

**ANNEXURE A**  
**(Guidelines on Self Assessment Approach, Declaratory Approach and Green Lane Policy in respect of Readiness Audit)**

**GUIDELINES ON THE USE OF SELF ASSESSMENT APPROACH, DECLARATORY APPROACH AND GREEN LANE POLICY IN RESPECT OF READINESS AUDITS (“GUIDELINES”)**

**1. SCOPE OF GUIDELINES**

- (1) For the purposes of obtaining the relevant approval of Bursa Clearing (D) and/or SC, an applicant or a GCP is required to undertake a readiness audit. Once the readiness audit is completed, the applicant or GCP must follow either the self assessment approach or the declaratory approach as provided under these Guidelines to notify Bursa Clearing (D) of the completion of the readiness audit. If the GCP is eligible for the Green Lane Policy referred to in paragraph 5 below and wishes to avail itself to the Green Lane Policy, the GCP must comply with paragraph 5.
- (2) These Guidelines provide clarifications on the circumstances where a readiness audit is required to be undertaken and the application of the self assessment approach, declaratory approach and Green Lane Policy.

**2. DEFINITIONS**

In these Guidelines, the following abbreviations shall carry the following meanings:-

<b>Abbreviation</b>	<b>Meaning</b>
<b>AIP</b>	Approval-In-Principle
<b>Bursa Clearing (D)</b>	Bursa Malaysia Derivatives Clearing Berhad
<b>DA</b>	Declaratory-Approach in notifying Bursa Clearing (D) of the completion of the Readiness Audits
<b>GCP</b>	General Clearing Participants of Bursa Clearing (D)
<b>GLP</b>	Green Lane Policy in relation to Readiness Audits as referred to in paragraph 5
<b>SAA</b>	Self-Assessment-Approach in notifying Bursa Clearing (D) of the completion of the Readiness Audits
<b>SC</b>	Securities Commission Malaysia

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**3. ACTIVITIES REQUIRING APPROVAL OF THE SC OR BURSA CLEARING (D) AND THE CIRCUMSTANCES IN WHICH A READINESS AUDIT IS REQUIRED TO BE UNDERTAKEN BY A GCP**

- (1) The commencement of operations as a new GCP requires the approval of the SC and Bursa Clearing (D).
- (2) Activities by an existing GCP involving new premises and activities that require Bursa Clearing (D)'s approval only are:
  - (a) the relocation of business premises or change of business address (applicable to principal office and branch office)<sup>1</sup>; and
  - (b) the opening of a new branch office of GCPs.
- (3) An applicant wishing to commence the activities requiring the approval of the SC and Bursa Clearing (D), or Bursa Clearing (D), as mentioned in paragraphs 3(1) and 3(2), must first undertake a readiness audit in accordance with these Guidelines.
- (4) Except where paragraph 5 applies, Bursa Clearing (D) will, upon receiving an application for approval from a GCP to commence a new activity and upon due consideration, give an AIP setting out the relevant conditions that need to be complied with by the GCP prior to commencement of the activity. Bursa Clearing (D) will indicate whether the GCP is required, in relation to the readiness audit, to follow the SAA or the DA.
- (5) The requirement to follow either the SAA or DA is assessed based on the following principles:
  - (a) Operating as a new GCP  

The SAA will apply to readiness audits required for approval to commence operations as a new GCP.
  - (b) Opening of a new branch office by GCP
    - (i) The SAA will apply to readiness audits required for approval to open the first 3 branch offices.
    - (ii) The DA will apply to readiness audits required for approval to open subsequent branch offices.
  - (c) All other activities of a GCP
    - (i) The SAA will apply to readiness audits required for approval to commence an activity for the first time.
    - (ii) The DA will apply to readiness audits required for approval of subsequent applications of the same nature.
- (6) Notwithstanding items (a), (b) and (c) in paragraph 3(5) above, Bursa Clearing (D) may at any time or under any circumstance it deems fit, require the GCP to adhere to the SAA in place of the DA.

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<sup>1</sup> For avoidance of doubt, the relocation of business premises includes a redesignation between a principal office and a branch office i.e. the principal office is redesignated as a branch office and the branch office is redesignated as the principal office.

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**4. REQUIREMENTS FOR SAA OR DA**

In following the SAA or DA in respect of its readiness audit, a GCP must comply with the requirements set out below.

