

Schedule 1

Computation of Net Tangible Assets

For the purpose of calculating Net Tangible Assets:

- a) all futures and option contracts must be marked to their current market value;
- b) all unrealised profits and losses on all futures, options, forward and fixed price commitment contracts must be treated as realised profits and losses; and
- c) unless otherwise specifically stated, the value ascribed to all other assets and liabilities must be their current market value.

Net Tangible Assets are:

Tangible Assets

less

Total Liabilities

1. Tangible Assets

Tangible Assets are cash and other assets which are commonly identified in accordance with generally accepted accounting principles prevailing from time to time as being current and non-current assets,

but must exclude:

- a) all amounts owing to the Clearing Participant by its Related Corporations except receivables due in the ordinary course of business from a financial institution licensed by Central Bank;
- b) shares held in a Related Corporation unless otherwise approved by the Clearing House; and
- c) intangible assets.

2. Total Liabilities

Total Liabilities are those liabilities that are commonly identified in accordance with generally accepted accounting principles prevailing from time to time as being short term and long term liabilities or such other liabilities as may from time to time be determined by the Clearing House.

3. Related Corporation

For the purposes of this schedule, a Related Corporation is any corporation:

- a) in which the Clearing Participant owns or effectively controls 20% or more of the issued share capital;
- b) which owns or effectively controls 20% or more of the issued share capital of the Clearing Participant;

- c) which effectively directs or has the ability to directly or indirectly influence the management policies of the Clearing Participant;
- d) of which management policies the Clearing Participant effectively directs or has the ability to directly or indirectly influence;
- e) where one party holds or effectively controls 20% or more of the issued share capital of that corporation and simultaneously holds or effectively controls 20% or more of the issued share capital of the Clearing Participant.

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Schedule 2

Computation of Adjusted Net Capital

For the purpose of calculating Adjusted Net Capital:

- a) all futures and option contracts must be marked to their current market value;
- b) all unrealised profits and losses on all futures, options, forward and fixed price commitment contracts must be treated as realised profits and losses; and
- c) unless otherwise specifically stated, the value ascribed to all other assets and liabilities must be their current market value.

Adjusted Net Capital is:

Permitted Assets

Less

Additional Deductions

Less

Total Liabilities

1. Permitted Assets

Permitted Assets are cash and other assets which are commonly identified in accordance with generally accepted accounting principles prevailing as being current assets and are realisable for cash or collectible within 10 business days from the computation date, but must exclude:

- a) all prepaid expenses and deferred charges;
- b) all advances, loans and other receivables which are not secured except:
 - i) brokerage, fees and commissions which have not been outstanding for longer than 10 business days from the due date;
 - ii) all dividends which have not been outstanding for longer than 10 business days from the payable date;
 - iii) receivables from the Clearing House but not including any asset lodged with the Clearing House in respect of contributions to the Clearing Fund or as Security Deposits;
 - iv) receivables from an Exchange;
 - v) receivables due in the ordinary course of business from a financial institution licensed by Central Bank including interest due to be paid on the next business day but excluding any other accrued interest;
 - vi) receivables, other than fees, commissions and brokerage, from other Affiliates of the Clearing House;
 - vii) receivables from another clearing house approved by the Clearing House;

- viii) receivables resulting from the sale of inventories commonly associated with the business activities of the Clearing Participant, which in the opinion of the Clearing Participant's auditors, are good for collection; and
- ix) such other amounts as may be determined by the Clearing House;
- c) any asset the possession, or control over the disposal, of which has been given to a financial institution as security for any credit facility provided by the financial institution to the Clearing Participant or as security for an irrevocable letter of credit, bank guarantee or surety or any other line of credit provided by that financial institution to the Clearing House, an exchange, another clearing house or to any other person;
- d) shares held in a Related Company unless otherwise approved by the Clearing House;
- e) all advances or loans to any director or employee of the Clearing Participant or any third party;
- f) all amounts owed to the Clearing Participant by its Related Company other than amounts falling within the description in subparagraph (b)(v);
- g) all intangible assets;
- h) all exchange participations and participations of clearing houses;
- i) all securities except:
 - i) Malaysian government securities;
 - ii) bills, notes and debentures traded in the money market;
 - iii) medium to long-term bills, notes and debentures issued by financial institutions licensed by Central Bank for which there are readily ascertained market prices;
 - iv) securities listed on a stock exchange approved by the Clearing House;
 - v) such other securities as may be approved by the Clearing House;
- j) such other items as may be determined by the Clearing House.

2. Total Liabilities

Total Liabilities are those liabilities which are commonly identified in accordance with generally accepted accounting principles prevailing from time to time as being short term and long term liabilities but exclude:

- a) liabilities under a subordinated loan agreement which fulfils the minimum criteria as determined by the Exchange, up to a maximum amount of 4 times the shareholders' funds of the Clearing Participant;
- b) long term liabilities owed to a financial institution under a commercial loan secured by a fixed charge over real property or motor vehicles owned by the Clearing Participant and applied for use in the normal course of the business of the Clearing Participant, up to an amount equal to the lower of net book value or 80% of the market value of the real property or motor vehicles;

- c) such other liabilities as may from time to time be determined by the Clearing House.

