

CONTENTS

	Page reference
CONTENTS PAGE	Contents – 01 to 04
DEFINITIONS AND INTERPRETATION	Def – 01 to 05
CHAPTER 1 GENERAL RULES	Chap 1 – 01 to 03
100	Compliance with the Act
101	Repeal or change of Rules
102	Obligations of Clearing Participants
103	Limitation of liability
104	Board of directors
105	Clearing Participanship Applications
106	Restrictions on employees and officers
107	Prohibition on improper use of information
108	Disclosure
109	Secrecy
110	Immunity
111	Appeals Against decisions of the Clearing House
CHAPTER 2 CLEARING PARTICIPANTSHIP AND FINANCIAL REQUIREMENTS	Chap 2 – 01 to 06
200	Eligibility
200A	Eligibility-General Clearing Participant
200B	Eligibility-Direct Clearing Participant
201	Application
202	Admission
203	Right to appeal
204	Appeal process
205	Compliance with requirements
206	Deposits
206A	Security Deposits
206B	Direct Clearing Participant Deposit
207	Contribution to Clearing Fund
208	Minimum financial requirements for Clearing Participants
208A	Minimum financial requirements for General Clearing Participants
208B	Minimum financial requirements for Direct Clearing Participants
209	Net Tangible Assets
210	Adjusted Net Capital
211	Interpretation of financial requirements
212	Transfer of Clearing Participanship
213	Resignation
214	Outsourcing of Back Office functions
214A	Outsourcing by General Clearing Participants

214B	Outsourcing by Direct Clearing Participants	
215	Investment Bank	
216	Clearing Participant to include other persons	
CHAPTER 3	MANAGEMENT OF THE CLEARING HOUSE	Chap 3 – 01
300	Powers and duties of the Clearing House	
301	Incidental powers etc of the Clearing House	
CHAPTER 3A	THE EXCHANGE HOLDING COMPANY	
300A	Powers of the Exchange Holding Company	
CHAPTER 4	CLEARING FUND	Chap 4 – 01 to 06
400	Establishment of Clearing Fund	
401	Clearing Fund contributions	
402	Variable contribution	
403	Clearing Fund statement	
404	Member's proportion of fund	
405	Purpose of Clearing Fund	
406	Application of Clearing Fund	
407	Distribution of losses	
408	Limitation of Clearing Participant's liability to Clearing Fund	
409	Notice to Clearing Participants	
410	Power to pledge Clearing Fund	
411	Refund of contributions	
412	Recovery of loss	
413	Investment of Clearing Fund	
CHAPTER 5	RESPONSIBILITIES OF CLEARING PARTICIPANTS	Chap 5 – 01 to 03
500	Notice of failure to satisfy financial requirements	
500A	Notice of failure by General Clearing Participant	
500B	Notice of failure by Direct Clearing Participant	
501	Other notice	
502	Audited reports	
503	Audit and investigation	
504	Banking arrangements	
505	Information and cooperation	
CHAPTER 6	CLEARING PROCEDURES	Chap 6 – 01 to 07
600	Submission of contracts for registration	
601	Errors in recording	

602	Registration
603	Parties to Open Contract
604	Accounts
605	Designation instructions
606	Offer and acceptance of an Allocation
607	Open Positions
608	Liquidation by offset
609	Reversal of liquidation
610	Novation of open contracts
611	Daily settlement price
612	Settlement to market
613	Margin
614	Payment to the Clearing House
615	Call for additional funds
616	Approved collateral
616A	Securities as Approved Collateral for Margin
617	Interest on cash balances
618	Clearing fees
619	Guarantee fees
620	Clearing House records
621	Clearing reports

CHAPTER 7 OPTIONS

Chap 7 – 01 to 02

700	Option registration
701	Notice of exercise
702	Automatic exercise
703	Assignment of Exercised Options
704	Option expiry
705	Novation of an Option
706	Futures Option
707	Exercise/assignment fees

CHAPTER 8 CONTRACT SETTLEMENT

Chap 8 – 01 to 04

800	General
801	Parties to Delivery under an Open Contract
802	Parties to Delivery under an Option Open Contract
803	Delivery procedures
804	Forgery
805	Failure to Deliver or pay settlement amount
806	Failure to accept Delivery
807	Cash settlement
808	Contract settlement fees

CHAPTER 9 DISCIPLINARY ACTION

Chap 9 – 01

- 900 Disciplinary action by the Clearing House
- 901 Appointment of committee, sub-committee or officer(s)
- 902 Communication to an Exchange and the Commission

CHAPTER 10 DEFAULT PROCEDURES

Chap 10 – 01 to 02

- 1000 Grounds for default action
- 1001 Default action
- 1002 Novation or liquidation of Open Position
- 1003 Settlement of obligations
- 1004 Call upon funds
- 1005 Advice to an Exchange and the Commission

CHAPTER 11 SPECIAL ACTION RULES

Chap 11 – 01 to 02

- 1100 Special action
- 1101 Emergency settlement
- 1102 Substitute for Delivery
- 1103 Position limits
- 1104 Notice to Commission and an Exchange

SCHEDULES

- Schedule 1 Computation of Net Tangible Assets Schedule 1 – 01 to 02
- Schedule 2 Computation of Adjusted Net Capital under rule 210 Schedule 2 – 01 to 04
- Schedule 3 Undertaking - Compliance with the Business Rules of Bursa Malaysia Derivatives Clearing Berhad (“the Clearing House”)

Chapter 1

GENERAL RULES

100 Compliance with the Act

The Clearing House and its committees, officers and employees must at all times comply with the Act and directions given under the Act by the Minister or the Commission.

101 Repeal or change of Rules

After consultation with the Exchanges, the Rules may be amended, repealed, or replaced by the Clearing House in accordance with its Articles and the Act. Any such amendment, repeal or replacement takes effect on such date and in such manner as the Clearing House may, with the approval of the Commission, determine.

102 Obligations of Clearing Participants

Each Clearing Participant is bound by the Rules including any variation of the rules made pursuant to Rule 101 and *any directions issued thereunder*.

103 Limitation of liability

- (a) The Clearing House is not liable for obligations of a Clearing Participant to any third party nor does the Clearing House assume under the Rules or under any Open Contract any liability or obligation to any person other than a Clearing Participant in accordance with the Rules.
- (b) Liability of the Clearing House to a Clearing Participant is limited to losses directly resulting from its non-performance to such Clearing Participant of its contractual obligations in accordance with the Rules under Open Contracts to which that Clearing Participant is counterparty.
- (c) Despite anything else contained in the Rules except Rule 103(b), the Clearing House is not liable in anyway whatsoever to Clearing Participants for an act or omission of the Clearing House and/or its agents unless such act or omission is due to the negligence or wilful default of the Clearing House and/or its agents.
- (d) Each Clearing Participant must indemnify and keep indemnified the Clearing House in respect of all costs, expenses, damages and losses sustained by the Clearing House arising out of or relating to the failure or neglect of the Clearing Participant to fulfill any of its obligations under the Rules or to any third party.

104 Board of directors

- (a) The Board is responsible for the management of the business and affairs of the Clearing House and the establishment of its policies and has all the powers necessary for the administration and enforcement of the Rules by the Clearing House.

- (b) Subject to the Articles, the Clearing House may appoint a committee, sub-committee or officers of the Clearing House or the Exchange Holding Company to discharge and perform any of its rights, powers, duties and function etc under the Rules on such terms and conditions as determined by the Clearing House. A Clearing Member is not obliged to make any enquiry in reasonable reliance on any action taken under the Rules by the person or body of persons purporting to represent the Clearing House. All actions taken by the Clearing House or any person or body of persons appointed by the Clearing House is valid and binding against the Clearing Member.
- (c) A delegation of any power by the Clearing House does not prevent the Clearing House from exercising such power either concurrently with or to the exclusion of the committee, sub-committee or officers of the Clearing House or the Exchange Holding Company to whom the power has been delegated.

105 Clearing Participantship Applications

The Clearing House will consider and approve or reject all applications for Participantship and transfers of Participantships pursuant to Rule 212.

106 Restrictions on employees and officers

- (a) An officer or employee of the Clearing House must not engage directly or indirectly in trading Derivatives.
- (b) An officer or employee who violates the restrictions of Rule 106(a) is subject to immediate dismissal by the Clearing House. A Clearing Participant must not cause or induce or attempt to cause any officer or employee of the Clearing House to violate, or aid or abet an officer or employee of the Clearing House in violating Rule 106(a).
- (c) An officer or employee of the Clearing House is prohibited from directly or indirectly maintaining employment with, or receiving compensation for services rendered to any Clearing Participant or any member of an Exchange, or any person, firm, or corporation that is engaged in activities directly related to trading in Market Contracts.

107 Prohibition on improper use of information

Any member of the Board or any member of a committee established under the Rules or any officer, employee or agent of the Clearing House who has access to confidential information which:

- (a) he holds by virtue of his official capacity or former official capacity; and
- (b) it would be reasonable to expect a person in such official capacity or former official capacity not to disclose except for the proper performance of the functions attaching to that official capacity,

must not make use of such information to gain, directly or indirectly, an advantage for himself or for any other person.

108 Disclosure

The Clearing House has the authority of each Clearing Participant to supply any particulars or information relating to the activities, assets and liabilities of the Clearing Participant in the possession of the Clearing House to an Exchange or any of its committees as may be

reasonably requested by such Exchange or committee. The Clearing House also has the authority of each Clearing Participant to supply any particulars and information in the possession of the Clearing House:

- (a) to the Commission or to any other statutory body or government agency;
- (b) if required by law; and
- (c) to any person if the Clearing House, in its absolute discretion feels it is necessary or desirable for the proper performance of its functions.

109 Secrecy

Subject to Rule 108, the Clearing House must preserve and aid in preserving secrecy with regard to all confidential matters coming into its possession.

110 Immunity

A Clearing Participant does not have any cause of action against any director of the Clearing House or member of a committee of the Clearing House established under the Rules or any person (whether an officer of the Clearing House or not) employed by the Clearing House in respect of any act or decision taken in good faith in the discharge of his duties pursuant to the Rules.

111 Appeals Against decisions of the Clearing House

- (a) The Clearing House shall establish a Committee to determine appeals provided in these Rules from a party against whom a decision has been made by the Clearing House.
- (b) A person against whom a decision has been made by the Clearing House may, where provided under these rules, appeal against such decision by notifying the Clearing House of its/his intention to appeal within fourteen (14) days from receipt of the notification of the decision.
- (c) The Committee referred to herein shall comprise such persons as may be appointed by the Clearing House, all of whom must not have been involved in any other Committee of the Clearing House that made the decision appealed against.
- (d) The Committee referred to herein may affirm, vary or set aside the decision appealed against or any penalty imposed.
- (e) The decision of the Clearing House on appeal shall be final and binding on the appellant.

Chapter 2

CLEARING PARTICIPANTSHIP AND FINANCIAL REQUIREMENTS

200 Eligibility

200A Eligibility-General Clearing Participant

Approval of an application for General Clearing Participantship is conditional upon the applicant:

- (a) being a participant of an Exchange;
- (b) satisfying the Clearing House that it maintains an adequate back office system, staff and procedures that ensure orderly and expeditious accounting of its dealings in Derivatives;
- (c) meeting the minimum financial requirements pursuant to Rule 208A;
- (d) holding a valid Capital Markets Services Licence for the purposes of carrying on the business of trading in futures contracts under the Act if acting on behalf or on the instructions of clients;
- (e) lodging a Security Deposit in accordance with Rule 206A;
- (f) lodging a Clearing Fund Contribution in accordance with Rule 207;
- (g) payment being made to the Clearing House of such admission fee as may be determined by the Clearing House from time to time; and
- (h) meeting such other criteria as may be determined from time to time by the Clearing House.

