

Frequently Asked Questions – Admission Requirements for Local Participants Of Bursa Malaysia Derivatives Bhd (“BMDB”)

1. Who is a Local Participant?

Answer:

A Local Participant is a professional derivatives trader who trades his own account, or is a self-employed trader.

2. Who can be a Local Participant and what are the current eligibility criteria of a Local Participant?

Answer:

Registration as a Local Participant is available to *an individual* who :-

- (a) is of good character and has not been convicted of any offence involving fraud or dishonesty;
- (b) is not an undischarged bankrupt;
- (c) is at least twenty one (21) years old; and
- (d) fulfils such other requirements and criteria for participantship, which Bursa Malaysia Derivatives Berhad (BMDB) may from time to time determine.

3. What are the differences between the current and previous admission requirements of a Local Participant?

Answer:

Effective 3 January 2012, the following admission requirements of a Local Participants have been removed :-

- (a) Have passed an examination approved by BMDB or have been granted an exemption in respect thereof;
- (b) Possess such qualification as approved by BMDB; and
- (c) Possess sufficient and relevant trading experience.

In substitution of the above admission requirements, an applicant needs to attend a 2-day familiarisation programme conducted by BMDB.

4. What are the benefits of becoming a Local Participant?

Answer:

A Local Participant will enjoy exchange fee and clearing fee incentives if he trades 1,000 contracts per month or more.

5. How can a Local Participant enjoy the benefits?

Answer:

Exchange fee and clearing fee incentives.

For a Local Participant (existing and new) to enjoy the exchange fee and clearing fee incentives, the Local Participant will have to meet the minimum volume requirement of 1,000 contracts per month (“Minimum Monthly Volume Requirement”).

A new Local Participant will be exempted from compliance with the Minimum Monthly Volume Requirement for three (3) months from the date on which he is registered by the Exchange (“Exempted Duration”). In this respect, the New Local Participant will still be entitled to the exchange fee and clearing fee incentives during the Exempted Duration in the event that the new Local Participant does not meet the Minimum Monthly Volume Requirement.

6. What are the processes for an individual to be registered as a Local Participant?

Answer:

Step 1: Applicant approaches and engages a Nominating Participant / Clearing Participant of Bursa Malaysia Derivatives Clearing Berhad.

Step 2: Clearing Participant submits the necessary documents required on behalf of the applicant, to BMDB.

Step 3: BMDB performs the documents processing and applicant’s background validation.

Step 4: Applicant attends an interview session with BMDB.

Step 5: Successful applicant attends the 2-day familiarisation program by BMDB.

Step 6: Successful applicant is registered as a Local Participant.

7. What is the purpose of the interview with BMDB?

Answer:

The purpose of the interview is for BMDB to assess the eligibility and suitability of the applicant to be a Local Participant.

8. Is there any cost involved in the application to be a Local Participant?

Answer:

There is no cost involved in the application to be a Local Participant. Nonetheless, BMDB will charge a nominal fee of RM100 per participant for the attendance of the 2-day familiarisation programme.

9. What is the impact on existing Local Participants?

Answer:

There is no impact on existing Local Participants in term of their status with the easing of admission requirements.

Effective 3 January 2012, the exchange fee and clearing fee incentives applicable to trades executed by an existing Local Participant in relation to all BMDB’s derivatives contracts will be granted to the Local Participant subject to the condition that the Local Participant meets the Minimum Monthly Volume Requirement of 1,000 contracts per month. The Local Participant will need to trade at least 1,000 contracts for all BMDB derivatives contracts combined in any calendar month, to qualify for the exchange fee and clearing fee incentives.

10. What is the impact if a Local Participant fails to meet the Minimum Monthly Volume Requirement of 1,000 contracts in a calendar month?

Answer:

A Local Participant who fails to meet the Minimum Monthly Volume Requirement after the end of the Exempted Period or Exempted Duration will have the exchange fee and clearing fee incentives which are posted daily to the Clearing Participant’s segregated account maintained by the Bursa Malaysia Derivatives Clearing Berhad (“Clearing House”) in the Derivatives Clearing System (“DCS”) to be reversed out on the last business day of the month. The Clearing Participant will be able to obtain information from the DCS with regards to its Local Participant’s monthly trading volume as well as exchange fee and clearing fee incentives.

11. What are the actions that will be taken by BMDB if a Local Participant fails to meet the Minimum Monthly Volume Requirement?

