

## CHAPTER 8

### SBL NEGOTIATED TRANSACTIONS

#### 8.1 PARTIES WHO MAY ENTER INTO A SBL NEGOTIATED TRANSACTION

Only a SBLNT Participant may enter into a SBL Negotiated Transaction subject to compliance with the relevant requirements set out in these Rules.

#### 8.2 APPLICATION TO BE AN APPROVED SBLNT LENDER

Any person who wishes to be an Approved SBLNT Lender must:

- (i) submit a complete and duly executed application and undertaking in the prescribed form via its Lending Representative to the Clearing House; and
- (ii) comply with all requirements prescribed by the Clearing House for an Approved SBLNT Lender as contained in these Rules, the SBL Conditions or as prescribed by the Clearing House from time to time in relation to Securities borrowing and lending.

#### 8.3 APPLICATION TO BE AN APPROVED SBLNT BORROWER

To become an Approved SBLNT Borrower, the person must:–

- (a) fall within one of the categories of persons prescribed by the Clearing House to be eligible to become an Approved SBLNT Borrower;
- (b) submit a complete and duly executed application and undertaking in the prescribed form via its Borrowing Representative to the Clearing House;
- (c) comply with all requirements prescribed by the Clearing House for an Approved SBLNT Borrower as contained in these Rules or as prescribed by the Clearing House from time to time in relation to the SBL Negotiated Transactions; and
- (d) comply with Rule 7.20 of the Exchange Rules as if it were the Participating Organisation referred to in such Rules.

#### 8.4 DISCRETION OF THE CLEARING HOUSE

- (a) The Clearing House may exercise discretion over the approval of an application to be a SBLNT Participant and may approve or reject such application as it deems fit. The Clearing House may also approve an application unconditionally or subject to such conditions, as it deems fit.
- (b) The Clearing House may revoke the approval given to a SBLNT Participant, at any time without further reference to the SBLNT Participant when any one or more of the following events occurs:
  - (i) When a SBLNT Participant applies for revocation;

- (ii) When a SBLNT Participant is no longer eligible under Rule 8.2 or Rule 8.3, as the case may be, to continue as an Approved SBLNT Lender or Approved SBLNT Borrower; or
- (iii) Where the Clearing House deems necessary in consultation with the Commission.

Where the Clearing House has revoked the approval given to a SBLNT Participant, the Clearing House may direct such SBLNT Participant to terminate its SBL Negotiated Transaction and, in the case of an Approved SBLNT Borrower, to re-deliver the Loaned Securities to the Approved SBLNT Lender within the timeframe and in the manner as prescribed by the Clearing House.

## **8.5 PURPOSES OF SECURITIES BORROWING**

- (a) An Approved SBLNT Borrower may borrow Eligible Securities only for any one of the following purposes subject to such requirements as may be prescribed by the Clearing House:
  - (i) to facilitate the settlement of a regulated short sale in Eligible Securities executed in accordance with the Exchange Rules;
  - (ii) to facilitate the settlement of a sale of Eligible Securities where there are no Securities or insufficient Securities in the securities account of the seller as will enable the seller to meet its delivery obligations to the purchaser (in accordance with the Exchange Rules relating to delivery and settlement) (“potential failed trade”) as a result of a mistake howsoever made when executing the sale provided always that the mistake was made in good faith and discovered only after the sale has been executed;
  - (iii) in relation to Eligible Securities that are ETF units or the Constituent Securities (the ETF Units, the Constituent Securities or any one of the Constituent Securities shall hereinafter be collectively referred to as “the ETF Related Securities”), to facilitate the settlement of a sale in the ETF Related Securities where the following requirements are complied with:
    - (aa) the sale was executed by the Approved SBLNT Borrower in its capacity as a Market Maker for that particular ETF Related Securities or executed by the Approved SBLNT Borrower for its client who is a Market Maker for that particular ETF Related Securities; and
    - (bb) the Approved SBLNT Borrower executed the sale as part of its Permitted Short Selling activities or as part of the Permitted Short Selling activities of the Approved SBLNT Borrower’s client in accordance with the rules on Permitted Short Selling as contained in the Exchange Rules;
  - (iv) to onward lend the Loaned Securities provided that the participants in the onward lending transaction comply with these Rules and the Clearing House’s requirements in relation to Bursa SBL Transaction or SBL Negotiated Transactions (as applicable), including being approved as a Lender or Lending Participant or an Approved SBLNT Lender (as applicable); or
  - (v) for such other purposes as may be determined by the Clearing House in consultation with the Commission.

