

ELECTRONIC TRADING PLATFORM (ETP) FOR BOND

What is ETP and the Features?

Electronic Trading Platform (ETP) is a registered electronic facility for bond which is structured as a real time investor based order driven platform and has the following features:

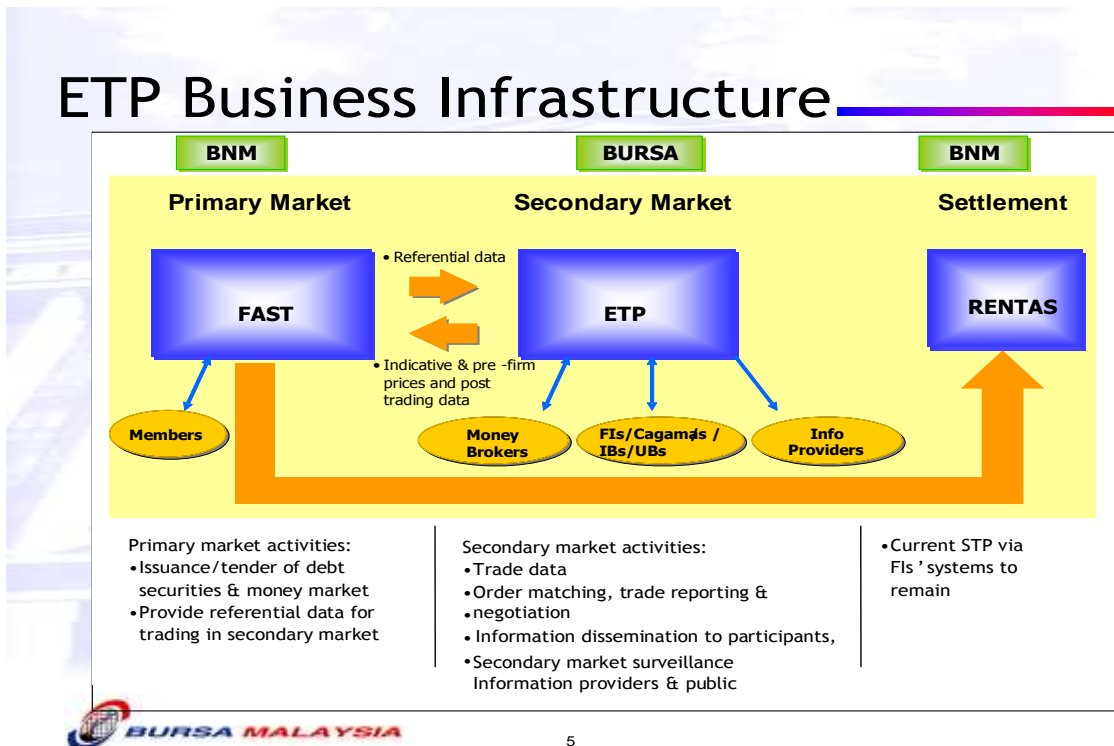
- i. Order Matching
- ii. Trade Negotiation
- iii. Trade Reporting and
- iv. Information Dissemination

The Order Matching function serves to match identical trades between the buyer and seller. Order Matching entails standard parameters. When an order is matched, it is automatically reported in the ETP system.

Trade Negotiation function facilitates a seller or a buyer in a negotiating a deal. This function is designed to complement the existing Over-the-Counter (OTC) negotiation.

Trade Reporting function replaces the function of Bond Information Dissemination system (BIDS) managed by Bank Negara Malaysia (BNM) where direct or cross trades of OTC trades or transaction are reported. The initiator of the report is the seller.

What is the structure of ETP system in the Bond Market?



The ETP replaces BIDS system and offers trading facilities for secondary bond market trading. The stakeholders for ETP are financial institutions, investment banks, money brokers and information providers.