200B Eligibility-Direct Clearing Participant

Approval of an application for Direct Clearing Participantship is conditional upon the applicant:

- (a) being a participant of an Exchange;
- (b) not carrying on the business of trading in futures contracts in Malaysia;
- (c) satisfying the Clearing House that it maintains an adequate back office system, staff and procedures that ensure orderly and expeditious accounting of its dealings in Derivatives;
- (d) meeting the minimum financial requirements pursuant to Rule 208B;
- (e) lodging a Security Deposit in accordance with Rule 206A;
- (f) lodging a Clearing Fund Contribution in accordance with Rule 207;
- (g) lodging a Direct Clearing Participant Deposit in accordance with Rule 206B;
- (h) payment being made to the Clearing House of such admission fee as may be determined by the Clearing House from time to time; and
- (i) meeting such other criteria as may be determined from time to time by the Clearing House.

201 Application

An application for Participantship must be in such form and manner, and accompanied by the payment of such fee, as from time to time determined by the Clearing House.

202 Admission

Deleted

203 Right to appeal

An applicant for participantship whose application has been rejected by the clearing house may appeal against such decision.

204 Appeal process

Deleted.

205 Compliance with requirements

Each Clearing Participant must:

- (a) Issue or provide an undertaking addressed to the Clearing House in the form prescribed in Schedule 3;
- (b) At all times comply with the Rules and any directives, instructions or guidelines as issued or amended by the Clearing House from time to time;
- (c) submit, within such time and in such form and manner as determined by the Clearing House, such statements and/or reports as may be requested by the Clearing House;
- (d) lodge with the Clearing House a copy of any other statement or report lodged by the Clearing Participant with the Commission at the time of its lodgement with the Commission;
- (e) at all times hold a valid Capital Markets Services Licence for the purposes of carrying on the business of trading in futures contracts under the Act if acting on behalf of or on the instructions of clients; and
- (f) at all times remain an Affiliate of an Exchange, eligible pursuant to the relevant Exchange Rules to be a Clearing Participant; and
- (g) at all times maintain an adequate back office system, staff and procedures that ensure orderly and expeditious accounting of its dealings in Derivatives.

206 Deposits

206A Security Deposit

- (a) Each Clearing Participant must lodge a Security Deposit of at least RM1 million in the form of cash and/or Approved Collateral. The Clearing House may from time to time, having regard to the obligations of and performance risk undertaken by the Clearing House in respect of the Open Contracts to which a Clearing Participant is a party, market volume, price volatility and such other matters as the Clearing House may consider relevant, request that Clearing Participant to increase the amount of the Security Deposit lodged by the Clearing Participant. If the Clearing House makes such a request to a Clearing Participant, the Clearing Participant must lodge the

additional amount in the form of cash and/or Approved Collateral within one Business Day from the date of such request. A Clearing Participant's Security Deposit is at all times available to the Clearing House to apply towards the satisfaction of that Clearing Participant's obligations to the Clearing House.

- (b) The Security Deposit is in addition to and independent of any other sums payable to the Clearing House by the Clearing Participant.
- (c) The Clearing House must revalue any Approved Collateral lodged with it pursuant to Rule 206(a) on the first Business Day of each Month and at such other times as may from time to time be determined by the Clearing House.
- (d) If the value of a Clearing Participant's Security Deposit falls below RM1 million or such higher amount as the Clearing House may have required from that Clearing Participant under Rule 206(a), the Clearing Participant must provide the deficit in the form of cash and/or Approved Collateral within one Business Day of being notified of such deficit by the Clearing House.
- (e) Any cash or Approved Collateral lodged in accordance with Rule 206(a) which is in excess of the amount required by the Clearing House may be withdrawn by the Clearing Participant upon giving notice to the Clearing House of one Business Day.
- (f) The Clearing House must invest all cash received in respect of Security Deposits in:
 - (i) government securities; or
 - (ii) on deposit with such financial institutions as may, from time to time, be approved by the Clearing House.

206B Direct Clearing Participant Deposit

- (a) Each Direct Clearing Participant must lodge a Direct Clearing Participant Deposit in cash and/or Approved Collateral, the amount to be maintained at all times the higher of:
 - (i) RM500,000; or
 - (ii) 10% or such other percentage as may from time to time be determined by the Clearing House of the total amount paid by the Direct Clearing Participant to the Clearing House and any third party including any other clearing house organisation in respect of margins. The Clearing House may from time to time, having regard to the obligations of and performance risk undertaken by the Clearing House in respect of the Open Contracts to which a Direct Clearing Participant is a party, market volume, price volatility and such other matters as the Clearing House may consider relevant, request that a Direct Clearing Participant to increase the amount of the Direct Clearing Participant Deposit lodged by the Direct Clearing Participant. If the Clearing House makes such a request to a Direct Clearing Participant, the Direct Clearing Participant must lodge the additional amount in the form of cash and/or Approved Collateral within one Business Day from the date of such request. A Direct Clearing Participant's Direct Clearing Participant Deposit is at all times available to the Clearing House to apply towards the satisfaction of that Direct Clearing Participant's obligations to the Clearing House.
- (b) The Direct Clearing Participant Deposit is in addition to and independent of any other sums payable to the Clearing House by the Direct Clearing Participant.
- (c) If the value of a Direct Clearing Participant's Direct Clearing Participant Deposit falls below RM500,000 or such higher amount as the Clearing House may have required from that Clearing Participant under Rule 206B(a), the Direct Clearing Participant

must provide the deficit in the form of cash and/or Approved Collateral within one Business Day of being notified of such deficit by the Clearing House.

- (d) Any cash or Approved Collateral lodged in accordance with Rule 208B(a), which is in excess of the amount required by the Clearing House may be withdrawn by the Direct Clearing Participant upon giving notice to the Clearing House of one Business Day.
- (e) The Clearing House must invest all cash received in respect of Direct Clearing Participant Deposits in:
 - (i) government securities; or
 - (ii) on deposit with such financial institutions as may, from time to time, be approved by the Clearing House.

207 Contribution to Clearing Fund

Every Clearing Participant must maintain its Clearing Fund Contribution in accordance with Chapter 4.

208 Minimum financial requirements for Clearing Participants

208A Minimum financial requirements for General Clearing Participants

- (a) Each General Clearing Participant must at all times:
 - (i) comply with the accounting, reporting, book-keeping and other financial and operational requirements which may from time to time be prescribed by the Clearing House; and
 - (ii) maintain its Adjusted Net Capital at the higher of:
 - a) RM500,000; or
 - b) 10% or such other percentage as may from time to time be determined by the Clearing House of the total amount paid by the Clearing Participant to the Clearing House and any third party including any other clearing house organisation in respect of margins.
- (b) The minimum financial requirement stipulated in Rule 208A(a)(ii) shall not apply to a General Clearing Participant who is a Participating Organisation provided that such General Clearing Participant shall at all times comply with the capital adequacy requirements imposed by the Stock Exchange from time to time which shall be deemed to form part of the Rules.
- (c) Notwithstanding the provisions of Rule 208A(a) and Rule 208A(b), the Clearing House may from time to time establish higher minimum financial requirements for one or more Clearing Participants on the basis of volume, open positions carried, nature of business conducted or to be conducted and/or such other criteria as the Clearing House may consider relevant.
- (d) Rules 208A(a)(ii) and (b) shall not be applicable to a General Clearing Participant which is an Investment Bank. A General Clearing Participant which is an Investment Bank shall comply with the Investment Bank Capital Adequacy Framework and such capital adequacy requirements imposed by the Stock Exchange insofar as the same are applicable to an Investment Bank (collectively referred to “the Relevant Framework and Requirements”). The Relevant Framework and Requirements shall be deemed to

form part of the Rules and consequently any breach by a General Clearing Participant which is an Investment Bank of the Relevant Framework and Requirements shall be deemed to be a breach of these Rules.

208B Minimum financial requirements for Direct Clearing Participants

- (a) Each Direct Clearing Participant must at all times:
 - (i) comply with the accounting, reporting, book-keeping and other financial and operational requirements which may from time to time be prescribed by the Clearing House;
 - (ii) maintain Net Tangible Assets of not less than RM5 million, or a corporate guarantee of not less than RM5 million; and
 - (iii) lodge a Direct Clearing Participant Deposit in accordance with Rule 206B.
- (b) Notwithstanding the provisions of Rules 208B(a), the Clearing House may from time to time establish higher minimum financial requirements for one or more Direct Clearing Participants on the basis of volume, open positions carried, nature of business conducted or to be conducted and/or such other criteria as the Clearing House may consider relevant.

209 Net Tangible Assets

Net Tangible Assets is defined in Schedule 1.

210 Adjusted Net Capital

Adjusted Net Capital is as defined in Schedule 2.

211 Interpretation of financial requirements

The Clearing House may from time to time issue statements with respect to the interpretation of the requirements set out in or pursuant to Rules 209 and 210 which statements must be given to the Commission at least two Business Days prior to the date on which it is proposed for them to be issued. All Clearing Participants must comply with such statements in the same manner as if they form part of the Rules.

212 Transfer of Clearing Participantship

Any Clearing Member (the “transferor”) may apply to the Clearing House for approval to transfer its Participantship to a related corporation (the “transferee”). Such application will be considered by the Clearing House whose decision is subject to appeal in accordance with Rule 204. Any approval granted for such transfer shall be subject to the following conditions being satisfied :-

- (i) the Participantship is free and clear of all claims and encumbrances;
- (ii) the transferor is not subject or liable to be subject to Exchange or Clearing House proceedings involving a violation of Exchange Rules or the Rules;
- (iii) the transferee giving an indemnity to the Clearing House in respect of any demands, claims, liabilities, or losses which may be incurred or sustained by

the Clearing House as a result of an act or omission on the part of the transferor; and

- (iv) such other conditions as the Participantship Committee may determine.
- (b) The transfer of a Participantship does not release the transferor from any liability to the Clearing House or any other Clearing Participant which existed at the time of the transfer or which may come into existence after the transfer in respect of any act or omission of the transferor prior to such transfer.
- (c) A Clearing Participant may not transfer its Participantship except in accordance with this Rule 212.

213 Resignation

- (a) A Clearing Participant may resign by giving at least thirty days written notice to the Clearing House and the resignation takes effect at the later of either the expiration of that period or:
 - (i) when the Clearing Participant is no longer a counterparty to any Open Contract; and
 - (ii) there are no further obligations or liabilities owed by the Clearing Participant to the Clearing House; and
 - (iii) the Clearing Participant has presented to the Clearing House such indemnities and guarantees as the Clearing House in its sole discretion may require.
- (b) A Clearing Participant who has served a notice referred to in Rule 213(a) is only entitled to submit to the Clearing House for Registration Market Contracts which have the effect of reducing the Clearing Participant's Open Position.
- (c) The Clearing House upon receipt of the notice referred to in Rule 213(a) must notify each Exchange of which the Clearing Participant is an Affiliate of such notice.
- (d) The resignation of a Clearing Participant does not in any way affect any pre-existing liability which that Clearing Participant may have incurred to the Clearing House.