- (b) Where the Loaned Securities are borrowed to facilitate the settlement of a potential failed trade as provided in Rule 8.5(a)(ii) above, the Approved SBLNT Borrower must return such Loaned Securities within the time prescribed by the Clearing House.
- (c) For the purpose of this sub-rule (a), unless the context otherwise requires –
  - (i) “Constituent Securities” shall have the meaning as is assigned to that expression in the Exchange Rules;
  - (ii) “ETF” means exchange traded fund as defined in the Commission’s Guidelines on Exchange Traded Funds;
  - (iii) “Market Maker” shall have the meaning as is assigned to that expression in the Exchange Rules;
  - (iv) “Permitted Short Selling” shall have the meaning as is assigned to that expression in the Exchange Rules; and
  - (v) “regulated short sale” shall have the same meaning as is assigned to that expression in the Exchange Rules.

## **8.6 APPROVAL AS LENDING REPRESENTATIVE**

- (a) A Clearing Participant seeking approval to act as a Lending Representative must:
  - (i) satisfy the requirements of Rule 8.7(c);
  - (ii) apply to the Clearing House to be approved as a Lending Representative and specify it is applying to be a Lending Representative for SBL Negotiated Transactions; and
  - (iii) submit to the Clearing House a written declaration in the form prescribed in Appendix 1 together with its application as referred to above.
- (b) Without prejudice to the power conferred on the Clearing House in Rule 2A.2 pertaining to the conduct of inspection on a Clearing Participant, the Clearing House may, at any time and/or from time to time prior to or after the receipt of the prescribed declaration in Appendix 1, undertake any inspection and/or audit on the Clearing Participant seeking approval to act as a Lending Representative in the manner determined by the Clearing House.
- (c) The Clearing House may, in approving any application made by a Clearing Participant pursuant to Rule 8.6(a), impose such requirements or conditions as it deems necessary to ensure the smooth operation of the SBL Negotiated Transactions.
- (d) Notwithstanding and without prejudice to any other provisions in this Chapter, the Clearing House shall not be obligated to approve the application of every Clearing Participant to be a Lending Representative.
- (e) A Clearing Participant who has been approved to act as a Lending Representative must act as the duly appointed representative of the Approved SBLNT Lender when performing the functions and responsibilities set out under Rule 8.7(a) and as may be specified by the Clearing House from time to time.
- (f) A Clearing Participant must not perform the functions and responsibilities set out under Rule 8.7(a) for any Approved SBLNT Lender, as its representative, unless it has first been approved as a Lending Representative and has entered into a written

agreement with such Approved SBLNT Lender to be appointed as his or its Lending Representative, which agreement must include the matters specified in Appendix 2.

## **8.7 FUNCTIONS AND RESPONSIBILITIES OF LENDING REPRESENTATIVE**

- (a) A Clearing Participant who is approved and appointed to be a Lending Representative for an Approved SBLNT Lender must have, amongst others, the following functions and responsibilities:
- (i) To process the application of any person applying to be an Approved SBLNT Lender (hereinafter in this Rule referred to as "the Said Approved SBLNT Lender");
  - (ii) To transmit or forward to the Said Approved SBLNT Lender any notification or update communicated by the Clearing House in relation to the Said Approved SBLNT Lender's SBL Negotiated Transactions or received by the Lending Representative from the Clearing House for the information of the Said Approved SBLNT Lender;
  - (iii) To collect all Documents, forms, agreements, deeds including any amendments or variations thereof relating to or governing the SBL Negotiated Transactions as the Clearing House may require from time to time, from the Said Approved SBLNT Lender for submission to the Clearing House and from the Clearing House for transmission to the Said Approved SBLNT Lender;
  - (iv) To receive any fees and charges due and payable by the Said Approved SBLNT Lender to the Clearing House arising with respect to any of the services and facilities provided by the Clearing House in relation to the SBL Negotiated Transactions and to pay to the Clearing House such fees and charges in relation to the SBL Negotiated Transactions;
  - (v) To furnish to the Clearing House such information or Documents relating to the SBL Negotiated Transactions and such advice, statement and report on the operation of the SBL Negotiated Transactions at such times and in such manner as may be prescribed by the Clearing House;
  - (vi) To give effect to any instructions, directives or orders given by the Clearing House to facilitate the operation of any transactions by the Said Approved SBLNT Lender relating to the SBL Negotiated Transactions;
  - (vii) To immediately notify the Clearing House upon it becoming aware of any breach committed or likely to be committed by the Said Approved SBLNT Lender of any of these Rules or requirements imposed by the Clearing House on the Said Approved SBLNT Lender in relation to the SBL Negotiated Transactions; and
  - (viii) Such other functions and responsibilities as may be specified by the Clearing House from time to time.
- (b) The Clearing House may, by notice given to the Clearing Participant from time to time, amend, vary or modify the functions and responsibilities of the Clearing Participant as a Lending Representative in relation to the SBL Negotiated Transactions.
- (c) A Clearing Participant seeking approval to act as a Lending Representative or who is approved to act as a Lending Representative must ensure that it has in place, at all times, the requisite systems, infrastructure, functionalities and controls for the performance of the functions and responsibilities stipulated in Rule 8.7(a).

