediate or Cancel**

A Limit Order specified as Immediate or Cancel (IOC) means that the order will be matched to the fullest extent possible of the amount of the order, immediately upon entry of the order for automated matching in ETP. An IOC order which cannot be matched immediately upon the entry of the order into ETP as stipulated above will be cancelled. Where the IOC order is partially matched upon entry into ETP, the remaining unmatched amount of the IOC order will be cancelled.
  - (c) **All or Nothing**

A Limit Order specified as All or Nothing (AON) means that the order must be matched in the full amount of the order, immediately upon entry of the order for automated matching in ETP. An AON order which cannot be matched immediately upon the entry of the order into the ETP as stipulated above will be cancelled.
  - (d) **Time In Force**

A Limit Order specified as Time In Force (TIF) means that the order will remain in ETP for matching in full or partially by the end of the trading session.

A TIF order which is not matched by the end of the session will be cancelled. If the TIF order is partially matched, the remaining unmatched amount of the TIF order will remain in the ETP until the end of the trading session following which it will be cancelled.
- (3) In the event a TPM or an EPM does not specify the type of Limit Order when entering an order into ETP, the order will be taken to be a Normal order.

**RULE 503.2 ENTRY OF ORDERS FOR AUTOMATED MATCHING**

- (1) A TPM or an EPM must in relation to each order entered into ETP specify the following:
- (a) the stock (if it is not traded on Band) or Band and amount to be bought or sold at the point of entering the order;
  - (b) the rate at which the sale or purchase is to be made;
  - (c) the type of Limit Order as stated under 503.1(2) at the point of entering the order;
  - (d) whether the order is a proprietary or an agency order at the point of entering the order, in accordance with Rule 503.2(2);
  - (e) details of Client Information, in accordance with Rule 503.2(3);
  - (f) where the order is a short sale as provided under Rule 505:
    - (i) that the order is a short sale; or where the order is partially a short sale, the amount of the order which is a short sale;
    - (ii) the details of the borrowing carried out to cover a short sale as prescribed in the Directives; and
    - (iii) details of the closing out of the short sale position as prescribed in the Directives,
 after the order is matched, in accordance with Rule 503.2(4); and
  - (g) any other particulars stated in these Rules or Directives.
- (2) A TPM or an EPM must specify whether an order entered into ETP is a proprietary or agency order in the following manner:
- (a) a TPM must, at the point of entering an order into the ETP, specify whether the trade is a proprietary or agency trade. If there is no indication, the trade will be taken as a proprietary trade;
  - (b) once a trade is indicated as a proprietary trade pursuant to Rule 503.2(2)(a), the TPM cannot subsequently amend the trade as an agency trade; and
  - (c) all orders entered into ETP by an EPM will be taken as an agency trade. As such an EPM need not specify that the order is an agency trade when entering an order into ETP.
- (3) A TPM or an EPM must specify Client Information in the following manner:
- (a) a TPM must specify Client Information either at the point of entering the order into ETP or after the order is matched on ETP. In the event that the Client Information is entered into ETP after the order is matched, then the same must be done by 6.00 pm on the same market day that the order is matched; and
  - (b) an EPM must provide Client Information at the point of entering the order into the ETP.

- (4) A TPM or an EPM must in relation to an order for short sale specify the information in Rule 503.2(1)(f) on the same market day that the order is matched. Once an order is specified as a short sale, the TPM or EPM cannot amend the order to specify otherwise.
- (5) Once an order is entered into ETP for automated matching but prior to being matched, a TPM or an EPM may carry out the following action:
  - (a) cancel or amend the amount, price, yield or discount of a Normal or TIF order or of the remaining unmatched amount of a partially matched Normal or TIF order; or
  - (b) withdraw a Normal or TIF order or the remaining unmatched amount of a partially matched Normal or TIF order.

**RULE 503.3 MATCHING PRIORITY**

- (1) All orders entered into ETP for automated matching are matched in priority of price, yield or discount depending on the trading basis as stated in Rule 501.1(3) and then time.
- (2) Price, Yield or Discount and Time priority
  - (a) Best price or yield or discount:
    - (i) A buy order at the highest price and a sell order at the lowest price has priority over other orders entered for the same stock.
    - (ii) A buy order at the lowest yield and a sell order at the highest yield has priority over other orders entered for the same stock.
    - (iii) A buy order at the lowest discount and a sell order at the highest discount has priority over other orders entered for the same Band.
  - (b) Earliest time-stamp:  
Each order entered into ETP receives a time stamp. In the event there are identical price, yield or discount entered for the orders, the orders are then matched in the order of time the orders were entered into ETP. The time-stamp given to an order entered into ETP will change to the time when the following occurs:
    - (i) when the amount of the order is increased;
    - (ii) when a change is made to the price, yield or discount of the order; or
    - (iii) when both (i) and (ii) take place.