214 Outsourcing of Back Office Functions

214A Outsourcing by General Clearing Participants

- (a) A General Clearing Participant is not permitted to outsource any of its functions as a General Clearing Participant except in accordance with these Rules.
- (b) A General Clearing Participant may outsource its Back Office Functions if it:
 - (i) complies with the requirements that must be met prior to the outsourcing as set out under the Guidelines on Outsourcing as though the General Clearing Participant is the market intermediary mentioned in the Guidelines on Outsourcing; and
 - (ii) has obtained the prior written approval of the Clearing House for any material outsourcing arrangement as required under the Guidelines on Outsourcing.
- (c) In relation to paragraph 3.02 of the Guidelines on Outsourcing, a General Clearing Participant may outsource a Back Office Function that involves decision making or

interaction with clients where the functions relates to post trade, financing or custody services.

- (d) A General Clearing Participant which has outsourced its Back Office Functions under this Rule 214A must, in relation to such functions:
 - (i) comply with these Rules, the Guidelines on Outsourcing (as though the General Clearing Participant is the market intermediary mentioned in the Guidelines on Outsourcing) and any directives that may be issued by the Clearing House on this matter; and
 - (ii) ensure that its service provider or sub-contractor complies with the Rules that are applicable to the outsourced functions in the same manner as the General Clearing Participant is required to.
- (e) The Clearing House may, at any time, revoke any approval given to the General Clearing Participant for its material outsourcing or direct the General Clearing Participant to discontinue the outsourcing of the Back Office Functions, partly or wholly, for any reason whatsoever.
- (f) For the purpose of this Rule, unless the context otherwise requires:
 - (i) “Back Office Functions” means back office functions as defined under the Guidelines on Outsourcing.
 - (ii) “Guidelines on Outsourcing” means the “Guidelines on Outsourcing For Capital Market Intermediaries” issued by the Commission including subsequent amendments, modifications, variations, supplements or substitutes and any directives or guidelines as may be issued pursuant to the Guidelines on Outsourcing.
 - (iii) “service provider” has the same meaning as is assigned to it in the Guidelines on Outsourcing.
 - (iv) “sub-contractor” means the service provider to whom the initial service provider has further contracted the Back Office Functions.
- (g)
 - (i) This Rule 214A is not applicable to a General Clearing Participant which is an Investment Bank.
 - (ii) A General Clearing Participant which is an Investment Bank must instead comply with the Guidelines on Investment Banks and such other requirements of Bank Negara relating to the matter.

214B Outsourcing by Direct Clearing Participants

- (a) For the purposes of this Rule, unless the context otherwise requires:
 - (i) “Back Office Functions” in this rule encompasses 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;

- (ii) “service provider” means any entity which carries out the outsourced Back Office Functions; and
 - (iii) “sub-contractor” means the service provider to whom the initial service provider has further contracted the Back Office Functions.
- (b) A Direct Clearing Participant is not permitted to outsource any of its functions as a Direct Clearing Participant except in accordance with this Rule.
- (c) A Direct Clearing Participant may outsource its Back Office Functions relating to its function as a Direct Clearing Participant to a service provider or a sub-contractor provided that the Direct Clearing Participant complies with the conditions set out in this Rule 214B.
- (d) The Direct Clearing Participant must ensure that:
 - (i) the service provider does not further assign the Back Office Functions to a sub-contractor unless the prior approval of the Direct Clearing Participant is first obtained; and
 - (ii) the sub-contractor does not further assign the Back Office Functions to any party.
- (e) The Direct Clearing Participant must ensure compliance by the service provider and if applicable, the sub-contractor of 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.
- (f) The Direct Clearing Participant will be deemed liable as a principal in relation to any breach by the service provider or the sub-contractor of any provision in these Rules, agreement between the Direct Clearing Participant and the Clearing House and direction issued by the Clearing House.
- (g) Any direction issued by the Clearing House and directed to the Direct Clearing Participant, where applicable, is deemed to have also been issued and directed to the service provider and the sub-contractor and shall be regarded to be within the knowledge of the service provider and the sub-contractor.
- (h) The Direct Clearing Participant must ensure that:
 - (i) the service provider and if applicable, the sub-contractor protects the confidentiality and security of the documents and information of clients and that the Direct Clearing Participant is immediately notified of any breach of this requirement by the service provider or the sub-contractor; and
 - (ii) the service provider and if applicable, the sub-contractor has policies and procedures in place to maintain the confidentiality of clients’ information and where there is a need to do so pursuant to any written law or contractual obligation, seek approval for or notify clients that their information may be disclosed to a service provider or a sub-contractor, as the case may be.
- (i) 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 and if applicable, the sub-contractor in performing the said Back Office Functions.

- (j) The Direct Clearing Participant must ensure that the Clearing House or its agent shall at all times have access to and be allowed to make copies of the books (as defined in the Act) of the Direct Clearing Participant, the service provider or the sub-contractor. The Direct Clearing Participant shall procure a written consent through a letter of undertaking from the service provider or the sub-contractor to allow the Clearing House or its agent to exercise its powers as stated above.
- (k) Save as otherwise approved by the Clearing House, a Direct Clearing Participant must not commence outsourcing of its Back Office Functions as permitted under Rule 214B(c) unless it has given prior notification to the Clearing House of its intention to outsource.
- (l) The Direct Clearing Participant must notify the Clearing House of the termination or any variation of the services of the Direct Clearing Participant's service provider or any sub-contractor not later than 10 Business Days from the date of the termination or variation notice or the effective date of termination or variation, whichever the earlier.
- (m) Notwithstanding any provision in these Rules 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.

215 Investment Bank

In relation to a General Clearing Participant that has acquired the status of an Investment Bank after its admission as a General Clearing Participant under Chapter 2 of these Rules, the said General Clearing Participant shall notify the Clearing House in writing of the same at least seven (7) days (or such other time as may be determined by the Clearing House) prior to the commencement of its business as an Investment Bank, which notification shall be accompanied with such information or documents as may be required by the Clearing House.

216 Clearing Participant to include other persons

A Clearing Participant is responsible to the Clearing House for all acts or omissions of its owners, principals, directors, officers, employees, trainees, agents, service providers and sub-contractors.

Chapter 3

MANAGEMENT OF THE CLEARING HOUSE

300 Powers and duties of the Clearing House

Without prejudice to any other provisions in the Rules, the following powers are in addition vested in the Clearing House, to be exercised in such manner and on such terms as it sees fit:-

- (a) to waive or modify compliance with a Rule or part of a Rule whether subject to the fulfilment of any condition or otherwise;
- (b) to take such actions as it may determine necessary in connection with the failure of any Clearing Participant to maintain the financial requirements pursuant to Chapter II of the Rules or to fully discharge any of its obligations to the Clearing House when due;
- (c) if any act or omission, whether actual or threatened, of a Clearing Participant poses a danger to the Clearing House, to take all such actions as it considers necessary at its absolute discretion to protect the integrity of the Clearing House;
- (d) to determine the variables used to calculate Margin for all or any Clearing Participants ;
- (e) to request an Exchange to conduct audits or investigations and/or to obtain such documents or records from Clearing Participants as may be required by the Clearing House;
- (f) to direct and conduct audits, investigations, and inspection of records of Clearing Participants and question any Clearing Participant in relation to the compliance by the Clearing Participant with the Rules; and
- (g) to direct a Clearing Participant to furnish the Clearing House with such information or records maintained by the Clearing Participant as it considers appropriate.

301 Incidental powers etc of the Clearing House

Where any provision of the Rules empowers, authorises or enables the Clearing House to do or enforce the doing of any act or thing, the Clearing House shall have all such powers or rights as may be necessary or reasonably incidental to the Clearing House doing or enforcing the doing of the act or thing.

Chapter 3A

THE EXCHANGE HOLDING COMPANY

300A Powers of the Exchange Holding Company

- (a) Where any provision of these Rules confers a right or power on the Exchange to do any act or thing such provision shall be deemed to confer the right or power on the Exchange Holding Company to do such act or thing on behalf of the Clearing House.
- (b) Clearing Members and other persons to whom the Rules are directed must comply with, observe or give effect to any action of the Exchange Holding Company pursuant to sub-paragraph (a) above.

Chapter 4

CLEARING FUND

400 Establishment of Clearing Fund

- (a) The Clearing House must establish and maintain a Clearing Fund for the purpose of indemnifying the Clearing House against losses arising in the circumstances specified in Rule 405.
- (b) The Clearing House will from time to time determine the size of the Clearing Fund having regard to the obligations of and performance risk undertaken by the Clearing House in respect of Open Contracts, market volume, price volatility and such other matters as the Clearing House may consider relevant. The decision of the Clearing House pursuant to this Rule 400(b) is final and it is not required to provide any reason for such decision.

401 Clearing Fund contributions

- (a) The Clearing House may at any time and from time to time require a Clearing Participant to make such payment to the Clearing Fund as it deems fit in accordance with the Rules. Subject to Rules 401(g) and 408(b) each Clearing Participant must make payment to the Clearing Fund and maintain its Clearing Fund Contribution in accordance with the requirements of the Clearing House.
- (b) A Clearing Participant's Clearing Fund Contribution consists of:
 - (i) the fixed and variable contributions to the Clearing Fund required under Rule 401(c) and reflected in its most recent Clearing Fund Statement; plus
 - (ii) all amounts (if any) requested from such Clearing Participant in accordance with Rule 401(a), subsequent to issue of the most recent Clearing Fund Statements and up to 100% of the amount referred to in Rule 401(b)(i); plus
 - (iii) all contributions (if any) received from such Clearing Participant in accordance with Rule 401(a), subsequent to issue of the most recent Clearing Fund Statements and above 100% of the amount referred to in Rule 401(b)(i); less
 - (iv) the share of loss, if any, calculated in accordance with Rule 407 or Rule 408(c), subsequent to issue of the most recent Clearing Fund Statements.
- (c) A Clearing Participant must contribute to the Clearing Fund:
 - (i) a fixed amount of RM1 million; and
 - (ii) a variable amount calculated in accordance with Rule 402.
- (d) Clearing Fund Contributions must be in the form of cash and/or Approved Collateral.
- (e) The Clearing House must revalue any Approved Collateral lodged with it pursuant to Rule 401 (a) on the first Business Day of each Month and at such other times as may be determined, from time to time, by the Clearing House. If due to such revaluation, a Clearing Participant's contribution to the Clearing Fund is less than its Clearing Fund Contribution, the Clearing Participant must pay such shortfall to the Clearing House within one Business Day of being notified of such shortfall.
- (f) If a Clearing Participant's contribution to the Clearing Fund exceeds the Clearing Participant's Clearing Fund Contribution, the Clearing Participant is entitled to

request the Clearing House to pay out such excess upon giving notice in the prescribed form of one Business Day to the Clearing House.

- (g) If a Clearing Participant has served notice of resignation pursuant to Rule 213 prior to a claim being made on the Clearing Fund, such Clearing Participant is not obliged to make any further contributions to the Clearing Fund in response to a request made pursuant to Rule 401(a) in connection with such claim.

402 Variable contribution

The variable amount referred to in Rule 401(c)(ii) for a Clearing Participant is calculated as:

$$VC = \frac{CMM}{TM} \times (TS - TF)$$

Where:

- VC** is the variable amount of that Clearing Participant's contribution to the Clearing Fund;
- TM** is the sum of all Margin determined in accordance with Rule 613 for all Clearing Participants on each Business Day during the preceding Month.
- CMM** is the sum of that Clearing Participant's Margin determined in accordance with Rule 613 for each Business Day during the preceding Month;
- TS** is the size of the Clearing Fund determined by the Clearing House pursuant to Rule 400(b);
- TF** is the sum of fixed amounts payable by all Clearing Participants to the Clearing House pursuant to Rule 401(c)(i).