**4.1 Self Assessment Approach (SAA)**

- (1) A GCP must comply with the requirements set out in the following appendices to these Guidelines, in relation to the SAA:

No.	Type Of Document	Appendix
1.	Procedures for submission and approval in respect of SAA	1
2.	Declaration of Readiness for SAA	2

**4.2 Declaratory Approach (DA)**

- (1) A GCP must comply with the requirements set out in the following appendices to these Guidelines, in relation to the DA:

No.	Type Of Document	Appendix
1.	Procedures for submission and approval in respect of DA	3
2.	Declaration of Readiness for DA	4

**5. GREEN LANE POLICY (“GLP”)**

- (1) Bursa Clearing (D) will allow a GCP to commence certain activities without waiting for Bursa Clearing (D) to issue its AIP under paragraph 3(4) above if:
- (a) the GCP is assessed as being eligible under paragraph 5.1 below (“Eligible GCP”);
  - (b) the activity falls within the types of activities prescribed under paragraph 5.2 below and meets the criteria prescribed under paragraph 5.3 below; and
  - (c) the Eligible GCP completes the readiness audit in accordance with the requirements stipulated in paragraph 1(4) of Appendix 1 and paragraph 4 of Appendix 2 and notifies Bursa Clearing (D) in the form attached as Appendix 5 before the commencement of the relevant activity.
- (2) The Eligible GCP that complies with the requirements of subparagraph 5(1)(c) above is deemed to have been given Bursa Clearing (D)’s approval to carry out the said activity pursuant to these Guidelines.
- (3) Notwithstanding paragraph 5(1) above, Bursa Clearing (D) may, at any time or under any circumstance it deems fit, in respect of a GCP proceeding under paragraph 5(1) above, require the GCP to adhere to the SAA or DA, instead of providing the notification to Bursa Clearing (D) that is referred to under paragraph 5(1)(c).

**5.1 Eligibility of a GCP**

- (1) Bursa Clearing (D) will assess a GCP to determine whether it may be considered as an Eligible GCP for a particular activity. In making this assessment, Bursa Clearing (D) may take into consideration, among others, whether:

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- (a) the GCP is familiar with the requirements applicable to the proposed activity, having undertaken the said activity previously;
  - (b) Bursa Clearing (D) has noted any unsatisfactory supervisory control or governance or compliance culture issue in the GCP's front, middle or back office activities whether as part of its off-site or on-site supervision activities or otherwise;
  - (c) Bursa Clearing (D) or the SC has any serious regulatory concern about the GCP; and
  - (d) where the GCP is also a participant of another subsidiary of Bursa Malaysia Berhad ("other participantship"), Bursa Clearing (D) has noted any unsatisfactory supervisory control or governance or compliance culture issue in the GCP's activities vis-à-vis such other participantship(s).
- (2) Bursa Clearing (D) will notify a GCP upon determination that it is an Eligible GCP for a particular activity and where there is any subsequent change to its status. Bursa Clearing (D)'s assessment is final and binding on the GCP concerned.
- (3) A GCP that has not fulfilled the criterion under paragraph 5.1(1)(b) or (c) may still be considered as an Eligible GCP if it addresses the weaknesses and breaches or serious regulatory concerns, to the satisfaction of Bursa Clearing (D).

## **5.2 Activities**

- (1) Subject to paragraph 5.3, Bursa Clearing (D) may apply the GLP to the following types of activities:
- (a) the relocation of business premises or change of business address (applicable to principal office and branch office)<sup>2</sup>; and
  - (b) the opening of a new branch office of GCPs.

## **5.3 Criteria for activities falling within the GLP**

- (1) Bursa Clearing (D) may apply the GLP to the activities in paragraph 5.2 in the following manner:
- (a) in relation to the opening of a new branch office of a GCP, the GLP will apply to readiness audits required for approval to open the GCP's 5<sup>th</sup> branch office onwards; and
  - (b) in relation to relocating the GCP's business premises or changing its business address, the GLP will apply to a readiness audit required for approval to commence such activity if Bursa Clearing (D) had on a previous and separate occasion granted approval for the GCP to carry out such activity.