**RULE 503.4 FIRM AND BINDING CONTRACT**

- (1) Once orders entered by TPMs or EPMs are matched, the matched orders are taken as a firm and binding contract between the TPMs.
- (2) No cancellation of matched orders is allowed under automated matching, except in circumstances stated in Rule 404 or 503.5(3).

**RULE 503.5 STOCK INFORMATION UNDER BAND TRADING**

- (1) Once a Band trade is matched in accordance with Rule 503.3(2)(iii) the selling TPM or EPM must enter into ETP particulars of the stocks in the Band which will be delivered and settled to the buying TPM or EPM. The number of stocks that can be entered and the time within which the entry must be made will be as stipulated by Bursa Bonds.
- (2) The buying TPM or EPM will need to indicate acceptance of the stocks that is proposed to be delivered and settled by the selling TPM or EPM.
- (3) If the buying TPM or EPM does not accept the stocks proposed to be delivered and settled by the selling TPM or EPM, the buying TPM or EPM must still proceed with the contract but only for an amount of RM 5 million instead of the full amount matched, if the amount matched is more than RM 5 million. The remaining amount if any will be cancelled.

**RULE 503.6 PROHIBITION OF SAME PARTY TRADING**

- (1) In relation to Participants proprietary position, if the said Participant is both the buyer and seller in a same trade, the said trade will not be matched under Rule 503.3.

**RULE 504**

**TRADE AMENDMENTS**

**RULE 504.1 CIRCUMSTANCES**

- (1) TPMS and EPMS can amend any of the following details of an order that has been matched to correct any errors but only on the day that the order was matched:
  - (a) from non short selling status to short selling status;
  - (b) if the sale is specified as a short sale, amend the amount that is short sold;
  - (c) Client Information; or
  - (d) proceeds from Outright Buy and Sell or When Issued trades which have been calculated in ETP, with the consent of the counterparty TPM to the trade.
  - (e) if the financial instrument is traded based on Band, the stocks to be delivered and settled in the Band
  
- (2) The above amendments can be made at any time during the following sessions:
  - (a) Morning session : 9.00 am to 12.30 pm
  - (b) Afternoon session : 2.30 pm to 6.00 pm

**RULE 505**

**SHORTSELLING ON ETP**

**RULE 505.1 SHORTSELLING**

- (1) TPMS and EPMS can only short sell a stock in ETP where such short selling is permitted by:
  - (a) Bank Negara Malaysia under Section 98(4)(d) of the Capital Markets and Services Act; or
  - (b) the Commission under its relevant guidelines issued under the Capital Markets and Services Act.
- (2) All short selling pursuant to Rule 505.1(1) must be in accordance with the terms set by Bank Negara Malaysia or the Commission as the case may be.

**RULE 506****NAME SWITCHING****RULE 506.1 NAME SWITCHING**

- (1) Upon matching of an order through automated matching, the TPM or EPM who entered the order will receive the details of the counterparty TPM and EPM.
- (2) Where a TPM has exhausted its settlement limit or has no settlement limit with its counterparty TPM, the TPM or EPM which executed the trade on behalf of the TPM, may replace the counterparty TPM under the original trade with another counterparty who has the appropriate settlement limit, on the same market day.
- (3) The arrangement to replace the counterparty TPM under an original trade as described in Rule 506.1(2) is termed as Name Switching. The party who is replacing the counterparty TPM under the original trade as referred to in Rule 506.1(2) is termed as the Replacement Counterparty. A Replacement Counterparty must be a TPM.
- (4) A TPM or EPM must notify Bursa Bonds of the Name Switching and must at the time of such notification, either provide Bursa Bonds with a Replacement Counterparty or request that Bursa Bonds assist in obtaining a Replacement Counterparty.
- (5) Bursa Bonds will inform the counterparty TPM and EPM under the original trade, of the TPM's or EPM's intention to carry out Name Switching, prior to the Name Switching.
- (6) Where there is a Replacement Counterparty, Bursa Bonds will execute the Name Switching which will result in the following arrangement between parties:
  - (a) where the TPM who has the settlement issue as described in Rule 506.1(2) is a seller under the original trade:
    - (i) a contract between the selling TPM under the original contract, to sell and the Replacement Counterparty to buy the stock under the original trade ; and
    - (ii) a contract between the buying TPM or EPM under the original contract, to buy and the Replacement Counterparty to sell the stock under the original trade.
  - (b) where the TPM who has the settlement issue as described in Rule 506.1(2) is a buyer under the original trade:
    - (i) a contract between the buying TPM under the original contract, to buy and the Replacement Counterparty to sell the stock under the original trade ; and
    - (ii) a contract between the selling TPM or EPM under the original contract, to sell and the Replacement Counterparty to buy the stock under the original trade.

**RULE 506.2 NO CANCELLATION OF ORIGINAL TRADE**

- (1) If an appropriate Replacement Counterparty cannot be found, no cancellation of the original trade can be made by the TPM on ETP except under Rule 404.1(1)(c).

**RULE 507**

**TRADING FEES**

**RULE 507.1 TRADING FEES**

(1) [Deleted]

(2) [Deleted]

[End of Chapter]