403 Clearing Fund statement

- (a) On the first Business Day of each Month the Clearing House must issue a Clearing Fund Statement to each Clearing Participant containing information relating to the following:
- (i) the fixed and variable contribution to the Clearing Fund calculated in accordance with Rule 401(c); and
 - (ii) the amount of cash and the current value of Approved Collateral (if any) comprised in such Clearing Participant's fixed and variable contributions to the Clearing Fund determined by the Clearing House;
 - (iii) any further contributions required in accordance with Rule 401(a) or any excess that can be recovered by the Clearing Participant pursuant to Rule 401(f).

- (b) Upon issue of Clearing Fund Statements each Month under Rule 403(a), the Clearing House must, in accordance with Rule 404 calculate the proportion that the Clearing Fund Contribution of each Clearing Participant who is not entitled to exercise a right under Rule 401(g) to the Clearing Fund Contributions of all such Clearing Participants.

404 Member's proportion of fund

The proportion of the Clearing Fund which a Clearing Participant's Clearing Fund Contribution represents (herein referred to as "share of Fund") will be calculated as follows:

$$\text{share of Fund} = \text{CF} / \text{SF}$$

where:

CF is the Clearing Fund Contribution of each Clearing Participant who is not entitled to exercise a right under Rule 401(g) or has not exercised its right under Rule 408(b), and

SF is the sum of Clearing Fund Contributions of all such Clearing Participants.

405 Purpose of Clearing Fund

The Clearing House may draw on the Clearing Fund, on one or more occasions, to meet losses or anticipated losses in the event that:

- (a) any Clearing Participant fails to discharge any of its obligations to the Clearing House when due; and/or
- (b) if any financial institution or clearing house organisation fails to perform any obligation to the Clearing House when due because of its insolvency, receivership, indefinite suspension of operations or the suspension of payments or because of any similar event.

406 Application of Clearing Fund

If an event described in Rule 405 occurs, the Clearing House may estimate the amount of losses which it will incur as a consequence of such event and draw such amount (or lesser amount as may be determined by the Clearing House) from the sources and in the order provided as follows:

- (a) such reserves of the Clearing House as are specifically set aside for this purpose, subject to the provision that until such time that reserves available to the Clearing House exceed RM2 million, the Clearing House may at its absolute discretion apply RM2 million from shareholders' funds of the Clearing House;
- (b) such surplus funds of the Clearing House as the Clearing House may determine are in excess of funds for normal operations;
- (c) the Clearing Fund and Clearing Participants in accordance with Rule 407.

407 Distribution of losses

If the Clearing Fund is drawn upon pursuant to Rule 406(c):

- (a) The proportion of the total amount (referred to in this Chapter IV as “Total Loss”) required by the Clearing House after drawing on the funds referred to in Rule 406(a) and (b) which must be charged against each Clearing Participant (hereinafter referred to as “share of loss”) is to be calculated as follows:

$$\text{Share of loss} = \mathbf{MS} \times \mathbf{FD}$$

where:

MS is the Clearing Participant’s share of Fund; and

FD is the Total Loss.

- (b) The Clearing House must issue a statement to each Clearing Participant advising such Clearing Participant of its share of loss calculated pursuant to Rule 407(a). Subject to Rules 401(g) and 408(b) each Clearing Participant must pay into the Clearing Fund its share of loss within one Business Day after receipt of the statement.
- (c) Immediately after the expiration of the time allowed for payment to be made in accordance with Rule 407(b) the Clearing House must recalculate each Clearing Participant’s share of Fund in accordance with Rule 404.

408 Limitation of Clearing Participant’s liability to Clearing Fund

- (a) The amount charged against a Clearing Participant in accordance with Rule 407(a) must first be paid out of that Clearing Participant’s Clearing Fund Contribution. Subject to Rules 401(g) and 408(b), if the Clearing Participant’s Clearing Fund Contribution is insufficient to pay out its share of loss, it is liable to make good such shortfall to the Clearing Fund.
- (b) A Clearing Participant will not be liable to make good more than an additional 100% of the current amount of its fixed and variable contributions to the Clearing Fund as set out in its most recent Clearing Fund Statement if:
- (i) within one Business Day of being notified by the Clearing House of its share of loss, the Clearing Participant notifies the Clearing House in writing that it is terminating its Participantship;
 - (ii) no Futures Contract or Option is presented to the Clearing House for Registration after the giving of such notice except contracts for immediate liquidation by offset; and
 - (iii) the Clearing Participant closes out or transfers its Open Position as promptly as practicable.
- (c) If a Clearing Participant exercises its right under Rule 408(b), the balance of its share of loss (referred to in this paragraph as “deficiency”) must be charged against each remaining Clearing Participant in the proportion of the deficiency calculated in accordance with Rule 404, and the provisions of this Rule will *mutatis mutandis* apply to each remaining Clearing Participant in relation to its liability to pay such proportion of the deficiency.
- (d) A Clearing Participant who has exercised its right under Rule 408(b) is ineligible to be readmitted to Participantship unless it agrees to reimburse the other Clearing Participants for the deficiency at the time of applying for re-admission or such other amount as the Clearing House deems fair and equitable in the circumstances.

409 Notice to Clearing Participants

Whenever any charge is made against a Clearing Participant's Clearing Fund Contribution in accordance with Rule 407 or 408(c), the Clearing House must promptly notify that Clearing Participant of the amount of the charge.

410 Power to pledge Clearing Fund

- (a) The Clearing House may pledge the Clearing Fund, in whole or in part, as security for borrowings if:
 - (i) a Clearing Participant has defaulted on its obligations and the Clearing House is unable to obtain prompt delivery of or to convert promptly to cash any asset of such Clearing Participant or any other asset of the Clearing House; or
 - (ii) the Clearing House sustains a loss pursuant to Rule 405 and elects to borrow funds in lieu of charging such loss to the Clearing Fund.

Such borrowings must not exceed the amount necessary to meet the obligations of the Clearing House to Clearing Participants and other clearing house organisations.

- (b) Borrowings pursuant to Rule 410(a) must not be charged against the Clearing Fund and do not affect the amount or timing of any charges otherwise required to be made against a Clearing Participant's Clearing Fund Contribution.
- (c) Borrowings secured by the Clearing Fund must be repaid by the Clearing House as promptly as practicable.

411 Refund of contributions

- (a) If a Clearing Participant ceases to be a Clearing Participant, whether as a result of resignation or otherwise, subject to Rules 411(b) and 411(c) a sum equivalent to its Clearing Fund Contribution must be returned.
- (b) The Clearing House may release the Clearing Participant's Clearing Fund Contribution if:
 - (i) the Clearing Participant's obligations to the Clearing House have been fulfilled; or
 - (ii) with the approval of the Clearing House, another Clearing Participant has agreed to assume such Clearing Participant's obligations to the Clearing House; or
 - (iii) the Clearing Participant has presented to the Clearing House such indemnities and guarantees as the Clearing House in its sole discretion deems satisfactory.
- (c) The Clearing House is entitled to withhold or deduct from any amount returnable to the Clearing Participant under this Rule 411:
 - (i) all charges against the Clearing Participant's Clearing Fund Contribution on account of transactions made by the Clearing Participant;
 - (ii) all amounts due and payable by the Clearing Participant to the Clearing House.

412 Recovery of loss

- (a) If a charge is made against the Clearing Fund Contributions of Clearing Participants in accordance with Rule 407 or 408 and the amount is later recovered by the Clearing House, whether in whole or in part, the amount recovered must be paid to the Clearing Participants less any expenses or costs incurred by the Clearing House in recovering that amount.
- (b) The amount payable to each Clearing Participant will be in proportion to the amounts contributed by the Clearing Participant relative to the amounts contributed by all Clearing Participants in respect of the event which caused such charge to be made against Clearing Participants under Rule 407.

413 Investment of Clearing Fund

The Clearing House must invest cash of the Clearing Fund in:

- (a) government securities; or
- (b) on deposit with such financial institutions as may from time to time be approved by the Clearing House.

Chapter 5

RESPONSIBILITIES OF CLEARING PARTICIPANTS

500 Notice of failure to satisfy financial requirements

500A Notice of failure by General Clearing Participant

Each General Clearing Participant must immediately notify the Clearing House and provide such information as may be required by the Clearing House if :

- (a) the Adjusted Net Capital of the General Clearing Participant is reduced below the minimum level prescribed under the Rules; and/or
- (b) the General Clearing Participant fails to meet any other financial requirements which may from time to time be stipulated by the Clearing House.

500B Notice of failure by Direct Clearing Participant

Each Direct Clearing Participant must immediately notify the Clearing House and provide such information as may be required by the Clearing House if :

- (a) the Net Tangible Assets of the Direct Clearing Participant is reduced below the minimum level prescribed under the Rules;
- (b) the Direct Clearing Participant Deposit of the Direct Clearing Participant is reduced below the minimum level prescribed under the Rules; and/or
- (c) the Direct Clearing Participant fails to meet any other financial requirements which may from time to time be stipulated by the Clearing House.

501 Other notice

A Clearing Participant must promptly notify the Clearing House of any event or state of affairs which has or may have a material adverse impact on its financial position or its ability to perform any of its obligations under the Rules or which may interfere with its ability to conduct its business in a normal manner.

502 Audited reports

A Clearing Participant must furnish a copy of its Audited Accounts to the Clearing House within three Months of the end of its Financial Year or within such longer period as may be permitted in writing by the Clearing House.

503 Audit and investigation

Upon request from the Clearing House a Clearing Participant must make itself, its premises and its staff immediately available to the Clearing House and such persons appointed by the Clearing House for such audits and investigations as may be specified by the Clearing House and must promptly furnish all books, records, files and such other information to the Clearing House or such other person as may be directed by the Clearing House.

504 Banking arrangements

Each Clearing Participant must maintain such arrangements, including alternative arrangements, with such bank(s) as may from time to time be prescribed by the Clearing House to permit the transfer of funds between the Clearing Participant and the Clearing House. The transfer of funds between the Clearing Participant and the Clearing House will be irrevocable upon the crediting of the Clearing House's or the Clearing Participant's bank account, whichever applicable.

505 Information and cooperation

Each Clearing Participant must:

- (a) provide such information at such times and in such manner to the Clearing House as may be reasonably requested by the Clearing House;
- (b) cooperate with the Clearing House to the best of its abilities to facilitate the Clearing House in carrying out its functions; and
- (c) comply with any reasonable requests of the Clearing House.

Chapter 6

CLEARING PROCEDURES

600 Submission of contracts for registration

- a) The particulars of each Market Contract must be presented in such manner as is approved by the Clearing House by the Buyer and Seller to such Market Contract, or by an Exchange on behalf of such Buyer and Seller, for Registration by the Clearing House.
- b) The Clearing House is entitled to rely on the particulars of Market Contracts presented in accordance with Rule 600(a) as being correct and is not bound to recognise any actual or alleged error or omission in relation to such particulars.

