

ANNEXURE 1

RULES OF BURSA MALAYSIA DEPOSITORY SDN BHD

**RULE AMENDMENTS CONSEQUENTIAL TO THE OUTSOURCING REQUIREMENTS
IN THE SECURITIES COMMISSION'S LICENSING HANDBOOK**

EXISTING PROVISIONS		AMENDED PROVISIONS
Rule 1.01	Definition New definition	Definition <u>“Commission’s Licensing Handbook” means the licensing handbook issued by the Commission pursuant to Section 377 of the Capital Markets and Services Act 2007 and includes any subsequent amendments, modifications, variations, supplements or substitutes.</u>
Rule 1.01	New definition	<u>“Depository Functions” mean the functions of an authorised depository agent or an authorised direct member as an authorised depository agent or an authorised direct member of the Depository.</u>
Rule 1.01	New definition	<u>“Service Provider” means the entity within the group or an external entity to which the authorised depository agent or the authorised direct member has outsourced the Depository Functions and includes any subsequent service provider(s) to whom the initial service provider or any subsequent service provider has further contracted the Depository Functions.</u>
Rule 2.12	Rule 2.12 Outsourcing by Authorised Depository Agents:	Rule 2.12 Outsourcing by Authorised Depository Agents:
Rule 2.12	(1) Prohibition: An authorised depository agent is not permitted to outsource any of its functions as an authorised depository agent except in accordance with these Rules.	<u>[Deleted]</u>
Rule 2.12	(2) Outsourcing: An authorised depository agent may outsource its Back Office Functions if it:	<u>(2) Outsourcing: An authorised depository agent which outsources its may outsource its Back Office Depository</u>

EXISTING PROVISIONS		AMENDED PROVISIONS
	<p>(a) complies with the requirements that must be met prior to the outsourcing as set out under the Guidelines on Outsourcing as though the authorised depository agent is the market intermediary mentioned in the Guidelines on Outsourcing; and</p> <p>(b) has obtained the prior written approval of the Depository for any material outsourcing arrangement as required under the Guidelines on Outsourcing.</p>	<p>Functions if #must:</p> <p>(a) complies with these Rules and the requirements that must be met prior to the outsourcing as set out under the Commission's Guidelines-Licensing Handbook on Outsourcing as though the authorised depository agent is the CMSL holder market intermediary mentioned in the Commission's Licensing Handbook Guidelines on Outsourcing; and</p> <p>(b) has obtained the prior written approval of the Depository for any material outsourcing arrangement as required under the Guidelines on Outsourcing.</p>
Rule 2.12	<p>(3) Back Office Functions involving decision making or interaction with clients: In relation to paragraph 3.02 of the Guidelines on Outsourcing, an authorised depository agent may outsource a Back Office Function that involves decision making or interaction with clients where the function relates to post trade, financing or custody services.</p>	[Deleted]
Rule 2.12	<p>(4) Directions: An authorised depository agent which has outsourced its Back Office Functions under this Rule 2.12 must, in relation to such functions:</p> <p>(a) comply with these Rules, the Guidelines on Outsourcing (as though the authorised depository agent is the market intermediary mentioned in the Guidelines on Outsourcing) and any directives that may be issued by the Depository on this matter; and</p> <p>(b) 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 authorised depository agent is required to.</p>	<p>(4) Directions: An authorised depository agent which has outsourced its Back Office Functions under this Rule 2.12 must, in relation to such functions:</p> <p>(a) comply with these Rules, the Guidelines on Outsourcing (as though the authorised depository agent is the market intermediary mentioned in the Guidelines on Outsourcing) and any directives that may be issued by the Depository on this matter; and</p> <p>(b) ensure that its the sService pProvider(s) or sub-contractor complies with the Rules that are applicable to the outsourced functions in the same manner as the authorised depository agent is required to.</p>