- (d) In performing the functions and responsibilities stipulated in Rule 8.7(a) on behalf of the Said Approved SBLNT Lender, a Clearing Participant approved as a Lending Representative must comply with the procedures or requirements as may be imposed by the Clearing House from time to time.

## **8.8 APPROVAL AS BORROWING REPRESENTATIVE**

- (a) A Clearing Participant seeking approval to act as a Borrowing Representative in relation to the SBL Negotiated Transactions must:
- (i) satisfy the requirements of Rule 8.9(c) below;
  - (ii) apply to the Clearing House to be approved as a Borrowing Representative; and
  - (iii) submit to the Clearing House a written declaration in the form prescribed in Appendix 3, together with its application as referred to above.
- (b) Without prejudice to the power conferred on the Clearing House in Rule 2A.2 pertaining to the conduct of inspection on a Clearing Participant, the Clearing House may, at any time and/or from time to time prior to or after the receipt of the prescribed declaration in Appendix 3, undertake any inspection and/or audit on the Clearing Participant seeking approval to act as a Borrowing Representative in the manner determined by the Clearing House.
- (c) The Clearing House may, in approving any application made by a Clearing Participant pursuant to Rule 8.8(a), impose such requirements or conditions as it deems necessary to ensure the smooth operation of the SBL Negotiated Transactions.
- (d) Notwithstanding and without prejudice to any other provisions in this Chapter, the Clearing House shall not be obligated to approve the application of every eligible Clearing Participant to be a Borrowing Representative.
- (e) A Clearing Participant who has been approved to act as a Borrowing Representative must act as the duly appointed Representative of the Approved SBLNT Borrower when performing the functions and responsibilities set out under Rule 8.9(a) and as may be specified from time to time.
- (f) A Clearing Participant must not perform the functions and responsibilities set out under Rule 8.9(a) for any Approved SBLNT Borrower as its representative, unless it has first been approved as a Borrowing Representative and has entered into a written agreement with such Approved SBLNT Borrower to be appointed as his or its Borrowing Representative, which agreement must include the matters specified in Appendix 4.

## **8.9 FUNCTIONS AND RESPONSIBILITIES OF BORROWING REPRESENTATIVE**

- (a) A Clearing Participant who is approved and appointed to be a Borrowing Representative for an Approved SBLNT Borrower must have, amongst others, the following functions and responsibilities:
- (i) To process the application of any eligible person applying to be an Approved SBLNT Borrower (hereinafter in this Rule referred to as “the Said Approved SBLNT Borrower”);