601 Errors in recording

- a) Despite Rule 600(b), if on application from an Exchange on behalf of the Buyer and the Seller to a Market Contract, the Clearing House is satisfied that the details of the Market Contract were incorrectly or incompletely presented by the Exchange or the Exchange failed to present particulars of a Market Contract, the Clearing House at its absolute discretion and subject to any conditions, including but not limited to the payment of Margin, may:
 - i) in the case of incorrect or incomplete details of a Market Contract having been presented to the Clearing House and Registered, take all such action necessary to correct the Registration;
 - ii) in the case of all particulars of a Market Contract not having been presented to the Clearing House, take all such action necessary to Register the Market Contract.
- b) In the event of the Clearing House exercising its discretion pursuant to Rule 601(a)(i) the Market Contract is deemed to have been Registered reflecting any such amendments or corrections and the Rules apply accordingly.

602 Registration

- a) The Clearing House may at its absolute discretion at any time decline to Register any Market Contract or impose conditions including the payment of Margin on the Registration of any Market Contract, without being required to give reasons and must notify any such decision to the relevant Exchange.
- b) Immediately after acceptance of a Market Contract for Registration by the Clearing House:
 - i) an Open Contract comes into existence between the Clearing House and the Buyer to the Market Contract upon terms identical to those of the Market Contract and the Clearing House will be Seller to such Open Contract;
 - ii) an Open Contract comes into existence between the Clearing House and the Seller to the Market Contract upon terms identical to those of the Market Contract and the Clearing House will be Buyer to such Open Contract; and
 - iii) the Market Contract is extinguished.

- c) Each Clearing Participant must provide the Clearing House with such information within such time as may be prescribed by the Clearing House in connection with the Registration of a Market Contract.
- d) Each Open Contract has effect and is valid and enforceable in accordance with its terms as established under the Rules. A Clearing Participant must not bring any claim or proceedings to invalidate or render void or that has the effect, partial or otherwise, of invalidating or avoiding any Open Contract, or its obligations in connection with such Open Contract, to which it is a party.
- e) The terms of each Open Contract are subject to the Rules and in the event of any inconsistency between the Rules and any other term of an Open Contract the Rules prevail.

603 Parties to Open Contract

Regardless of whether an Open Contract is recorded in an Unsegregated Account or a Segregated Account of a Clearing Participant, such Open Contract is between the Clearing House and the Clearing Participant as principals. A Clearing Participant is entitled to exercise its rights and is liable to perform its obligations under and in connection with such Open Contract at all times as principal subject to the Rules. The Clearing House does not recognise any legal, equitable, contingent, future or partial interest in any Open Contract except the interest of the Clearing Participant who is party to the Open Contract.

604 Accounts

- a) The Clearing House will record details relating to each Open Contract in the Segregated Account or Unsegregated Account of the Clearing Participant party to such Open Contract.
- b) Both the Segregated Account and the Unsegregated Account of a Clearing Participant must bear the name of the Clearing Participant and the Clearing House must open separate Sub-Accounts bearing such identification as advised by the Clearing Participant in such manner as is prescribed by the Clearing House.
- c) Margin will be calculated separately by the Clearing House in accordance with Rule 613 in relation to Open Contracts recorded in a Clearing Participant's Unsegregated Account and each Sub-Account of the Clearing Participant's Segregated Account.

605 Designation instructions

- a) If the Clearing House has reached agreement with an Exchange, designation instructions may be provided to the Clearing House by such Exchange for and on behalf of the Clearing Participant.
- b) The designation instructions provided to the Clearing House in accordance with Rule 605(a) must indicate:
 - i) whether an Open Contract arising from Registration of a Market Contract is to be recorded in the Segregated Account or the Unsegregated Account of the Clearing Participant;
 - ii) if an instruction is given to the Clearing House pursuant to Rule 605(b)(i) that an Open Contract is to be recorded in the Segregated Account of the Clearing Participant, the designation instructions must include the identity of the Sub-Account in which such Open Contract is to be recorded.

- c) If designation instructions are not provided to the Clearing House on the same Business Day that the relevant Market Contract is presented to the Clearing House for Registration, the Open Contract arising from such Registration must be recorded in the Unsegregated Account of the Clearing Participant.
- d) If a Clearing Participant has made a bona fide error in any designation instruction, it may request the Clearing House to amend the records maintained by the Clearing House of the Unsegregated Account, Segregated Account or a Sub-Account of that Clearing Participant. The Clearing House may in its absolute discretion agree to or reject such request. Any such agreement or rejection must be advised to the Clearing Participant.

606 Offer and acceptance of an Allocation

If the Clearing House has reached agreement with an Exchange, a Clearing Participant's offer or acceptance of an Allocation will be communicated to the Clearing House by such Exchange for and on behalf of the Clearing Participant. The agreement or otherwise of the Clearing House to effect an Allocation will be communicated to the Clearing Participant in such manner as may be determined by the Clearing House from time to time.

607 Open Positions

Each Open Contract has effect and remains binding upon the Clearing House and the Clearing Participant who is party to such Open Contract until:

- a) it is liquidated by offset in accordance with Rule 608;
- b) it is liquidated as the result of a settlement to market in accordance with Rule 612;
- c) in accordance with Rule 610, the rights and obligations under such Open Contract have been novated in which case the Open Contract will be binding upon the Clearing House and the Clearing Participant to whom such rights and obligations have been novated;
- d) it is dealt with in accordance with Rule 1101 or Rule 1102;
- e) in the case of an Option Open Contract
 - i) which is a Futures Option, it has been Exercised or Assigned or has Expired.
 - ii) which is an Eligible Option,
 - (a) delivery and payment have been effected in accordance with Rule 803; or
 - (b) cash settlement has been effected in accordance with Rule 807; or
 - (c) it has Expired.
- f) in the case of an Open Contract which is an Adjustment Agreement, cash settlement has been effected in accordance with Rule 807; or
- g) in the case of an Open Contract which is an Eligible Delivery Agreement, Delivery has been effected in accordance with Rule 802.

608 Liquidation by offset

- a) A Clearing Participant who is Buyer to an Open Contract and a Seller to another Open Contract the terms of which are identical in all aspects but not necessarily price and contract date, and both Open Contracts are recorded in either the Unsegregated Account or in the same Sub-Account, of that Clearing Participant, may request the Clearing House to liquidate by offsetting the rights and obligations under those two Open Contracts.
- b) Upon two Open Contracts being off-set pursuant to Rule 608(a), any settlement difference, as calculated by the Clearing House, becomes immediately due by the Clearing Participant or the Clearing House, as the case may be.
- c) Requests for liquidation by off-set in accordance with this Rule 608 must be submitted to the Clearing House in such manner and on such terms as may be determined by the Clearing House, from time to time.

609 Reversal of liquidation

At the absolute discretion of the Clearing House on such terms and conditions as the Clearing House deems fit and following a request from a Clearing Participant, the Clearing House may reverse the liquidation of two Open Contracts made pursuant to Rule 608 so that two new Open Contracts between the Clearing House and the Clearing Participant are created on identical terms to the original two Open Contracts previously liquidated and any settlement difference is repaid. Such requests by Clearing Participants must be submitted to the Clearing House in such manner as may be prescribed by the Clearing House, from time to time.

610 Novation of Open Contracts

- a) Rights and obligations under an Open Contract of a Clearing Participant (the “transferor”) may be novated in full to another Clearing Participant (the “transferee”) if:
 - i) in accordance with Rule 606 the Clearing House has been advised of the offer and acceptance of an Allocation; or
 - ii) the transferor becomes a wholly-owned subsidiary of the transferee; or
 - iii) the transferor gives notice of its intention to resign its Participantship or its Participantship is suspended or terminated or it ceases to be an Affiliate of an Exchange due to termination of its participantship by such Exchange or its participantship of an Exchange is suspended; or
 - iv) there exists some other reason for the proposed novation that is not inconsistent with the Rules, the relevant Exchange Rules or the Act.
- b) A request for Allocation presented by an Exchange pursuant to Rule 606 must be made in such manner and on such terms as may be agreed from time to time between the Clearing House and the relevant Exchange. Any other request for the novation of an Open Contract must be made in such manner and on such terms as are determined by the Clearing House from time to time.
- c) The Clearing House may in its absolute discretion without giving any reason make a decision to decline to effect a novation of all rights and obligations of an Open Contract or to effect such novation subject to any terms and conditions including the payment of Margin which in its absolute discretion the Clearing House may determine. Any such decisions must be promptly notified to the transferor and transferee.

611 Daily settlement price

The Clearing House will determine the Daily Settlement Price for each Open Contract in accordance with its procedures. Such procedures must provide for consideration to be given to any bids, offers and traded prices quoted by an Exchange and such other information as may be deemed relevant by the Clearing House.

612 Settlement to market

- a) At such time or times, as determined by the Clearing House, on each Business Day, for each Open Contract two new contracts (each of which is referred to in this Rule 612 as a “settlement-to-market contract”) between the parties to the Open Contract come into existence with terms identical to those of the Open Contract except:
 - i) the Clearing Participant party to the Open Contract will be Buyer to one settlement-to-market contract and the Seller to the other settlement-to-market contract and the Clearing House will be a counterparty to each settlement-to-market contract;
 - ii) the contract price for each settlement-to-market contract must be the latest Daily Settlement Price determined by the Clearing House in accordance with Rule 611 for the relevant Open Contract; and
 - iii) the contract date for each settlement-to-market contract must be the date on which the relevant Daily Settlement Price was determined.
- b) Each Open Contract to which the Clearing Participant is Buyer is automatically off-set against a settlement-to-market contract where the Clearing Participant is Seller and each Open Contract where the Clearing Participant is Seller is automatically off-set against a settlement-to-market contract where the Clearing Participant is Buyer.
- c) Contracts which have been off-set against each other under Rule 612(b) cease to have any further force or effect. The Clearing House must calculate the settlement difference resulting from such off-set and such settlement difference becomes immediately due by the Clearing Participant or the Clearing House, as the case may be.
- d) Settlement-to-market contracts which are not off-set in accordance with Rule 612(b) are treated as Open Contracts.

613 Margin

- a) Margin will be determined by the Clearing House for the purpose of managing foreseeable risk using a risk based algorithm and/or such other method as may be determined, from time to time, by the Clearing House and advised to Clearing Participants. A Clearing Participant’s Margin will be held as security against the non-performance of contractual obligations of that Clearing Participant under its Open Position and will be applied in such manner as is determined by the Clearing House at its absolute discretion upon any default by the Clearing Participant of such obligations.
- b) The Clearing House must determine the Margin required from each Clearing Participant having regard to the Open Position of that Clearing Participant.
- c) Margin must be lodged with the Clearing House in accordance with the directions of the Clearing House and may be in the form of cash and/or Approved Collateral.

614 Payment to the Clearing House

- a) On each Business Day, the Clearing House must make available to each Clearing Participant a statement advising the Clearing Participant of funds (if any) which must be paid to the Clearing House on the same day and showing the Margin which must be lodged with the Clearing House. The latest times by which the statements must be made available by the Clearing House and by which the payments must be made by the Clearing Participant shall be prescribed by the Clearing House from time to time.
- b) The Clearing House is entitled to set off any amount due from a Clearing Participant to the Clearing House against any amount due from the Clearing House to the Clearing Participant.

615 Call for additional funds

After due consideration of changes in market price, price volatility, trading activity and any other matters which in the opinion of the Clearing House may affect the risks to which the Clearing House is exposed, the Clearing House may call for payment of additional funds from one or more Clearing Participants as additional security against the non-performance of obligations by such Clearing Participant(s) under Open Contracts. Such additional funds must be paid within one hour or such later time as may be specified by the Clearing House.