[End of Guidelines]

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<sup>2</sup> For avoidance of doubt, the relocation of business premises includes a redesignation between a principal office and a branch office i.e. the principal office is redesignated as a branch office and the branch office is redesignated as the principal office.

**Appendix 1**

**SAA PROCEDURES ON SUBMISSION AND REVIEW OF APPLICATIONS FROM  
GENERAL CLEARING PARTICIPANTS ON NEW ACTIVITIES**

**1. Procedures For Submission and Approval in respect of SAA**

- (1) The GCP intending to commence an activity is required to formally inform Bursa Clearing (D) in writing setting out the type of activity for which the approval is required.
- (2) Bursa Clearing (D) will upon due consideration give its AIP to the GCP.
- (3) Upon receipt of the AIP from Bursa Clearing (D), the GCP shall commence to demonstrate its readiness to Bursa Clearing (D). This will include making the necessary arrangements and commissioning of the relevant infrastructure that are needed to commence the proposed activity.
- (4) The GCP would then be required to carry out an independent readiness audit and complete the relevant checklists as prescribed by Bursa Clearing (D) or the SC. The review shall be carried out by a party that is independent of trading and operations of the GCP, for example, internal audit or external audit.
- (5) A formal application will then be made by the GCP to Bursa Clearing (D) setting out the level of readiness, the intended commencement date together with all relevant supporting documents and the report produced from the independent readiness audit. Bursa Clearing (D) may seek additional clarification or documents where necessary to ensure the completeness of the readiness audit process.
- (6) If the proposed activity only requires the approval of Bursa Clearing (D), it will then review the application made together with the supporting documents and communicate the outcome of the review and issue its approval directly to the GCP.
- (7) Where the proposed activity also requires the approval of the SC, Bursa Clearing (D) will review the submission made by the GCP and forward the same together with Bursa Clearing (D)'s recommendation to the SC for its further consideration and approval.

**2. Documentation Requirements for New Activities**

The following documents are required:

- Relevant checklist in the prescribed form for each type of new activity.
- Final report of the independent readiness audit carried out by the GCP.
- Extract of board resolutions / minutes of meeting where applicable.
- Extract of relevant sections of operations manual.
- Copies of relevant agreements entered into by GCP in connection with the proposed activity.
- Diagrams of new office layout where applicable.
- Results of infrastructure testing where required by Bursa Clearing (D).

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- Any other documents in support of the application or expressly required to be submitted by Bursa Clearing (D).

Note:-

*The GCP is required to submit complete documentation and checklist together with the required declaration to Bursa Clearing (D) at least 4 weeks prior to the intended commencement date of the proposed activity. The GCP should also ensure that all the relevant requirements of the checklist(s) where applicable has been complied with prior to the submission to Bursa Clearing (D).*

[End of Appendix 1]

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**Appendix 2**

**DECLARATION OF READINESS FOR THE SELF ASSESSMENT APPROACH**

\*This is a template document where the relevant parts marked with an asterisk are to be deleted accordingly if the same is not applicable. In the event the entity submitting this document is both a Trading Participant and a General Clearing Participant, no deletion is required and a single document may be submitted.

To: Head  
Participants Supervision Division  
Regulation

**BURSA MALAYSIA DERIVATIVES BERHAD/BURSA MALAYSIA DERIVATIVES CLEARING BERHAD\***

12<sup>th</sup> Floor, Exchange Square  
Bukit Kewangan  
50200 Kuala Lumpur

*[insert name of Trading Participant/General Clearing Participant\*]*

**DECLARATION ON COMPLIANCE FOR PURPOSES OF READINESS TO COMMENCE OPERATIONS**

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We refer to our application to commence the operation of our *[insert the particulars of the activity concerned]* referenced *[insert reference]* dated *[insert date]*, full details of which are contained in the proposal accompanying our aforesaid application.