- (ii) To transmit or forward to the Said Approved SBLNT Borrower any notification or update communicated by the Clearing House in relation to the Said Approved SBLNT Borrower's SBL Negotiated Transactions or received by the Borrowing Representative from the Clearing House for the information of the Said Approved SBLNT Borrower;
  - (iii) To collect all Documents, forms, agreements, deeds including any amendments or variations thereof relating to or governing the SBL Negotiated Transactions as the Clearing House may require from time to time, from the Said Approved SBLNT Borrower for submission to the Clearing House and from the Clearing House for transmission to the Said Approved SBLNT Borrower;
  - (iv) To receive any fees and charges due and payable by the Said Approved SBLNT Borrower to the Clearing House arising with respect to any of the services and facilities provided by the Clearing House in relation to the SBL Negotiated Transactions and to pay to the Clearing House such fees, charges in relation to the SBL Negotiated Transactions;
  - (v) To furnish to the Clearing House such information or Documents relating to the SBL Negotiated Transactions and such advice, statement and report on the operation of the SBL Negotiated Transactions at such times and in such manner as may be prescribed by the Clearing House;
  - (vi) To give effect to any instructions, directives or orders given by the Clearing House to facilitate the operation of any transactions by the Said Approved SBLNT Borrower relating to the SBL Negotiated Transactions;
  - (vii) To immediately notify the Clearing House upon it becoming aware of any breach committed or likely to be committed by the Said Approved SBLNT Borrower of any of these Rules or requirements imposed by the Clearing House on the Said Approved SBLNT Borrower in relation to the SBL Negotiated Transactions; and
  - (viii) Such other functions and responsibilities as may be specified by the Clearing House from time to time.
- (b) The Clearing House may, by notice given to the Clearing Participant from time to time, amend, vary or modify the functions and responsibilities of the Clearing Participant as a Borrowing Representative in relation to the SBL Negotiated Transactions.
- (c) A Clearing Participant seeking approval to act as a Borrowing Representative or who is approved to act as a Borrowing Representative must ensure that it has in place, at all times, the requisite systems, infrastructure, functionalities and controls for the performance of the functions and responsibilities stipulated in Rule 8.9(a).
- (d) In performing the functions and responsibilities stipulated in Rule 8.9(a) on behalf of the Said Approved SBLNT Borrower, a Clearing Participant must comply with the procedures or requirements as may be imposed by the Clearing House from time to time.

## **8.10 SECURITIES BORROWING AND LENDING AGREEMENT APPROVED BY THE COMMISSION**

SBLNT Participants or their clients may include the matters set out in Appendix 5 in the agreement that governs the terms and conditions of the Securities borrowing and lending transaction that is facilitated by the Clearing House under Chapter 8 and if they do, such

agreement will be deemed a Securities borrowing and lending agreement approved by the Commission as referred to in the Securities Borrowing and Lending Guidelines issued by the Commission.

### **8.11 ACCESS TO SBLNT SYSTEM**

- (a) Upon approval of an application to be a Lending Representative or a Borrowing Representative made pursuant to Rule 8.6(a) or Rule 8.8(a), as the case may be, the Clearing Participant shall be given access to the SBLNT System to perform any of its functions and responsibilities as a Lending Representative or a Borrowing Representative in relation to the SBL Negotiated Transactions.
- (b) Such Clearing Participant must comply with any conditions or requirements prescribed by the Clearing House from time to time in relation to the access to or usage of the SBLNT System

### **8.12 REQUIREMENTS OF SBL NEGOTIATED TRANSACTIONS**

- (a) The Approved SBLNT Borrower must ensure that it obtains a confirmation from the Approved SBLNT Lender that the Approved SBLNT Lender has the Eligible Securities available to be lent to the Approved SBLNT Borrower. Such confirmation must contain such details and be maintained in such manner as prescribed by the Clearing House.
- (b) SBLNT Participants who have agreed on a SBL Negotiated Transaction and wish to have the Loaned Securities delivered must each notify the Clearing House of the prescribed details of the SBL Negotiated Transaction through their respective appointed Lending Representative or Borrowing Representative and in the manner as prescribed by the Clearing House.
- (c) Upon receipt of the relevant notifications from both the SBLNT Participants, the Clearing House shall be authorised by the Approved SBLNT Lender and Approved SBLNT Borrower, respectively, to instruct the Central Depository to debit or credit the securities accounts provided by the Approved SBLNT Lender and Approved SBLNT Borrower, as the case may be, for the purpose of delivery of the Loaned Securities to the Approved SBLNT Borrower provided that:
  - (i) the relevant details provided by the SBLNT Participants are validated in the manner prescribed by the Clearing House; and
  - (ii) there are sufficient Securities in the securities account of the Approved SBLNT Lender at the relevant time as stipulated by the Clearing House to satisfy the delivery of the Loaned Securities.
- (d) The SBLNT Participants may, at any time prior to the termination of the loan and in the manner prescribed by the Clearing House, adjust or vary the Securities comprised in the Loaned Securities (including the amount of the Securities) pursuant to any action taken by the issuer of the Loaned Securities in relation to or arising from its Securities.
- (e) SBLNT Participants who wish to return the Loaned Securities partially or in full must notify the Clearing House of the prescribed details of the return through their appointed Lending Representative or Borrowing Representative, respectively. Upon receipt of the relevant notifications from both the SBLNT Participants, the Clearing House shall be authorised by the Approved SBLNT Lender and Approved SBLNT Borrower, respectively, to instruct the Central Depository to debit or credit the securities accounts provided by the Approved SBLNT Lender and Approved SBLNT