616 Approved collateral

- a) Approved Collateral is property from time to time prescribed by the Clearing House as Approved Collateral for any purpose under the Rules. Approved Collateral may only be deposited or pledged with or assigned to the Clearing House in such manner and on such conditions as may be determined by the Clearing House from time to time.
- b) Approved Collateral must be valued at such times and in such manner as may be determined by the Clearing House from time to time.
- c) Any benefit, interest or gain received or accrued on any Approved Collateral belongs to the Clearing Participant that deposited or pledged with or assigned to the Clearing House such Approved Collateral and such interest or gain will be delivered to that Clearing Participant at such times and in such manner as may be determined by the Clearing House from time to time.
- d) Acceptance by the Clearing House of Approved Collateral is at the absolute discretion of the Clearing House after giving consideration to matters it considers relevant including, but not limited to its exposure or potential exposure to third parties.
- e) Withdrawal of Approved Collateral by a Clearing Participant may be subject to any conditions which the Clearing House may determine from time to time.
- f) The Clearing House is entitled to charge a fee in respect of the lodgement of Approved Collateral. Such fee will be determined from time to time by the Clearing House and may vary depending upon the form of such Approved Collateral.
- g) This Rule 616 has effect despite anything else contained in the Rules.

616A Securities as Approved Collateral for Margin

- (a) Eligible Securities may be deposited with the Clearing House as Approved Collateral for Margin. For the purpose of this Rule Eligible Securities means securities prescribed by the Clearing House under Rule 616 (a) as eligible to be deposited with the Clearing House by its Clearing Participants for the purpose of the Clearing Participants' Margin.
- (b) Where a Clearing Participant deposits Eligible Securities for Margin, the Clearing Participant shall execute a memorandum of deposit prescribed by the Clearing House, which is an agreement governing the terms for the deposit of securities for Margin and the rights and obligations of the Clearing Participant in relation thereto ("the Memorandum of Deposit"). The Clearing Participant shall comply with the terms of the Memorandum of Deposit and any breach thereof shall constitute a breach of this Rule.
- (c) The Clearing House may issue directions at any time and from time to time to prescribe terms and/or procedures in addition to those already stipulated in the Memorandum of Deposit which may include terms and procedures relating to administrative and operational matters and the computation of the value of the Eligible Securities for Margin. The Clearing Participant shall comply with the directions issued.

617 Interest on cash balances

The Clearing House must pay interest to each Clearing Participant on all cash balances held by the Clearing House for such Clearing Participant including the Security Deposit, Clearing Fund Contribution, and Direct Clearing Participant Deposits at such rates, at such times and in such manner as may be determined from time to time by the Clearing House.

618 Clearing fees

A Clearing Fee is payable to the Clearing House by each Clearing Participant that is party to and in respect of each Open Contract arising from the Registration of a Market Contract. The Clearing Fee is such amount as determined by the Clearing House from time to time and is payable on the last Business Day of the Month in which such Market Contract was presented for Registration or at such other times as the Clearing House may determine from time to time.

619 Guarantee fees

- a) A Guarantee Fee is payable by each Clearing Participant to the Clearing House in respect of Open Contracts to which the Clearing Participant is a party. The Guarantee Fee must be calculated each day and is an annual percentage determined by the Clearing House of the Clearing Participant's Margin at the time of calculation.
- b) The Guarantee Fee is payable on the last Business Day of each Month or such other times as the Clearing House may, from time to time, determine.

620 Clearing House records

- a) The Clearing House will maintain records in relation to Open Contracts created, liquidated, settled or otherwise dealt with in accordance with the Rules. Such records maintained by the Clearing House under this Rule 620 constitute prima facie evidence of the matters contained in those records.
- b) The Clearing House is entitled to rely without inquiry on all information provided to it by or on behalf of Clearing Participants in creating and in amending its records maintained pursuant to Rule 620(a).

621 Clearing reports

In such form as may be determined by the Clearing House from time to time, the Clearing House will make available to each Clearing Participant documents showing details relating to:

- a) the Clearing Participant's Open Position;
- b) Approved Collateral lodged by the Clearing Participant;
- c) the Clearing Participant's Margin;
- d) cash deposited by the Clearing Participant with the Clearing House; and
- e) cash amounts credited and debited to the Segregated Account and Unsegregated Account of the Clearing Participant.

Chapter 7

OPTIONS

700 Option registration

- a) The Buyer of an Option Open Contract created pursuant to Rule 602 must pay the Premium to the Clearing House.
- b) The Seller of an Option Open Contract created pursuant to Rule 602 is entitled to receive the Premium from the Clearing House.
- c) Premium referred to in Rule 700(a) becomes due on the day the relevant Option Open Contract comes into existence and is payable at such time as is advised by the Clearing House.

701 Notice of exercise

The Exercise by a Buyer of its right under an Option Open Contract must be advised to the Clearing House in the manner prescribed from time to time by the Clearing House and in accordance with the terms of such Option Open Contract.

702 Automatic exercise

- a) With the agreement of the relevant Exchange, the Clearing House may at any time prior to the Expiry of such Option Open Contracts determine procedures which determine the Exercise or otherwise of Option Open Contracts to which the Clearing Participant is a Buyer.
- b) The procedures determined in accordance with Rule 702(a) will apply to the Clearing Participant unless otherwise instructed by the Clearing Participant in the manner prescribed by the Clearing House.

703 Assignment of Exercised Options

For each Option Open Contract Exercised by, or on behalf of, a Clearing Participant the Clearing House may Exercise an Option Open Contract which is identical in all aspects but not necessarily price and contract date where it is the Buyer. Such Option Open Contract Exercised by the Clearing House will be selected by the Clearing House at random, or in such other manner as may from time to time be agreed with the relevant Exchange.

704 Option expiry

The rights of a Buyer to an Option Open Contract which have not been Exercised in accordance with Rule 701, 702 or 703 by the latest time permitted in accordance with the terms of such Option Open Contract are deemed to have expired.

705 Novation of an Option

If the rights and obligations under an Option Open Contract of a Clearing Participant (the “transferor”) are novated pursuant to Rule 610 to another Clearing Participant (the “transferee”):

- a) if the transferor is Buyer to such Open Contract, the Premium for the new Open Contract must be credited to the account of the transferor and debited to the account of the transferee;
- b) if the transferor is Seller to such Open Contract, the Premium for the new Open Contract must be debited to the account of the transferor and credited to the account of the transferee.

706 Futures Option

If a Futures Option is Exercised in accordance with Rule 701, 702 or 703:

- a) in the case of a Call; a Futures Contract, which for the purposes of the Rules will be an Open Contract, comes into existence between the parties to the Futures Option on terms determined in accordance with such Futures Option and the Buyer to such Futures Option shall be Buyer to the Futures Contract;
- b) in the case of a Put; a Futures Contract, which for the purposes of the Rules will be an Open Contract, comes into existence between the parties to the Futures Option on terms determined in accordance with such Futures Option and the Buyer to such Futures Option shall be Seller to the Futures Contract.

707 Exercise/assignment fees

Each Clearing Participant must pay such fee or levy as may be determined from time to time by the Clearing House in respect of the Exercise of each Option Open Contract to which such Clearing Participant is a party.

Chapter 8

CONTRACT SETTLEMENT

800 General

- (a) Deliveries and the acceptance of Deliveries in accordance with the terms of an Open Contract must be performed in accordance with the Rules and such procedures as may from time to time be prescribed by the Clearing House.
- (b) For each Clearing Participant who as Buyer or Seller, as the case may be, to an Open Contract is making Delivery the Clearing House must select a Clearing Participant (which may or may not be the same Clearing Participant) who is Seller or Buyer, as the case may be, to an Open Contract the terms of which are identical in all aspects but not necessarily contract price and contract date. The Clearing House must make such selection in such manner as may from time to time be agreed with an Exchange.

801 Parties to Delivery under an Open Contract

Subject to the relevant Exchange Rules, Delivery under an Open Contract, other than an Option Open Contract, must at the absolute discretion of the Clearing House be either:

- (a) between a Clearing Participant who is Buyer to an Open Contract and a Clearing Participant who is Seller to an Open Contract the terms of which are identical in all aspects but not necessarily contract price and contract date and the Clearing House effected by:
 - (i) the Clearing House directing such Buyer to accept Delivery from such Seller in accordance with the terms of the Open Contract; and
 - (ii) the Clearing House directing such Seller to Deliver to such Buyer in accordance with the terms of the Open Contract; and
 - (iii) the Buyer paying to the Clearing House a settlement amount in accordance with the directions of the Clearing House and the terms of the Open Contract to which the Buyer is party; and
 - (iv) the Clearing House paying to the Seller a settlement amount, calculated in accordance with the terms of the Open Contract to which the Seller is party;

OR

- (b) between the Clearing House and a Clearing Participant who is Buyer to an Open Contract and between the Clearing House and a Clearing Participant who is Seller to an Open Contract the terms of which are identical in all aspects but not necessarily contract price and contract date, effected by:
 - (i) Delivery by such Seller to the Clearing House and the Clearing House paying a settlement amount to such Seller calculated in accordance with the terms of the Open Contract to which the Seller is party; and
 - (ii) Delivery by the Clearing House to such Buyer and the Buyer paying a settlement amount to the Clearing House calculated in accordance with the terms of the Open Contract to which the Buyer is party.

802 Parties to Delivery under an Option Open Contract

Subject to the relevant Exchange Rules, Delivery under an Option Open Contract which has been Exercised must at the absolute discretion of the Clearing House be either:

(a) between a Clearing Participant who is Buyer to an Option Open Contract and a Clearing Participant who is Seller to an Option Open Contract the terms of which are identical in all aspects but not necessarily contract price and contract date and the Clearing House effected by:

(i) in the case of a Call:

- (a) the Clearing House directing such Buyer to accept Delivery from such Seller in accordance with the terms of the Option Open Contract; and
- (b) the Clearing House directing such Seller to Deliver to such Buyer in accordance with the terms of the Option Open Contract; and
- (c) the Buyer paying to the Clearing House a settlement amount in accordance with the terms of the Option Open Contract to which the Buyer is party and directions of the Clearing House; and
- (d) the Clearing House paying to the Seller a settlement amount, calculated in accordance with the terms of the Option Open Contract to which the Seller is party;

(ii) in the case of a Put:

- (a) the Clearing House directing such Seller to accept Delivery from such Buyer in accordance with the terms of the Option Open Contract; and
- (b) the Clearing House directing such Buyer to Deliver to such Seller in accordance with the terms of the Option Open Contract; and
- (c) the Seller paying to the Clearing House a settlement amount in accordance with the terms of the Option Open Contract to which the Seller is party and the directions of the Clearing House; and
- (d) the Clearing House paying to the Buyer a settlement amount, calculated in accordance with the terms of the Option Open Contract to which the Buyer is party;

OR

(b) between the Clearing House and a Clearing Participant who is Buyer to an Option Open Contract and between the Clearing House and a Clearing Participant who is Seller to an Option Open Contract the terms of which are identical in all aspects but not necessarily contract price and contract date, effected by:

(i) in the case of a Call:

- (a) Delivery by such Seller to the Clearing House and the Clearing House paying a settlement amount to such Seller calculated in accordance with the directions of the Clearing House and the terms of the Option Open Contract to which the Seller is party; and
- (b) Delivery by the Clearing House to such Buyer and the Buyer paying a settlement amount to the Clearing House calculated in accordance with the terms of the Option Open Contract to which the Buyer is party;

(ii) in the case of a Put:

- (a) Delivery by such Buyer to the Clearing House and the Clearing House paying a settlement amount to such Buyer calculated in accordance with

the directions of the Clearing House and the terms of the Option Open Contract to which the Buyer is party; and

- (b) Delivery by the Clearing House to such Seller and the Seller paying a settlement amount to the Clearing House calculated in accordance with the terms of the Option Open Contract to which the Seller is party.