3. Additional Deductions

The Clearing House may prescribe as an Additional Deduction an amount, in relation to each of the following categories of Permitted Assets, expressed as a percentage of the value of the relevant Permitted Asset, or in relation to other matters, from which the total value of Permitted Assets is to be deducted:

- a) Malaysian government securities;
- b) readily marketable Malaysian securities listed on a stock exchange approved by the Clearing House;
- c) such other securities that may be approved by the Clearing House from time to time;
- d) receivables due in the ordinary course of business from a financial institution licensed by Central Bank;
- e) receivables from other Affiliates of the Clearing House or another clearing house approved by the Clearing House or that approved clearing house's Clearing Participants;
- f) amounts due from clients in respect of margin where such amounts are outstanding not less than two business days as at the computation date;
- g) brokerage, fees and commissions, which are not secured, due from clients;
- h) the Performance Bond requirement on open contracts in the proprietary account of a Clearing Participant which are not bona fide hedged contracts;
- i) receivables, which are not secured, due from exchanges and clearing houses other than an Exchange or the Clearing House;
- j) the net debit balance arising from the marking-to-market or interim settlement of outstanding futures and/or option contracts held by clients as at the close of business on the computation date;
- k) inventories which are hedged in any market or association;
- l) inventories which are not hedged by any hedging position in any market or association;
- m) such other assets or amounts as may be determined by the Clearing House from time to time.

4. Related Company

For the purposes of this schedule, a Related Company is any corporation:

- a) in which the Clearing Participant owns or effectively controls 20% or more of the issued share capital;
- b) which owns or effectively controls 20% or more of the issued share capital of the Clearing Participant;
- c) which effectively directs or has the ability to directly or indirectly influence the management policies of the Clearing Participant;

- d) of which management policies the Clearing Participant effectively directs or has the ability to directly or indirectly influence;
- e) where one party holds or effectively controls 20% or more of the issued share capital of that corporation and simultaneously holds or effectively controls 20% or more of the issued share capital of the Clearing Participant.

5. Secured

For the purposes of this schedule, except in subparagraph 2(b), a loan or other form of receivable is considered to be secured if and only if:

- a) collateral of the type approved by the Clearing House has been given to the Clearing Participant as security for that loan or receivable and is at least of such value approved by the Clearing House;
- b) the collateral is in the possession or control of the Clearing Participant; and
- c) the Clearing Participant has a legally enforceable written security agreement executed by the debtor in its favour under which the Clearing Participant has the power to readily sell or otherwise convert the collateral into cash in the event of the receivable being placed in jeopardy.

6. Securities

For the purposes of this schedule, the term “securities” means debentures, stocks and shares in a public company or corporation, or bonds of any government or of any body, corporate or unincorporate, and includes any option in respect thereof and any interest in unit trust schemes.

7. Unit trust scheme

For the purposes of this schedule, the term “unit trust scheme” means any arrangement made for the purpose, or having the effect, of providing facilities for the participation by persons as beneficiaries under a trust in profits or income arising from the acquisition, holding, management or disposal of securities or any other property.

8. Computation date

For the purposes of this schedule, the term “computation date” means any day on which the Adjusted Net Capital of a Clearing Participant is computed.

9. Subordinated Loan Agreement

For the purposes of this schedule, a “subordinated loan agreement” must fulfil the following criteria:

- a) the Clearing House is notified of the subordinated loan agreement;
- b) the repayment (including prepayment) of the whole or part of the loan must be made with the Clearing House’s prior written approval;
- c) has at least 1 year remaining period;

- d) the subordinated creditor will not claim or receive from the Clearing Participant, by set-off or in any other manner, any subordinated debt unless and until all other debts of the Clearing Participant not being subordinated debts has been paid or except with the prior written approval of the Clearing House;
- e) in the event of a dissolution, winding-up, liquidation or re-organisation of the Clearing Participant, the creditors of the Clearing Participant other than the creditor of the subordinated debt has the prior right to receive payment in full of the other creditors' debts before the subordinated creditor receives any payment in respect of the subordinated debts;
- f) if despite paragraph 9, the subordinated creditor of the subordinated debt receives any distribution in respect of the subordinated debts, the creditor will pay such distribution over to the other creditors of the Clearing Participant. This payment will be made rateably against the other creditors' debt until the other creditors' debts are paid in full; and
- g) the Clearing House reserves the right to suspend repayment of the loan at maturity date if it is of the opinion that the Clearing Participant fails to meet the minimum financial requirements as stated in Chapter 3 of these Rules.

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