Borrower, as the case may be, for re-delivery of the Loaned Securities to the Approved SBLNT Lender provided that—

- (i) the relevant details provided by the SBLNT Participants are validated in the manner prescribed by the Clearing House; and
  - (ii) there are sufficient Securities in the securities account of the Approved SBLNT Borrower at the relevant time as stipulated by the Clearing House to satisfy the re-delivery of the Loaned Securities.
- (f) Upon termination of the loan by the Approved SBLNT Lender or the Approved SBLNT Borrower, the Approved SBLNT Borrower must return the Loaned Securities to the Approved SBLNT Lender within the timeframe and in the manner prescribed by the Clearing House.
- (g) Notwithstanding Rule 8.12(f), a non-defaulting SBLNT Participant may terminate the loan without the return of the Loaned Securities if any of the events of default under the agreement between the SBLNT Participants setting out the terms and conditions of that loan are triggered with respect to the defaulting SBLNT Participant.
- (h) A SBLNT Participant who intends to terminate the loan without returning the Loaned Securities under Rule 8.12(g) must do so in the manner specified by the Clearing House.
- (i) The Clearing House may prohibit the non-delivery of Loaned Securities referred to in Rule 8.12(g) without assigning any ground or reason for its decision.
- (j) The Clearing House's facilitation of the non-delivery of Loaned Securities under Rule 8.12(g) does not prejudice the Clearing House's right or power to take action for breach of any of these Rules or the Clearing House's requirements in relation to SBL Negotiated Transactions.
- (k) Each SBLNT Participant who is involved in a termination of a loan without returning the Loaned Securities must fully indemnify and hold indemnified the Clearing House, whether such indemnity is claimed by the Clearing House during or after the expiry of the tenure of the SBLNT Participant as an Approved SBLNT Lender or Approved SBLNT Borrower, from and against any loss, damage, claim, liability, cost or expense (including but not limited to legal costs on a solicitor and client basis) suffered or incurred by the Clearing House, whether directly or indirectly, arising from or in connection with the termination of the loan without returning the Loaned Securities.
- (l) SBLNT Participants are solely responsible for all rights and obligations arising from, and must assume all default and recovery risks associated with the loan relationship between the SBLNT Participants. The Clearing House shall in no event be held liable for the performance of any obligation arising from the loan relationship between the SBLNT Participants.

### **8.13 DESIGNATED SECURITIES ACCOUNT**

An Approved SBLNT Borrower must ensure that all Loaned Securities are held in and where relevant, transferred to, the designated securities accounts as prescribed by the Clearing House and no other securities account.

### **8.14 ACTION BY THE CLEARING HOUSE**

- (a) The Clearing House may exercise any of the powers set out in Rule 8.14(b) immediately without further reference to a SBLNT Participant / Representative:



- (i) if the SBLNT Participant / Representative commits a breach of any of the conditions or requirements imposed by the Clearing House in relation to the SBL Negotiated Transactions;
  - (ii) if the Clearing House determines in its absolute discretion that the SBLNT Participant / Representative is unable to conduct any of the SBL Negotiated Transactions due to any circumstances including bankruptcy and insolvency;
  - (iii) if the Clearing House determines that the SBLNT Participant / Representative is likely to cause damage to other SBLNT Participants/Representatives as a result of violating any of the requirements or obligations in relation to the SBL Negotiated Transactions; or
  - (iv) in any such circumstances which the Clearing House in its absolute discretion deems fit.
- (b) Without prejudice to any of the powers of the Clearing House contained in the Act, these Rules or any directives, circulars or instructions issued by the Clearing House from time to time, the actions which the Clearing House may take upon the happening of any of the events set out in Rule 8.14(a) include one or more of the following:
- (i) prohibit the SBLNT Participant / Representative from entering into any or all new SBL Negotiated Transactions and/or transactions contemplated under any directives, circulars or instructions issued by the Clearing House in relation to the SBL Negotiated Transactions;
  - (ii) suspend or terminate the SBLNT Participant / Representative as a SBLNT Participant / Representative;
  - (iii) notify all SBLNT Participants / Representatives of the suspension or termination of any SBLNT Participant / Representative ; or
  - (iv) limit the activities or access of the SBLNT Participant / Representative to the services and facilities provided by the Clearing House in relation to the SBL Negotiations Transactions on such terms and for such duration as the Clearing House may in its absolute discretion determine.
- (c) Where an action has been taken under Rule 8.14(b), a SBLNT Participant / Representative may make representations to the Clearing House for discontinuance of the action taken. The Clearing House may after representations have been made, discontinue with the action taken. However, such discontinuance shall not be construed as an omission or error of any kind on the part of the Clearing House in undertaking the action under Rule 8.14(b) in the first place.
- (d) The Clearing House shall not be held liable for any loss or damage suffered by any party arising from or in connection with the action taken by the Clearing House under Rule 8.14(b) provided that the Clearing House has acted in good faith.
- (e) Notwithstanding any provisions to the contrary in these Rules, the Clearing House, where it deems necessary, may:
- (i) suspend its services and facilities for the SBL Negotiated Transactions entirely or partially for such duration as the Clearing House in its absolute discretion deems fit; or
  - (ii) direct a SBLNT Participant to terminate its SBL Negotiated Transaction in accordance with any directive or instruction issued by the Commission or required by any written law, and further direct the Approved SBLNT Borrower to re-deliver the Loaned Securities to the Approved SBLNT Lender within the timeframe and in the manner as prescribed by the Clearing House.

## **8.15 PROVISION OF INFORMATION**

The SBLNT Participants / Representatives must furnish to the Clearing House or the Commission any information or Document in relation to any SBL Negotiated Transaction as required by the Clearing House or the Commission from time to time.

## **8.16 DISCLOSURE OF INFORMATION**

Notwithstanding any provisions in these Rules, the Clearing House shall be entitled to:

- (a) disclose any information or to produce any document in its possession or control in relation to the SBL Negotiated Transaction if required or requested to do so by the Commission; and
- (b) disclose any information in its possession or control to the Commission or authorised personnel of the Exchange by way of granting such persons access to the SBLNT System for the purpose of facilitating the performance of their duties and functions under the relevant requirements, rules or laws.

## **8.17 FEES AND CHARGES**

- (a) A SBLNT Participant / Representative must pay to the Clearing House the relevant fees and charges prescribed by the Clearing House in relation to any or all of the services and facilities provided by the Clearing House in relation to the SBL Negotiated Transactions.
- (b) The Clearing House may, from time to time where it deems necessary in its absolute discretion, vary or change any of the fees and charges by prescription in the SBL Circulars and without any further notice to the SBLNT Participant / Representative.

## **8.18 LIABILITY**

The Clearing House shall not be liable to any person for any loss or damage that may be incurred or suffered by such person as a result of the exercise or intended exercise of any power or performance of any duty or function conferred or imposed on the Clearing House in relation to the SBL Negotiated Transactions and exercised by the Clearing House in good faith.

## **8.19 FORCE MAJEURE**

- (a) In the event that the Clearing House is required to suspend the operation of the SBLNT System, as the case may be, and the provision of all ancillary services where for any reason the Records of the Clearing House, the Central Depository or the SBLNT System are unavailable, inaccessible, delayed or hindered in any manner, the Clearing House shall not be liable for any failure, hindrance or delay in the provision of services or for the failure to give or the delay in giving effect to any notice or communication from a SBLNT Participant/Representative.
- (b) The Clearing House or its directors, officers, employees or agents shall not be liable for any losses or damages that may be incurred or suffered by the SBLNT Participant / Representative arising from causes beyond its reasonable control including, without limitation, acts of God or the public enemy, acts of a civil or military authority, natural

disasters, embargoes, industrial action, fires, floods, mechanical breakdowns, computer or system failures or sabotage, delay or inability to act by any registrar, interruptions of power supplies or other utility or services, currency restrictions, any law, regulation or order of any government, competent authority or any court or tribunal, war or terrorism.