Generic FAQs on Electronic Trading Platform (ETP)

1. What are the requirements for an applicant to become an ETP member?

Firstly, the potential member must fulfill the eligibility criteria in Chapter 3 of the Rules on Bursa Malaysia Bonds Sdn. Bhd. Once that is fulfilled, an application form for membership must be completed and submitted to our Participants Affairs Department for Bursa to process accordingly.

2. How many types of participants on ETP?

There are three category of participants on ETP:

- i. Trading Participant Member (TPM) who can trade on their own or on behalf of their customers on ETP.
- ii. Executing Participant Member (EPM) who can trade only on behalf of TPM. Only Money brokers can be EPM.
- iii. General Participant Member (GPM) who can only view and where permitted make announcement on ETP.

3. What types of instruments are traded on the ETP?

Instruments traded on the Malaysian Bond Markets comprise Conventional and Islamic papers which includes:

- i. Government Securities (MTB, MITB, MGS, GII)
- ii. Bank Negara Papers (BNB, BNN)
- iii. Cagamas Papers (Caga notes, bonds, and Sanadat)
- iv. Corporate Bonds (BONDS, IBONDS)
- v. Commercial Papers (CP, CPN)
- vi. Islamic Medium Term Notes (IMTN)
- vii. Private Debt Securities
- viii. Asset Backed Securities
- ix. Any other SSTS instruments specified from time to time by Bursa

4. What are the types of transactions on ETP?

The trading transaction of bonds in the secondary market entails the following:

Transactions \ Functions	Order Matching	Negotiation	Trades Reporting	Price Advertisement
Outright Buy/Sale	√	√	√	√
When Issued	√	√	√	√
Repo	x	√	√	√
SBBA (Securities Buy Back Agreement)	x	√	√	√
SBL (Securities Borrowing and Lending)	x	x	√	√
Re-allotment	x	x	√	x

5. What are transaction fees for trading on Bonds on ETP?

The transaction fees are RM10 for every RM1 million nominal value of the trades for Order Matching and Negotiation.

The board lot for trading in Order Matching is RM5 million. There is no standard lot for Reporting and Negotiation of trades on ETP. The nominal amount must be traded in multiples of RM1,000 in Reporting and Negotiation of trades.

6. What are the trading day, operation hours and trading sessions on ETP?

Activities	Sessions	
	Morning Session	Afternoon Session
Order Matching	9:00~12:30	14:30~17:00
Negotiation	9:00~12:30	14:30~17:00
Trades Reporting - Initiation	9:00~13:29	13:30~17:45
Trades Reporting - Confirmation	9:00~12:30	14:30~18:00
Trades Reporting by BNM	9:00~20:00	
Announcement	9:00~12:30	14:30~17:00
Advertisement	9:00~12:30	14:30~17:00
Amendment <ul style="list-style-type: none"> • Input Client Information • Input RSS Information 	9:00~18:00	
Exceptional Handling <ul style="list-style-type: none"> • Quotes, Amount, Trade and Value date amendment for the historical trade reporting transaction • Cancellation for the historical trade reporting transaction 	17:00 ~ 18:00	

7. What types of announcement that are supported by ETP?

ETP support two types of announcement by ETP members:

- i. Special announcement – this announcement are made by Bursa, BNM and SC
- ii. General announcement – this announcement are made by all TPM, EPM or GPM, Bursa BNM and SC

All announcements on ETP are defaulted to expire after 30 days, after which, it will be purged out from the ETP system. Nonetheless, ETP members are allowed to vary the expiry date either more or less than 30 days.

8. In what circumstances does Bursa Bonds ETP handle trades on behalf of ETP members?

(A) When ETP member encountered problem to access the system due to PC or network failure, Bursa Bonds will perform the following actions for the ETP members:

- i. confirm the pending trade reporting transactions;
- ii. report the trade transaction for the trade done on behalf of ETP members; and
- iii. create general announcement.

(B) ETP members are not allowed to initiate or confirm the trade transaction for the respective stock when it is suspended by BNM. Thus, Bursa Bonds ETP can perform the following on behalf of an ETP members:

- i. confirm the pending trade reporting transaction; and
- ii. report the trade transactions concluded in the OTC market prior to suspension of the stocks by BNM.

