

BURSA MALAYSIA DERIVATIVES BERHAD

Date : 23 June 2017

Trading Participant Circular : 14/2017

AMENDMENTS TO THE RULES OF BURSA MALAYSIA DERIVATIVES BHD (“RULES OF BURSA DERIVATIVES”) IN RELATION TO THE REVAMP OF PARTICIPANTSHIP STRUCTURE OF BURSA MALAYSIA DERIVATIVES CLEARING BERHAD (“BURSA DERIVATIVES CLEARING”)

1. INTRODUCTION

- 1.1 Bursa Malaysia Derivatives Berhad (“**the Exchange**”) has amended the Rules of Bursa Derivatives in relation to the decoupling of clearing participantship from trading participantship under the revamp of the participantship structure of Bursa Derivatives Clearing.
- 1.2 The amendments include amendments to the Directive on Fees and Charges for Participants and Registered Representatives (Directive No. 301.12-001) and the Directive on Position Limits and Exercise Limits (Directive No. 613-001), and the introduction of a Directive on Clients’ Margin and Margin Payment (Directive No. 614-001) (collectively referred to as “**the Directives**”).
- 1.3 The amendments to the Rules of Bursa Derivatives and to the Directives have been approved by the Securities Commission Malaysia.

2. RULE AMENDMENTS

- 2.1 The salient amendments to the Rules of Bursa Derivatives are as follows:

- (a) Participantship Structure

References to clearing participants have been amended to reflect the decoupled structure for the trading and clearing participantship. For example, the definition of “Clearing Participant” is amended to clarify that a Clearing Participant need not be a Trading Participant or Associate Participant.

- (b) Governance and Conduct

Amendments have been made for consistency with the new provisions relating to governance and conduct being introduced in the rules of Bursa Derivatives Clearing, including amendments to:

- (i) hire fit and proper persons;
- (ii) make consistent the record retention period;
- (iii) introduce early warning financial requirements;
- (iv) require adequate business premises;

- (v) delete provisions on the giving up of Contracts as the same are instead inserted into the rules of Bursa Derivatives Clearing;
- (vi) introduce a risk-based approach for internal audit;
- (vii) clarify the setting of position limits; and
- (viii) reflect the following changes in the provisions on clients' margins and margin payment:
 - (aa) that there is flexibility for either a Trading Participant or Clearing Participant to collect margin from a client;
 - (bb) the prescription of the forms of margin payment is removed from the Rules of Bursa Derivatives as the same is instead inserted into the rules of Bursa Derivatives Clearing; and
 - (cc) if a client defaults in his margin obligation and wants to close out his positions to reduce his margin obligations, the Trading Participant can proceed to do so on the client's instructions immediately, without waiting for the minimum 1 hour period required by the Exchange.

(c) Trading by Employees

The provisions on trading by employees have been made consistent with the rules of Bursa Malaysia Securities Berhad which were amended following the deletion of section 94 of the Capital Markets and Services Act 2007.

2.2 The detailed amendments to the Rules of Bursa Derivatives are as set out in **Annexure 1**.

3. AMENDMENTS TO THE DIRECTIVES

3.1 The amendments to the Directives are as follows:

(a) **Directive No. 301.12-001 (Directive on Fees and Charges for Participants and Registered Representatives)**

Amendments have been made to Directive 301.12-001 to remove the application fees for Trading Participants and Associate Participants, and to reduce the registration fee (previously admission fee) from RM100,000 to RM50,000 to be on par with the registration fee for General Clearing Participants.

(b) **Directive No. 613-001 (Directive on Position Limits and Exercise Limits)**

Amendments have been made to clarify that the Exchange, in setting position limits, will consult with the Clearing House.

(c) **New Directive No. 614-001 (Directive on Clients' Margin and Margin Payment)**

The Margin Guidelines in Trading Members Circular 6/2000 have been updated and set out as a new Directive No.614-001.

3.2 The amendments to the Directives are set out in **Annexure 2**.

4. EFFECTIVE DATE

4.1 The amendments to the Rules of Bursa Derivatives and the Directives as set out in paragraphs 2 and 3 above will take effect on **23 August 2017** (“**Effective Date**”).

5. CONTACT PERSONS

In the event of any queries in relation to the above matter, kindly contact the following persons:

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<http://www.bursamalaysia.com/market/regulation/rules/bursa-malaysia-rules/derivatives/rules-of-bursa-malaysia-derivatives/>

Regulation