## **8.20 INDEMNITY BY LENDING REPRESENTATIVE OR BORROWING REPRESENTATIVE**

Each Clearing Participant shall be responsible for its own operations and functions as a Lending Representative or Borrowing Representative in relation to the SBL Negotiated Transactions as are required under these Rules, the SBL Circulars or otherwise and must fully indemnify and hold indemnified the Clearing House, whether such indemnity is claimed by the Clearing House during or after the expiry of the tenure of the Clearing Participant as a Lending Representative or Borrowing Representative, for any loss, legal costs (including third party legal costs), damage or liability suffered or incurred by the Clearing House, whether directly or otherwise, as a result of any negligence, omission, mistake, misrepresentation, fraud or error on the part of the Clearing Participant, its servants or agents, provided always that such action or omission was committed during its tenure as a Lending Representative or Borrowing Representative.

## **8.21 RULES OF CLEARING HOUSE TO TAKE PRECEDENCE**

The SBLNT Participants / Representatives must ensure that the provisions of the agreements entered into amongst the SBLNT Participants / Representatives shall not in any way be inconsistent with any of these Rules or the requirements imposed by the Clearing House or the provisions of the agreements entered into between the SBLNT Participants/Representatives and the Clearing House in relation to the SBL Negotiated Transaction ("the Rules of the Clearing House"), and the SBLNT Participants/Representatives must give effect to the Rules of the Clearing House.

## APPENDIX 1

To:

Bursa Malaysia Securities Clearing Sdn Bhd  
Exchange Square  
Bukit Kewangan  
50200 Kuala Lumpur

**COMPLIANCE WITH REQUIREMENTS IMPOSED BY BURSA MALAYSIA SECURITIES CLEARING SDN BHD (“BURSA CLEARING (S)”) IN RELATION TO THE LENDING REPRESENTATIVE**

Pursuant to the requirements of Rule 8.6(a) of the Rules of Bursa Malaysia Securities Clearing Sdn Bhd (“Bursa Clearing (S) Rules”), we [name of Clearing Participant applying to be a Lending Representative] hereby declare and undertake as follows:

- (1) we must provide to Bursa Clearing (S) or the Securities Commission Malaysia, upon request, any information or document in relation to SBL required by Bursa Clearing (S) or the Securities Commission Malaysia pertaining to the Approved SBLNT Lenders for whom we are acting;
- (2) we have formulated a set of Internal Guidelines for Acting as a Lending Representative which has been approved by our board of directors;
- (3) the Internal Guidelines for Acting as a Lending Representative have been brought to the notice of the relevant employees who have read and understood the contents therein;
- (4) the Internal Guidelines for Acting as a Lending Representative comply with the requirements set out in Bursa Clearing (S) Rules; and
- (5) all relevant systems and infrastructure including front office and/or back office systems have been verified and assessed in terms of application as well as software and the hardware capabilities and are confirmed to be operational and have all the functionalities, requirements and controls in place for the purpose of carrying out activities as a Lending Representative in accordance with Bursa Clearing (S) Rules or directives, circulars or instructions issued by Bursa Clearing (S).

Dated this [ ] day of [ ] [ ].

Signed [ ]

Name:

Designation:

Date:

[ End of Appendix ]

## APPENDIX 2

Matters which must be contained in the written agreement between the Lending Representative and the Approved SBLNT Lender  
(Rule 8.6(f))

- (1) The Lending Representative is the representative of the Approved SBLNT Lender in performing the functions and responsibilities stipulated in these Rules or any requirements, directives, circulars or instructions issued by the Clearing House in relation to the SBL Negotiated Transactions;
- (2) The functions and responsibilities of the Lending Representative stipulated in these Rules or any directives, circulars or instructions issued by the Clearing House in relation to the SBL Negotiated Transactions, as the same may be amended, modified or varied from time to time; and
- (3) The Lending Representative must comply with the obligations imposed on a Lending Representative, as contained in these Rules and as prescribed by the Clearing House from time to time.
- (4) The Approved SBLNT Lender expressly consents to the Lending Representative providing the Clearing House or the Securities Commission Malaysia with any information or document in relation to any loan entered into by the Approved SBLNT Lender pursuant to the SBL Negotiated Transactions as required by the Clearing House from time to time.