We, *[insert name of Trading Participant/General Clearing Participant\*]*, hereby declare and confirm as follows:-

1. we shall comply at all times with the relevant rules, directives, circulars and guidelines issued from time to time by Bursa Malaysia Derivatives Berhad/Bursa Malaysia Derivatives Clearing Berhad\* ("Exchange/Clearing House\*") in relation to the establishment, maintenance or operation of the *[insert the particulars of the activity concerned]* by *[insert name of Trading Participant/General Clearing Participant\*]*
2. that to the best of our knowledge, the *[insert the particulars of the activity concerned]* to be established, maintained or operated by us complies fully with all requirements prescribed by the Exchange/Clearing House\* in relation to the establishment, maintenance or operation of the *[insert the particulars of the activity concerned]* by *[insert name of Trading Participant/General Clearing Participant\*]*;
3. that the *[insert the particulars of the activity concerned]* that is established, maintained or operated, or as the case may be, intended to be established, maintained or operated, outside our Principal Office, Branch Office(s) and/or any of Trading Kiosk(s), if applicable contains adequate and effective specifications and capabilities to ensure that the security of transactions and confidentiality of clients are at all times reasonably and adequately preserved.
4. that the *[insert the particulars of the activity concerned]* is, in terms of the applications or software, the physical site location and the hardware, reasonably secured from unauthorised tampering and intrusion and in this respect we have at the minimum strictly complied with all relevant directives, guidelines, circulars and codes relating to security issued by the Exchange for the time being in force, including but not limited to the Trading Participant's IT Security Code or the use of information technology (as may be amended from time to time)\*;

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5. the [*insert the particulars of the activity concerned*] conforms in all material respects with all relevant rules, directives, circulars and guidelines issued by the Exchange/Clearing House\* with respect to trading of derivatives on the Exchange by Trading Participants/clearing and settlement of derivatives by General Clearing Participants\* generally;
6. we are satisfied that the relevant controls and monitoring policies and procedures pertaining to the establishment, maintenance or operation of the [*insert the particulars of the activity concerned*] is/are adequate and effective; and
7. we shall indemnify the Exchange/Clearing House\* and not hold the Exchange/Clearing House\* liable to any claims made by any party as a result of the establishment, maintenance or operations of the [*insert the particulars of the activity concerned*].

Signed \_\_\_\_\_  
Authorised signatory

Date \_\_\_\_\_

[End of Appendix 2]

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**Appendix 3**

**DA PROCEDURES ON SUBMISSION AND REVIEW OF APPLICATIONS FROM GENERAL CLEARING PARTICIPANTS ON NEW ACTIVITIES**

1. The GCP intending to commence an activity is required to formally inform Bursa Clearing (D) in writing setting out the type of activity for which the approval is required.
2. Bursa Clearing (D) will upon due consideration give its AIP to the GCP.
3. Upon receipt of the AIP from Bursa Clearing (D), the GCP shall commence to demonstrate its readiness to Bursa Clearing (D). This will include making the necessary arrangements and commissioning of the relevant infrastructure that are needed to commence the proposed activity.
4. The GCP would then be required to carry out an independent readiness audit and complete the relevant checklists as prescribed by Bursa Clearing (D). The review shall be carried out by a party that is independent of trading and operations of the GCP, for example, internal audit or external audit.
5. The GCP must then submit the DA Declaration Form in the format prescribed in Appendix 4 to these Guidelines at least 5 market days prior to the intended commencement date of the proposed activity.
6. Bursa Clearing (D) will process the application based on the declaration provided by the GCP and issue its approval directly to the GCP.

[End of Appendix 3]

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**Appendix 4**

**DECLARATION OF READINESS FOR DECLARATORY APPROACH**

\*This is a template document where the relevant parts marked with an asterisk are to be deleted accordingly if the same is not applicable. In the event the entity submitting this document is both a Trading Participant and a General Clearing Participant, no deletion is required and a single document may be submitted.

To: Head  
Participants Supervision Division  
Regulation

**BURSA MALAYSIA DERIVATIVES BERHAD/BURSA MALAYSIA DERIVATIVES  
CLEARING BERHAD\***

12<sup>th</sup> Floor, Exchange Square  
Bukit Kewangan  
50200 Kuala Lumpur

*[insert name of Trading Participant/General Clearing Participant\*]*

**DECLARATION ON COMPLIANCE FOR PURPOSES OF READINESS TO COMMENCE  
OPERATIONS**

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**PART I**

We refer to our application to commence the operation of our *[insert the particulars of the activity concerned]* referenced *[insert reference]* dated *[insert date]*.