(C) Member suspension

Bursa Bonds can make announcement on behalf of an ETP members when their memberships are suspended by Bursa Bonds after consultation with SC.

The applicable forms requesting Bursa Bonds to execute trades reporting on behalf of ETP members are available in the User Manuals for TPM, and EPM.

9. How is exceptional handling of trades done on ETP?

When ETP members want to amend any historical on ETP, Bursa Bonds can execute exceptional handling on behalf of ETP members but only if the request for amendment is made within 1 month from the date of the report.

ETP members must submit the exceptional handling forms to Bursa Bonds for Bursa Bonds to execute the necessary amendments. This form is available in the User Manuals for TPM and EPM.

10. Can an ETP member inquire historical trades on ETP?

Yes, ETP members are allowed to enquire historical trades and information on ETP up a period of one year.

11. Does ETP provides bond price indices on daily basis?

Yes, ETP provides the bond prices indices for 3, 5 and 10 year bonds for both Conventional and Islamic on a daily basis.

12. In what circumstances will ETP members be allowed to cancel their trades?

Cancellation are only allowed in the following circumstances:

- i. for When Issued trades when the stocks are not issued on FAST;
- ii. when there is a system malfunction that warrants a cancellation of trade; and
- iii. when both counterparties mutually agree to cancel the trades.

13. Where do the ETP members obtain the Daily Trading information and MGS Benchmark yields provided by BNM?

The Daily Trading Information and Government Securities Yield are still maintained by BNM. This information will be made available via Bursa Bond website i.e.

<http://www.bursamalaysia.com/market/securities/bonds/market-statistics/>

The link to BNM website are:

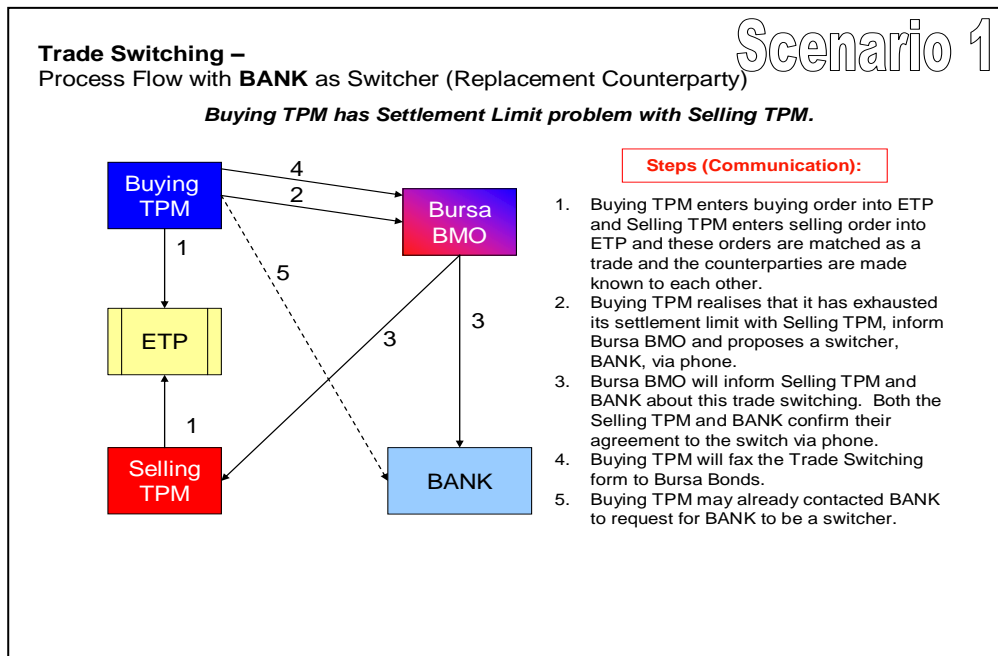
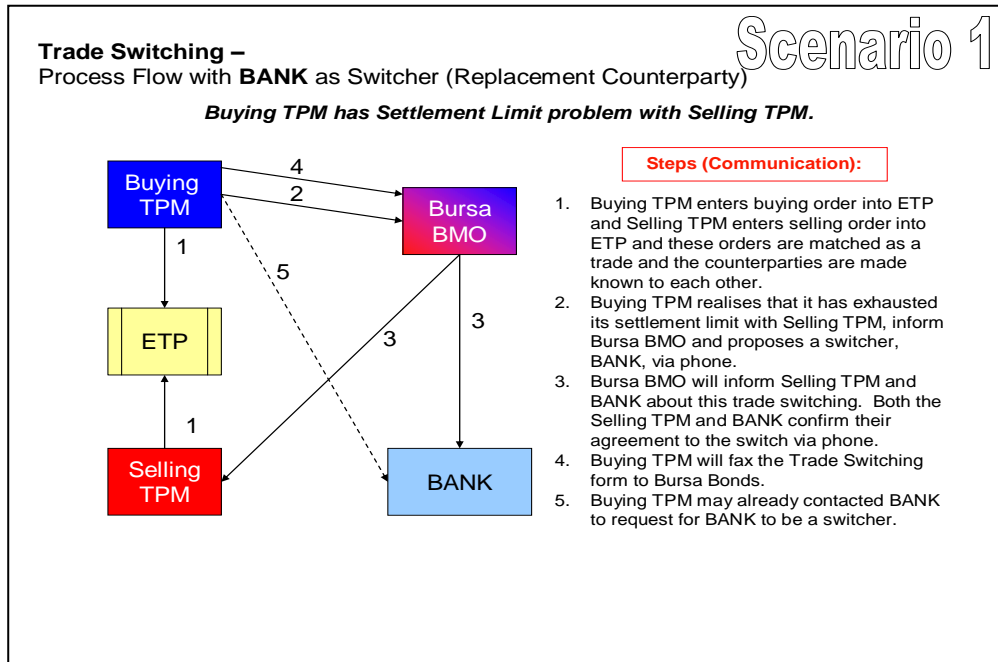
- i. Daily Trading Information; and
http://www.bnm.gov.my/index.php?ch=statistic&pg=statistic_bnchmkstk
- ii. Government Securities Yield.
http://www.bnm.gov.my/index.php?tpl=2014_govtsecuritiesyield

14. What is switching of trades means on ETP?

Switching of trades happens where a TPM has exhausted its settlement limit with its counterparty, and vice versa. The affected TPM must arrange for other TPM to stand in as replacement counterparty as switcher. Switching of trades is only applicable in the order matching module as the counterparties are only known after the trades are matched on ETP. On switching of trades, please refer to Rule 506 in Chapter 5 of the Rules of Bursa Malaysia Bonds. The form for switching of trades is available in the User Manuals for TPM and EPM.

Please refer to Attachment for the Process flow of the Switching of Trades for details.

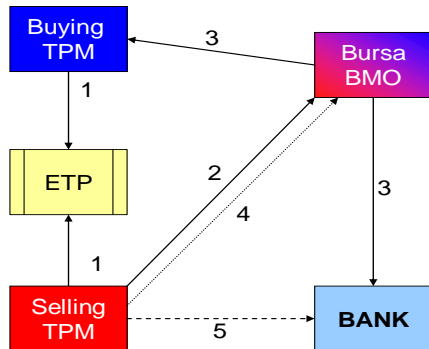
Switching of Trades



Scenario 2

Trade Switching –
Process Flow with **BANK** as Switcher (Replacement Counterparty)

Selling TPM has Settlement Limit problem with Buying TPM.