[ End of Appendix ]

### APPENDIX 3

To:

Bursa Malaysia Securities Clearing Sdn Bhd  
Exchange Square  
Bukit Kewangan  
50200 Kuala Lumpur

**COMPLIANCE WITH REQUIREMENTS IMPOSED BY BURSA MALAYSIA SECURITIES CLEARING SDN BHD (“BURSA CLEARING (S)”) IN RELATION TO THE BORROWING REPRESENTATIVE**

Pursuant to the requirements of Rule 8.8(a) of the Rules of Bursa Malaysia Securities Clearing Sdn Bhd (“Bursa Clearing (S) Rules”), we [name of Clearing Participant applying to be a Borrowing Representative] hereby declare and undertake as follows:

- (1) we must provide to Bursa Clearing (S) or the Securities Commission Malaysia, upon request, any information or document required by Bursa Clearing (S) or the Securities Commission Malaysia pertaining to the Approved SBLNT Borrowers for whom we are acting;
- (2) we have formulated a set of Internal Guidelines for Acting as a Borrowing Representative which has been approved by our board of directors;
- (3) the Internal Guidelines for Acting as a Borrowing Representative have been brought to the notice of the relevant employees who have read and understood the contents therein;
- (4) the Internal Guidelines for Acting as a Borrowing Representative comply with the requirements set out in Bursa Clearing (S) Rules; and
- (5) all relevant systems and infrastructure including front office and/or back office systems have been verified and assessed in terms of application as well as software and the hardware capabilities and are confirmed to be operational and have all the functionalities, requirements and controls in place for the purpose of carrying out activities as a Borrowing Representative in accordance with Bursa Clearing (S) Rules or any directives, circulars or instructions issued by Bursa Clearing (S) in relation to the SBL Negotiated Transactions.

Dated this [ ] day of [ ] [ ].

Signed [ ]  
Name:  
Designation:  
Date:

[ End of Appendix ]

## **APPENDIX 4**

Matters which must be contained in the written agreement between the Borrowing Representative and the Approved SBLNT Borrower  
(Rule 8.8(f))

- (1) The Borrowing Representative is the Representative of the Approved SBLNT Borrower in performing the functions and responsibilities stipulated in these Rules or any directives, circulars or instructions issued by the Clearing House in relation to the SBL Negotiated Transactions;
- (2) The functions and responsibilities of the Borrowing Representative stipulated in these Rules or any requirements, directives, circulars or instructions issued by the Clearing House in relation to the SBL Negotiated Transactions, as the same may be amended, modified or varied from time to time; and
- (3) The Borrowing Representative must comply with the obligations imposed on a Borrowing Representative, as contained in these Rules and as prescribed by the Clearing House from time to time.
- (4) The Approved SBLNT Borrower expressly consents to the Borrowing Representative providing the Clearing House or the Securities Commission Malaysia with any information or document in relation to any loan entered into by the Approved SBLNT Borrower pursuant to the SBL Negotiated Transactions as required by the Clearing House from time to time.

[ End of Appendix ]

## **APPENDIX 5**

Matters to be included in an agreement for SBL Negotiated Transactions  
(Rule 8.10)

- (1) Unless the parties agree otherwise, the Eligible Securities must not be lent unless collateral has been received or will be received simultaneously with the loan. As a minimum step towards the lender's interest, collateral (if applicable) must be delivered directly to the lender or the lender's representative or a designated third party authorised by the lender or the lender's representative;
- (2) The Loaned Securities and the collateral (if applicable) must be marked to market (at least daily) and the amount of collateral must be adjusted, if necessary;
- (3) How the Securities borrowing and lending transaction may be terminated by the lender or the borrower, and how such termination may be effected;
- (4) Which party shall be entitled to any dividends or other benefits or distributions accumulating on the Loaned Securities and any Securities provided as collateral;
- (5) The rights and obligations of the lender or borrower in the event of either the Loaned Securities or any Securities provided as collateral, as the case may be, being affected by a conversion, sub-division, consolidation, pre-emption, take-over of the issuer of the Securities comprised in the Loaned Securities or by other corporate actions affecting such Securities;
- (6) The Loaned Securities must be delivered to the borrower free of any encumbrances or restrictions;
- (7) Provisions governing fees to be paid by either party under the agreement that governs the terms and conditions of the Securities borrowing and lending transaction; and
- (8) The rights and remedies of either party in the event of a default by the other party.

[ End of Appendix ]