We, *[insert name of Trading Participant/General Clearing Participant\*]*, hereby declare and confirm as follows:-

1. that *[insert name of Trading Participant/General Clearing Participant\*]* has carried out an independent readiness audit in regard of *[insert the particulars of the activity concerned]*, and we have reasonable assurance that all the relevant systems, policies and procedures and relevant front office and back office systems IT systems that are required for the effective establishment, maintenance or operation of *[insert the particulars of the activity concerned]* are readily available, operative, and functional and are adequate and effective in achieving the intended purpose;
2. we are satisfied that the relevant controls and monitoring policies and procedures pertaining to the establishment, maintenance or operation of the *[insert the particulars of the activity concerned]* is/are adequate and effective;
3. we shall comply at all times with the relevant rules, directives, circulars and guidelines issued from time to time by Bursa Malaysia Derivatives Berhad/Bursa Malaysia Derivatives Clearing Berhad\* ("Exchange/Clearing House\*") in relation to the establishment, maintenance or operation of the *[insert the particulars of the activity concerned]* by *[insert name of the Trading Participant/ General Clearing Participant\*]*;
4. that to the best of our knowledge, the *[insert the particulars of the activity concerned]* to be established, maintained or operated by us complies fully with all requirements prescribed by the Exchange/Clearing House\* in relation to the establishment, maintenance or operation of

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the *[insert the particulars of the activity concerned]* by *[insert name of Trading Participant/General Clearing Participant\*]*;

5. that the *[insert the particulars of the activity concerned]* that is established, maintained or operated, or as the case may be, intended to be established, maintained or operated, outside our Principal Office, Branch Office(s) and/or any of Trading Kiosk(s), if applicable contains adequate and effective specifications and capabilities to ensure that the security of transactions and confidentiality of clients are at all times reasonably and adequately preserved.
6. that the *[insert the particulars of the activity concerned]* is, in terms of the applications or software, the physical site location and the hardware, reasonably secured from unauthorised tampering and intrusion and in this respect we have at the minimum strictly complied with all relevant directives, guidelines, circulars and codes relating to security issued by the Exchange for the time being in force, including but not limited to the Trading Participant's IT Security Code or the use of information technology (as may be amended from time to time)\*;
7. the *[insert the particulars of the activity concerned]* conforms in all material respects with all relevant rules, directives, circulars and guidelines issued by the Exchange/Clearing House\* with respect to trading of derivatives on the Exchange by Trading Participants/clearing and settlement of derivatives by General Clearing Participants\* generally; and
8. we shall indemnify the Exchange/Clearing House\* and not hold the Exchange/Clearing House\* liable to any claims made by any party as a result of the establishment, maintenance or operations of the *[insert the particulars of the activity concerned]*.

**PART II: NOTIFICATION**

The following are the details of the activities that will be undertaken:\*\*

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**Authorised signatory**

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**Date**

[End of Appendix 4]

\*\*To provide the details of the activities, including the systems employed and key personnel involved. For Branch Office, to indicate the systems employed and whether the back office and operations are centralized at the Principal Office/other Branch Office or whether there are remote terminals for processing of transactions.

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**Appendix 5**

**NOTIFICATION OF COMMENCEMENT OF OPERATIONS UNDER THE GREEN LANE POLICY**

\*This is a template document where the relevant parts marked with an asterisk are to be deleted accordingly if the same is not applicable. In the event the entity submitting this document is both a Trading Participant and a General Clearing Participant, no deletion is required and a single document may be submitted.

To: Head  
Participants Supervision Division  
Regulation

**BURSA MALAYSIA DERIVATIVES BERHAD/BURSA MALAYSIA DERIVATIVES  
CLEARING BERHAD\***  
12<sup>th</sup> Floor, Exchange Square  
Bukit Kewangan  
50200 Kuala Lumpur

*[insert name of Trading Clearing Participant/General Clearing Participant\*]*

**NOTIFICATION OF COMMENCEMENT OF OPERATIONS UNDER THE GREEN LANE POLICY**

The following are the details of the activities that will be undertaken:\*\*

\_\_\_\_\_  
**Authorised signatory**

\_\_\_\_\_  
**Date**

[End of Appendix 5]

\*\*To provide the details of the activities, including the systems employed and key personnel involved. For Branch Office, to indicate the systems employed and whether the back office and operations are centralized at the Principal Office/other Branch Office or whether there are remote terminals for processing of transactions.