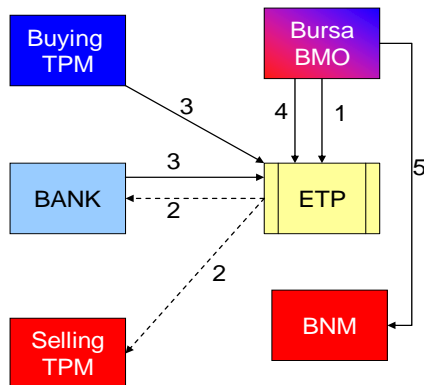
Steps (Communication):

1. Buying TPM enters buying order into ETP and Selling TPM enters selling order into ETP and these orders are matched as a trade and the counterparties are made known to each other.
2. Selling TPM realises that it has exhausted its settlement limit with Buying TPM, inform Bursa BMO and request for switcher via phone. He also has settlement problem with CAGAMAS and proposes BANK as a switcher.
3. Bursa BMO will inform Buying TPM and BANK about this trade switching. Both the Buying TPM and BANK confirm their agreement to the switch via phone.
4. Selling TPM will fax the Trade Switching form to Bursa Bonds.
5. Selling TPM may already contacted BANK to request for BANK to be a switcher.

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Trade Switching –
Process Flow with **BANK** as Switcher (Replacement Counterparty)

Selling TPM has Settlement Limit problem with Buying TPM.



Steps (System Operation):

1. Once all parties agrees, Bursa Bonds will execute **Buy Switch** order for that particular trade into ETP. ETP will then replace Buying TPM with BANK.
2. Selling TPM will get notification from ETP on the switch and he will notice that the seller now is BANK. BANK will also get similar notification. (**Note: Unlike Order Matching, Trade Switching does not display trader ID. Only Member ID, i.e. BANK, not BANK0103.**)
3. **BANK will initiate** trade reporting as a seller and Buying TPM to confirm within 10 minutes.
4. Bursa Bonds will make Special Announcement on ETP on the trade switching
5. Bursa Bonds will consolidate all Trade Switching transactions and submit a report to BNM.

15. What is the legal relationship between parties when a contract is matched in ETP?

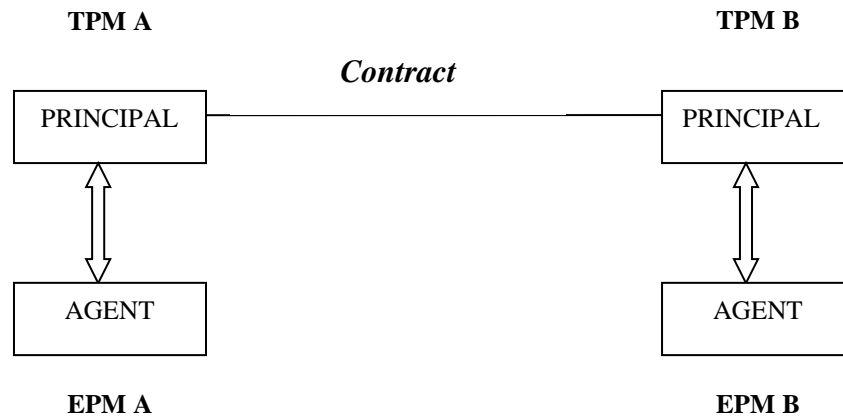
i. 1st Scenario: Trade between 2 TPMs.

Legal Relationship: The TPMs are both principals to the contract which has been formed as result of their matched orders.



ii. 2nd Scenario: Trade entered by EPMs on behalf of TPMs.

Legal Relationship: The respective EPMs act as agents of the TPMs when they enter the TPM's orders into the ETP. When orders are matched, a contract is formed between both TPMs and they are principals to the contract.



C. 3rd Scenario: Legal Relationship between Members Representative and TPM or EPM.

Legal Relationship: Member Representative of TPMs or EPMs are individuals who are employed or engaged by the TPM or EPM and key in orders into ETP for the TPM or EPM. The Member Representative acts as an agent of the TPM or EPM when they key in orders into ETP for the TPM or EPM respectively. The principal to the trades remain the TPM.