803 Delivery procedures

- (a) A Clearing Participant must comply with all provisions of the Rules and the terms of such Open Contract relating to Delivery to the Clearing House or to Clearing Participants (as the case may be) and the acceptance of any Delivery and must comply with all time limits imposed under the Rules and the terms of such Open Contract.
- (b) Acceptance of Delivery by a Clearing Participant effected in accordance with Rule 801 or 802 and payment to the Clearing House in accordance with Rule 801 or 802 and the terms of an Open Contract are deemed to be full and complete discharge of obligations under such Open Contract.
- (c) Delivery by a Clearing Participant in accordance with the terms of an Open Contract and payment by the Clearing House to such Clearing Participant in accordance with Rule 801 or 802 are deemed to be full and complete discharge of obligations under such Open Contract except if that Clearing Participant has delivered a forged or false Instrument or forged or false document evidencing title to such Instrument in which case such delivery does not constitute a discharge of its obligations under such Open Contract as against the Clearing House.
- (d) The Clearing House is not obliged to check any Instrument or purported Instrument or document evidencing title to such Instrument received by the Clearing House from a Seller to an Open Contract or from a Buyer to an Option Open Contract which is a Put.
- (e) The delivery of any Instrument or purported Instrument or document evidencing title to such Instrument to a Clearing Participant as Buyer to an Open Contract or Seller to an Option Open Contract which is a Put in accordance with the terms of such Open Contract is not to be taken to be acceptance by the Clearing House of such Instrument or document evidencing title to such Instrument.
- (f) Rejection in accordance with the procedures from time to time determined by the Clearing House, of any Instrument or document evidencing title to such Instrument delivered to a Clearing Participant as Buyer to an Open Contract or Seller to an Option Open Contract which is a Put pursuant to the terms of such Open Contract is deemed to be rejection by the Clearing House of such Instrument or document evidencing title to such Instrument.

804 Forgery

The Clearing House does not have liability with respect to any forged instrument or document delivered to Clearing Participants pursuant to Rule 801 or 802 and the sole recourse of the Clearing Participant receiving such forged Instrument or document is to the Clearing Participant which delivered or caused to be delivered that forged Instrument or document.

805 Failure to Deliver or pay settlement amount

- (a) A Clearing Participant, directed to Deliver in accordance with Rule 801 or 802 who fails to make such Delivery within the time prescribed by the Clearing House is in default of its obligations.
- (b) A Clearing Participant who fails to accept Delivery or pay a settlement amount in accordance with Rule 801 or 802 is in default of its obligations.
- (c) If the Clearing House is unable to Deliver or effect Delivery due to the failure of a Clearing Participant to meet its obligations under an Open Contract the Clearing House will be under no obligation to Deliver or to effect Delivery but may effect settlement in accordance with Rule 1102.

806 Failure to accept Delivery

A Clearing Participant accepting Delivery in fulfillment of an Open Contract who has not made payment calculated in accordance with the terms of such Open Contract and the directions of the Clearing House is in default of its obligations. Any Instrument which is the subject of such Delivery may be sold by the Clearing House. The proceeds from such sale less any expenses incurred by the Clearing House will be credited to the account of the Clearing Participant that failed to meet its obligations and that Clearing Participant remains liable to pay to the Clearing House the balance of the full settlement amount calculated in accordance with the terms of the Open Contract.

807 Cash settlement

In the case of an Open Contract which is an Adjustment Agreement, settlement must be effected in accordance with the terms of such Open Contract and in accordance with such procedures as are determined by the Clearing House, by the Clearing House paying or receiving, as the case may be, the settlement amount in cash calculated in accordance with the terms of the Open Contract.

808 Contract settlement fees

The Clearing House may charge such fees or levies in respect of the settlement of all rights and obligations of an Open Contract performed in accordance with this Chapter of the Rules. Such fee and levies will be determined by the Clearing House from time to time.

Chapter 9

DISCIPLINARY ACTION

900 Infringement of the Rules

Deleted.

900 Disciplinary action by the Clearing House

- (a) If a Clearing Member fails to comply with the Rules or is in default of its obligations to the Clearing House, the Clearing House may:
 - (i) fine a Clearing Member up to RM 1 million; and/or
 - (ii) suspend or terminate its Participantship.
- (b) In complying with Rule 900(a) the Clearing House is not bound by strict legal rules of evidence and procedure. The decision of the Clearing House is final unless otherwise prescribed by the Clearing House.
- (c) Deleted.
- (d) The Clearing House must notify the Clearing Member in writing of any action taken under Rule 900(a).

901 Appointment of committee, sub-committee or officer(s)

The Clearing House shall appoint a committee, sub-committee or officer(s) of the Clearing House or the Exchange Holding Company to discharge the exercise of its powers under Rule 900.

902. Communication to an Exchange and the Commission

The Clearing House must inform the relevant Exchange(s) and the Commission of all actions taken under this Chapter.

Chapter 10

DEFAULT PROCEDURES

1000 Grounds for default action

Without limiting other powers of the Clearing House, the Clearing House may in its absolute discretion take action in accordance with Rule 1001 if a Clearing Participant (referred to in this Chapter as the “Clearing Participant in Default”):

- (a) fails to meet in full a call for Margin;
- (b) fails to pay a Premium under Rule 700 or any settlement difference pursuant to Rule 608 or 612;
- (c) fails to promptly meet its obligations under the terms of an Open Contract;
- (d) fails to meet in full its Clearing Fund Contribution;
- (e) who is a Direct Clearing Participant, fails to meet in full its Direct Clearing Participant Deposit;
- (f) ceases to be an Affiliate of an Exchange due to termination of its participantship by such Exchange or its participantship of an Exchange is suspended;
- (g) is unable to pay its debts as and when they fall due in the ordinary course of business; and
- (h) files a petition for the winding up of its affairs, or, has been ordered to wind up its affairs (voluntary or involuntary winding up).

1001 Default action

Pursuant to Rule 1000, the Clearing House may:

- (a) liquidate and/or novate the rights and obligations under the Open Contracts of the Clearing Participant in Default in accordance with Rule 1002;
- (b) liquidate any Approved Collateral and calculate the sum of all assets of the Clearing Participant in Default including its Security Deposit, Direct Clearing Participant Deposit (where applicable), Clearing Fund Contribution, cash and any other assets held by the Clearing House;
- (c) set-off any loss incurred by the Clearing House pursuant to Rule 1001(a) against the monies determined in accordance with 1001(b) and;
 - (i) any surplus monies must be utilised in accordance with Rule 1003;
 - (ii) any deficit must be met in accordance with Rule 1004.

1002 Novation or liquidation of Open Position

- (a) Pursuant to Rule 1001(a) the Clearing House may in its absolute discretion take any one or more of the following actions at any time and in any order;
 - (i) in relation to Open Contracts recorded in the Unsegregated Account of the Clearing Participant in Default, appoint one or more Clearing Participants to liquidate such Open Contracts;

- (ii) in relation to Open Contracts recorded in the Segregated Account of the Clearing Participant in Default;
 - (a) appoint one or more Clearing Participants to whom any such Open Contracts may be novated. When all Open Contracts recorded in a Sub-Account are so novated to a Clearing Participant, all monies and Approved Collateral held in relation to that Sub-Account must be transferred to that Clearing Participant; and/or
 - (b) appoint one or more Clearing Participants to liquidate such Open Contracts.
 - (iii) take offsetting positions in any other markets, which in the opinion of the Clearing House will assist to preserve the financial integrity of the Clearing House;
 - (iv) take any other action which it deems necessary for the protection of the public interest.
- (b) The Clearing House in acting to liquidate and/or novate the Open Contracts of a Clearing Participant in Default pursuant to Rule 1002(a)(i) and Rule 1002(a)(ii)(b) may use any form of trading procedure open to a Clearing Participant under the relevant Exchange Rules.
 - (c) If the Clearing House after considering all alternatives and after consultation with the relevant Exchange determines that there is no available market open to it or to liquidate the Open Position of a Clearing Participant in Default would disrupt a fair and orderly market, the Clearing House may take action in accordance with Rule 1101.

1003 Settlement of obligations

The Clearing House must pay any surplus determined pursuant to Rule 1001(c)(i) to the Clearing Participant in Default.

1004 Call upon funds

Any shortfall determined pursuant to Rule 1001(c)(ii) must be met and made good by the use and application of funds in accordance with Rule 406. If a shortfall still exists after taking all actions under Rule 406, then and only then may the Clearing House use any remaining shareholders' funds to the extent of the shortfall.

1005 Advice to an Exchange and the Commission

The Clearing House must inform the relevant Exchange(s) and the Commission of all actions taken under this Chapter.

Chapter 11

SPECIAL ACTION RULES

1100 Special action

If the Clearing House determines that a situation exists or is developing which threatens the financial integrity of the Clearing House or any Clearing Participant, it may take all or any of the following actions and/or any other action which in its absolute discretion it deems appropriate and which is consistent with the Rules:

- (a) direct any or all Clearing Participants to lodge additional cash and/or security with the Clearing House in respect of all or particular Open Contracts;
- (b) refuse to Register Market Contracts, or place such conditions as it, in its absolute discretion deems appropriate upon acceptance by the Clearing House of Market Contracts for Registration;
- (c) suspend or terminate the Participantship of any Clearing Participant whose financial condition or business conduct jeopardises or may jeopardise the financial integrity or the reputation of the Clearing House.

1101 Emergency settlement

Pursuant to Rule 1002(c) and if the Clearing House in its absolute discretion considers that a fair and orderly market is not available or is not likely to be available, the Clearing House may:

- (a) request the relevant Exchange to provide an emergency settlement price;
- (b) liquidate, by cash settlement pursuant to Rule 807 all or any Open Contracts as may be determined by the Clearing House with reference to the emergency settlement price determined in accordance with Rule 1101(a).

1102 Substitute for Delivery

- (a) If a Seller or a Buyer, as the case may be, to an Open Contract has failed to Deliver, pursuant to Rule 805(c) the Clearing House must:
 - (i) request the relevant Exchange to provide an emergency settlement price;
 - (ii) liquidate, by cash settlement pursuant to Rule 807 such Open Contract with reference to the emergency settlement price determined in accordance with Rule 1102(a).
- (b) Pursuant to Rule 1102(a) the Seller or Buyer, as the case may be, to such Open Contract is also liable to pay to the Clearing House such sum as may be determined by the Clearing House as compensation and upon receipt of such sum the Clearing House must pay that sum to the Clearing Participant who was disadvantaged by such failure to Deliver.

1103 Position limits

The Clearing House may, at any time and from time to time in its absolute discretion limit its exposure to all or any Clearing Participant(s). Such limit may be expressed in terms of number of Open Contracts or Margin. Any Clearing Participant exceeding such limit is in breach of the Rules.

1104 Notice to Commission and an Exchange

The Clearing House must promptly notify the Commission and the relevant Exchange(s) of any action taken by it under Rules 1100 and 1101.

Schedule 1
Computation of Net Tangible Assets under rule 209

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 Member by its Related Corporations except receivables due in the ordinary course of business from a financial institution licensed by Bank Negara;
- b) shares held in a Related Corporations unless otherwise approved by the Board; 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 Board.

