

BURSA MALAYSIA DERIVATIVES BERHAD

Date : 2 February 2007

Trading Participant Circular : 4/2007

**AMENDMENTS TO THE RULES OF BURSA MALAYSIA DERIVATIVES BERHAD
(BURSA DERIVATIVES) PERTAINING TO GIVE UP OF CONTRACTS**

In respect of the above matter, please be informed that pursuant to Section 6 of the Futures Industry Act 1993, the following amendments have been made to the Rules of Bursa Derivatives in relation to the give up of Contracts as detailed below, and the said amendments shall take effect from **2 February 2007**:

- (a) Rule 603.1A of the Rules of Bursa Derivatives have been amended to remove the prohibition on Investment Banks who are Trading Participants to execute orders for a client for the purpose of giving up Contracts resulting from such orders (“Give Up Contracts”) to another Trading Participant who is also a Clearing Participant.
- (b) A new Rule 603.1A(b)(iv) has been inserted to provide that all Clearing Participants who clear Give Up Contracts shall have in place adequate internal controls and monitoring mechanism to ensure that all Contracts given up to them by Trading Participants are cleared in accordance with the Rules of Bursa Malaysia Derivatives Clearing Bhd.

The above amendments are attached herein as **Annexure 1**.

All rules, directives or circulars in force which make references to or contain provisions relating to the above matters shall have effect from the abovementioned date as if such reference or provisions relate to the amended provisions aforesaid.

Please direct any queries you may have in relation to the above rule amendments to the Ms Shohbana Vythy at 03-20347312.

This circular is available on Bursa Malaysia’s website at this link:http://www.bursamalaysia.com/website/bm/rules_and_regulations/bursa_rules/bm_derivatives.html

Legal Advisory & Corporate Legal Affairs

Date: 2 February 2007

ANNEXURE 1

PROPOSED AMENDMENTS TO THE RULES OF BURSA MALAYSIA DERIVATIVES PERTAINING TO GIVE UP TRADES

Existing Rule		Amended Rule	
<p>Rule 603.1A</p>	<p>Rule 603.1A</p> <p>Without prejudice to the generality of Rule 601, a Trading Participant (“the first-mentioned Trading Participant”) with the exception of an Investment Bank shall be permitted to execute orders on behalf of a Client for the purpose of giving up Contracts resulting from such orders to another Trading Participant (“the second-mentioned Trading Participant”) who is also a Clearing Participant. The second-mentioned Trading Participant will clear these Contracts and maintain them in its Clients’ Account:</p> <p>(a) for the purpose of Rule 603.1A and wherever the Rule is referred to herein, the first-mentioned Trading Participant shall be known as the Executing Broker and the second-mentioned Trading Participant shall be known as the Clearing Broker;</p> <p>(b) before any Client’s orders are executed for give up as provided for under Rule 603.1A above, the following must be complied with:-</p> <p style="padding-left: 20px;">(i) the Executing Broker shall comply with the provisions for obtaining proper authorisation from the Client when accepting instructions, suitability of</p>	<p>Rule 603.1A</p>	<p>Rule 603.1A</p> <p>Without prejudice to the generality of Rule 601, a Trading Participant (“the first-mentioned Trading Participant”) shall be permitted to execute orders on behalf of a Client for the purpose of giving up Contracts resulting from such orders to another Trading Participant (“the second-mentioned Trading Participant”) who is also a Clearing Participant. The second-mentioned Trading Participant will clear these Contracts and maintain them in its Clients’ Account:</p> <p>(a) for the purpose of Rule 603.1A and wherever the Rule is referred to herein, the first-mentioned Trading Participant shall be known as the Executing Broker and the second-mentioned Trading Participant shall be known as the Clearing Broker;</p> <p>(b) before any Client’s orders are executed for give up as provided for under Rule 603.1A above, the following must be complied with:-</p> <p style="padding-left: 20px;">(i) the Executing Broker shall comply with the provisions for obtaining proper authorisation from the Client when accepting instructions, suitability of recommendation and order taking as set out in Rules 603.1(b), 603.2 and 603.3 respectively;</p>

ANNEXURE 1

Existing Rule		Amended Rule	
	<p>recommendation and order taking as set out in Rules 603.1(b), 603.2 and 603.3 respectively;</p> <p>(ii) the Clearing Broker shall comply with the provisions set out in Rules 603 in its entirety with the exception of Rules 603.1(b), 603.2 and 603.3; and</p> <p>(iii) unless otherwise determined by the Exchange, a tripartite Brokerage Execution Services Agreement (containing at a minimum the terms prescribed in Schedule 1A) shall be executed between the Client, Executing Broker and Clearing Broker.</p>		<p>(ii) the Clearing Broker shall comply with the provisions set out in Rules 603 in its entirety with the exception of Rules 603.1(b), 603.2 and 603.3; and</p> <p>(iii) unless otherwise determined by the Exchange, a tripartite Brokerage Execution Services Agreement (containing at a minimum the terms prescribed in Schedule 1A) shall be executed between the Client, Executing Broker and Clearing Broker.</p> <p>(iv) the Clearing Broker shall have in place adequate internal controls and monitoring mechanism to ensure that Contracts given up by the Executing Broker to it are cleared pursuant to the rules of the Clearing House.</p>