Answer:

BMDB will not take any action if a Local Participant fails to meet the Minimum Monthly Volume Requirement, apart from the reversal of the exchange fee and clearing fee incentive accorded to the Local Participant as described in Answer No. 10 above.

Action will only be taken when a Local Participant has zero trade volume for three (3) consecutive months from 3 January 2012 (existing Local Participant) or from the date on which he is registered (new Local Participant), whichever is applicable. In such case, BMDB may review the participantship of the Local Participant and exercise its powers under the Rules of BMDB to terminate the participantship of the Local Participant.

12. What is the programme outline and schedule for the 2-day familiarisation programme?

Answer:

We are finalising the programme outline and schedule for the 2-day familiarisation programme and will inform the market once available.

13. How do I enrol for the 2-day familiarisation programme?

Answer:

An applicant will first need to engage a clearing participant (futures broker) to clear his trades. The application to be a Local Participant will be submitted by the futures broker on behalf of the applicant. Upon interview and assessment of the applicant's eligibility and suitability, the successful applicant will be informed to attend the 2-day familiarisation programme. The applicant then selects the programme dates of his preference. Attendance of the 2-day programme is the final stage of the admission process to be a Local Participant. The applicant must attend the 2-day programme before he is registered and able to commence trading as a Local Participant. (Please refer to the admission process set out in Answer No. 6 above.)

14. Do I need to be attached to a futures broker to be a Local Participant?

Answer:

Yes, a Local Participant needs to engage a clearing participant (futures broker) to clear his trades.

15. What is the minimum capital for a Local Participant to open a trading account?

Answer:

The minimum capital to open a trading account is subject to the trading activities of a Local Participant in the derivatives market. It is decided by the clearing participant (futures broker) who clears the trades of the Local Participant.

16. What are the products offered by BMDB for Local Participants?

Answer:

BMDB offers a range of derivatives products for Local Participants, which include the two (2) key products, namely, Crude Palm Oil Futures (“FCPO”) and FTSE Bursa Malaysia KLCI Futures (“FKLI”). Kindly refer to the following link for the various products available on BMDB :-

<http://www.bursamalaysia.com/market/derivatives/products/commodity-derivatives/crude-palm-oil-futures-fcpo/>

17. What are the important terms and conditions (apart from the condition that a Local Participant cannot have no trading activity for 3 months)?

Answer:

A Local Participant needs to trade at least 1,000 contracts for all derivatives contracts combined in any calendar month, to qualify for the exchange fee and clearing fee incentives.

18. Can a Local Participant trade from anywhere (assuming he is attached to a futures broker)?

Answer:

Yes, a Local Participant is able to trade anywhere.

19. Can I maintain my job as a Capital Markets Services Representative Licence (“CMSRL”) holder and also trade as a Local Participant simultaneously?

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Answer:

No, you cannot maintain both jobs as a CMSRL holder and a Local Participant as they are full-time jobs. Furthermore, a CMSRL holder trades on behalf his clients whereas a Local Participant trades in his own proprietary capacity.

20. I understand that I, as a Local Participant, cannot conduct trades on behalf of clients. But, can I share the profits of trading with someone if he/she provides me with capital whereas trading decisions are solely my own?

Answer:

No, such action constitutes trading on behalf of others and cannot be undertaken by a Local Participant.

21. Can a Local Participant trade foreign derivatives products?

Answer:

Trading as a Local Participant is in relation to BMDB products. Nonetheless, a Local Participant may trade foreign derivatives products listed on foreign derivatives exchanges set out in the list of Specified Exchanges and Approved Futures Contracts under Appendix C of the Rules of BMDB, at the following link:- http://www.bursamalaysia.com/misc/system/assets/9685/rules_bmd_bm_derivatives_cir_08_210514_Annexure4.pdf

In order to trade foreign derivatives products of Specified Exchanges, the clearing participant (futures broker) that a Local Participant wishes to trade through, will have to establish a clearing relationship with the clearing broker of the particular Specified Exchange. The Local Participant will not enjoy the exchange fee and clearing fee incentives of a BMDB Local Participant when he trades non-BMDB products.

22. Who can I contact for more information on Local Participants and BMDB?

Answer:

In the event of any queries regarding Local Participants and BMDB, kindly contact the following persons:-

No.	Name	Email Address
1.	Andrew Tan Kah Loong	tankahloong@bursamalaysia.com
2.	Mohd Nordin	mohdnordin@bursamalaysia.com

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