3. Related Corporation

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

- a) in which the Member 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 Member;

- c) which effectively directs or has the ability to directly or indirectly influence the management policies of the Member;
- d) of which management policies the Member 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 Member.

Schedule 2
Computation of Adjusted Net Capital under rule 210

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 from time to time 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 Bank Negara 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 Board;

- viii) receivables resulting from the sale of inventories commonly associated with the business activities of the Member, which in the opinion of the Member's auditors, are good for collection; and
- ix) such other amounts as may be determined by the Board from time to time;
- 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 Member 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 Corporation unless otherwise approved by the Board;
- e) all advances or loans to any director or employee of the Member or any third party;
- f) all amounts owed to the Member by its Related Corporations 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 Bank Negara Malaysia for which there are readily ascertained market prices;
 - iv) securities listed on a stock exchange approved by the Board;
 - v) such other securities as may be approved by the Board from time to time;
- j) such other items as may be determined by the Board from time to time.

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:
 - i) which has a remaining term to maturity of not less than one year; and
 - ii) to which an Exchange is a party,
 up to a maximum amount of four times the shareholders' funds of the Member;
- 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 Member and applied for use in the normal course of the business of the Member, 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 Board.

3. Additional Deductions

The Board 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 Board;
- c) such other securities that may be approved by the Board from time to time;
- d) receivables due in the ordinary course of business from a financial institution licensed by Bank Negara;
- e) receivables from other Affiliates of the Clearing House or another clearing house approved by the Board 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 margin requirement on open contracts in the proprietary account of a Member 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 Board from time to time.

4. Related Corporation

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

- a) in which the Member 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 Member;
- c) which effectively directs or has the ability to directly or indirectly influence the management policies of the Member;
- d) of which management policies the Member 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 Member.

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 Member 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 Member; and
- c) the Member has a legally enforceable written security agreement executed by the debtor in its favour under which the Member 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 Member is computed.

Schedule 3

UNDERTAKING BY [name of applicant]

To :

Bursa Malaysia Derivatives Clearing Berhad
6th Floor Exchange Square
Bukit Kewangan
50200 Kuala Lumpur

Compliance with the Business Rules of Bursa Malaysia Derivatives Clearing Berhad (“the Clearing House”)

In consideration of the Clearing House *approving / having approved the application for admission of [name of applicant] (hereinafter referred to as “the Company”) as a *General Clearing Participant / Direct Clearing Participant of the Clearing House and for utilisation of the services and facilities made available by the Clearing House to the Company under this category of participants **WE HEREBY ACKNOWLEDGE** that the Company can remain as a Clearing Participant of the Clearing House, and utilisation of any of such services and facilities by the Company can continue only during the pleasure of the Clearing House and **WE HEREBY UNDERTAKE AND AGREE** to comply with the Business Rules of the Clearing House which shall be in force from time to time, insofar as the same shall apply to the Company.

The above Undertaking has been signed by me for and on behalf of the Company as [title] of the Company pursuant to authority granted to me by resolution of the board of directors of the Company on

Date :

Signature :

Name :

NRIC No. :

* Delete whichever inapplicable

DEFINITIONS AND INTERPRETATION

1. Definitions

In the Rules, unless the contrary intention appears, the words appearing in the first column of the table set out below have the meanings set out opposite to them respectively in the second column.

Act	The Capital Markets and Services Act 2007.
Adjusted Net Capital	An amount calculated in accordance with Rule 210.
Adjustment Agreement	As defined in the Exchange Rules.
Affiliate	As defined in the Act.
Allocation	The novation from one Clearing Participant to another Clearing Participant, of all rights and obligations under an Open Contract arising from Registration of a Market Contract including but not limited to the payment of Clearing Fee.
Approved Collateral	As defined in Rule 616.
Approved Market	A market operated by an Exchange.
Assign	The invoking of the rights granted to the Clearing House as Buyer to an Option Open Contract in accordance with Rule 703.
Audited Accounts	Accounts certified by an Auditor.
Auditor	A professional accountant registered and holding a practising certificate under the Accountants Act 1967 (Revised 1972).
Articles	The memorandum and articles of association of the Clearing House in force for the time being.
Bank Negara	The Central Bank of Malaysia established by the Central Bank of Malaysia Ordinance 1958.
Board	The Board of Directors of the Clearing House.
Business Day	Any day other than a Saturday, Sunday or public holiday, which has not been declared a non-business day by the Clearing House.
Buyer	The party to a Derivative taking a Long Position.

Call	Option type of an Option Open Contract. A Call option provides the taker of such Option with the right to become the buyer of the underlying Instrument or Buyer to the underlying contract or, in the case of an Option which is an Adjustment Agreement, is advantaged by an increase in the Reference Price to which that Adjustment Agreement relates, as the case may be.
Capital Markets Services Licence	Shall have the same meaning as is assigned to that expression in the Act.
Clearing facilities	Shall have the same meaning as is assigned to that expression in the Act, in relation to the Clearing House.
Clearing Fee	A fee payable in accordance with Rule 618.
Clearing House	Bursa Malaysia Derivatives Clearing Berhad.
Clearing Fund	A fund established by the Clearing House in accordance with Chapter 4.
Clearing Fund Contribution	The amount required from time to time to be contributed by a Clearing Participant to the Clearing Fund pursuant to Rule 401.
Clearing Participant	An Affiliate of the Clearing House
Clearing Fund Statement	A document issued to a Clearing Participant in relation to that Clearing Participant's Clearing Fund Contribution.
Client	As defined in the Act.
Commission	The Securities Commission established under the Securities Commission Act 1993.
Daily Settlement Price	In relation to an Open Contract, a price determined in accordance with Rule 611.
Delivery	Settlement by delivery of an Instrument in accordance with Chapter 8 of the Rules and pursuant to the terms of an Open Contract which is an Eligible Delivery Agreement or an Eligible Option.
Derivatives	Futures Contracts and Options.
Direct Clearing Participant	An Affiliate of the Clearing House whose application for Participantship has been approved under Chapter 2 and who has met all the conditions in Rule 200B.
Direct Clearing Participant Deposit	An amount required to be deposited with the Clearing House by each Direct Clearing Participant in accordance with Rule 206B.

Eligible Delivery Agreement	As defined in the Exchange Rules.
Eligible Option	A contract under which a party acquires from another party an option or right, exercisable at or before a stated time: <ul style="list-style-type: none"> a) to buy from, or sell to, that other party a stated quantity of a named Instrument at a price stated in, or to be determined in accordance with, the contract; or b) to be paid by that party to that other party, at the time when the option or right is exercised, an amount of money to be determined by reference to a Reference Price.
Exchange	Such body corporate approved under Section 8(2) of the Act and for which the Clearing House provides clearing facilities.
Exchange Rules	In relation to an Exchange, the business rules of that Exchange, including any instrument issued under them, as amended or added to from time to time.
Exercise	The invoking of the rights of the Buyer to an Option in accordance with the Rules.
Expired	The rights of a Buyer to an Option having lapsed.
Expiry	The date and time at which in accordance with the terms of an Option the right of the Buyer to the Option to Exercise lapses.
Exchange Holding Company	Bursa Malaysia Berhad.
Financial Year	In relation to a Clearing Participant a period not longer than twelve consecutive months which is adopted by that Clearing Participant as its financial year for accounting purposes.
Futures Broker	Deleted
Futures Contract	An Eligible Delivery Agreement or an Adjustment Agreement.
Futures Option	An option or right to assume, at a stated price or value and within a stated period, a Long Position or a Short Position, in relation to a Futures Contract.
General Clearing Participant	An Affiliate of the Clearing House whose application for Participantship has been approved under Chapter 2 and who has met all the conditions in Rule 200A.

Guarantee Fee	A fee determined and calculated in accordance with Rule 619.
Guidelines on Investment Banks	Guidelines on Investment Banks issued jointly by Bank Negara and the Commission, including subsequent amendments, modifications, variations, supplements or substitutes thereto and any directives or guidelines as may be issued thereunder.
in writing	Written, printed or lithographed or partly one and partly another or other modes of representing or reproducing words in a visible form.
Instrument	As defined in the Exchange Rules.
Investment Bank	As referred to in the Guidelines on Investment Banks
Investment Bank Capital Adequacy Framework	As referred to in the Guidelines on Investment Banks.
Long Position	As defined in the Exchange Rules.
Margin	Initial margin, being payment or deposit from a Clearing Participant as security for performance by that Clearing Participant of obligations under all Open Contracts to which that Clearing Participant is party
Market Contract	A Futures Contract or Option entered into in accordance with the Exchange Rules.
Participanship	Ability to exercise the rights of a Clearing Participant under the Rules.
Participanship Committee	A committee of the Clearing House appointed pursuant to Rule 105.
Minister	As defined in the Act.
Month	Calendar month.
Net Tangible Assets	An amount calculated in accordance with Rule 209.
Officer	As defined in the Act.
Open Contract	A Futures Contract or Option between a Clearing Participant and the Clearing House which has not been extinguished or terminated in accordance with the Rules.
Open Position	In relation to a Clearing Participant all Open Contracts to which that Clearing Participant is party.
Option	An Eligible Option or a Futures Option.

Option Open Contract	An Open Contract which is an Option.
Participating Organisation	Shall have the same meaning as is assigned to that expression in the rules of the Stock Exchange;
Premium	The sum of money which is consideration for the grant of an Option.
Put	Option type of an Option Open Contract. A Put option provides the taker of such Option with the right to become the seller of the underlying Instrument or Seller to the underlying contract or, in the case of an Option which is an Adjustment Agreement, is advantaged by a decrease in the Reference Price to which that Adjustment Agreement relates, as the case may be.
Registration	The extinguishment of a Market Contract and the creation of two Open Contracts in accordance with Rule 602.
Related Corporation	As defined in the Act.
Reference Price	A value or price of an Instrument or other property, or the numerical value of an index, an interest rate or other factor.
RM	Ringgit Malaysia
Rules	These business rules, including any instrument under the rules, as amended or added to from time to time.
Security Deposit	An amount required to be deposited with the Clearing House by each Clearing Participant in accordance with Rule 206.
Segregated Account	An account maintained by the Clearing House in the name of a Clearing Participant and established under Rule 604.
Seller	The party to a Derivative taking a Short Position.
Short Position	As defined in the Exchange Rules.
Stock Exchange	Shall have the same meaning as is assigned to that expression in the Act.
Sub-Account	An account maintained by the Clearing House within the Segregated Account of a Clearing Participant bearing such identification as advised by that Clearing Participant.
Trading in futures contracts	Shall have the same meaning as is assigned to that expression in the Act.
Universal Broker	Deleted

Unsegregated Account An account maintained by the Clearing House in the name of a Clearing Participant and established under Rule 604.

2. Interpretation

In the Rules:

- a) words importing the singular number include the plural number and vice versa.
 - b) words importing the masculine gender include the feminine or neuter gender and vice versa.
 - c) words denoting a person include, in the appropriate context, a corporation.
 - d) the meaning of any term defined in the Rules extends to all grammatical variations and cognate expressions of that term.
 - e) headings in the Rules are inserted for convenience of reference only and must be ignored in the construction of the Rules.
 - f) a reference to any statute, ordinance or other law includes all regulations and other instruments under it and all consolidations, amendments, re-enactments or replacements of any of them for the time being in force.
3. In the event of any inconsistency between any provision of the Act and the Rules, that provision of the Act prevails to the extent of that inconsistency.