EXISTING PROVISIONS		AMENDED PROVISIONS
Rule 2.12	New provision	(3) Accountability: An authorised depository agent remains accountable for all outsourced Depository Functions and will be held liable for any act or omission on the part of the Service Provider which results in a breach of these Rules.
Rule 2.12	(5) Revocation of approval: The Depository may, at any time, revoke any approval given to an authorised depository agent for its material outsourcing or direct the authorised depository agent to discontinue the outsourcing of the Back Office Functions, partly or wholly, for any reason whatsoever.	[Deleted]
Rule 2.12	(6) Definitions: For the purpose of this Rule, unless the context otherwise requires: (a) “Back Office Functions” means back office functions as defined under the Guidelines on Outsourcing.	[Deleted]
	(b) “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.	[Deleted]
	(c) “service provider” has the same meaning as is assigned to it in the Guidelines on Outsourcing.	[Deleted]
	(d) “sub-contractor” means the service provider to whom the initial service provider has further contracted the Back Office Functions.	[Deleted]
Rule 2.12	(7) Investment Bank:	(74) Investment Bank:

EXISTING PROVISIONS		AMENDED PROVISIONS
	<p>(a) This Rule 2.12 is not applicable to an authorised depository agent which is an Investment Bank.</p> <p>(b) An authorised depository agent which is an Investment Bank must instead comply with the Guidelines on Investment Banks and such other requirements of the Central Bank relating to the matter.</p>	<p>(a) This Rule 2.12 is not applicable to an authorised depository agent which is an Investment Bank.</p> <p>(b) An authorised depository agent which is an Investment Bank must instead comply with the Guidelines on Investment Banks and such other requirements of the Central Bank relating to the matter.</p>
Rule 14.13	Rule 14.13 Outsourcing by Authorised Direct Members:	Rule 14.13 Outsourcing by Authorised Direct Members:
Rule 14.13	<p>(1) Definitions: For the purposes of this Rule, unless the context otherwise requires:</p> <p>(a) “Back Office Functions” in this rule encompasses only the operational or administrative aspects of the entity’s functions as an authorised direct member, including account management and processing requests for transfers, deposits or withdrawals;</p>	[Deleted]
	<p>(b) “service provider” means any entity which carries out the outsourced Back Office Functions; and</p>	[Deleted]
	<p>(c) “sub-contractor” means the service provider to whom the initial service provider has further contracted the Back Office Functions.</p>	[Deleted]
Rule 14.13	<p>(2) Prohibition: An authorised direct member is not permitted to outsource any of its functions as an authorised direct member except in accordance with this Rule.</p>	[Deleted]
Rule 14.13	<p>(3) Compliance with conditions: An authorised direct member may outsource its Back Office Functions relating to its function as an authorised direct member to a service provider or a sub-contractor provided that the authorised direct member complies with the conditions set out in this</p>	<p>(3) Compliance with conditions: An authorised direct member which may outsource its Back Office Depository Functions relating to its function as an authorised direct member to a sService pProvider or a sub-contractor provided that the authorised direct member must comply with the conditions</p>

EXISTING PROVISIONS		AMENDED PROVISIONS
	Rule 14.13.	set out in this Rule 14.13.
Rule 14.13	<p>(4) Sub-contracting: The authorised direct member must ensure that:</p> <p>(a) the service provider does not further assign the Back Office Functions to a sub-contractor unless the prior approval of the authorised direct member is first obtained; and</p> <p>(b) the sub-contractor does not further assign the Back Office Functions to any party.</p>	[Deleted]
Rule 14.13	<p>(5) Compliance by service provider and sub-contractor: The authorised direct member 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 authorised direct member and the Depository and direction issued by the Depository.</p>	<p>(52) Compliance by sService pProvider and sub-contractor: The authorised direct member must ensure compliance by the sService pProvider(s) and if applicable, the sub-contractor of all relevant requirements stipulated in any provision in these Rules, agreement between the authorised direct member and the Depository and direction issued by the Depository.</p>
Rule 14.13	<p>(6) Liab le as a principal: The authorised direct member 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 authorised direct member and the Depository and direction issued by the Depository.</p>	<p>(63) Accountability Liab le as a principal: <u>An authorised direct member remains accountable for all outsourced Depository Functions and will be held liable for any act or omission on the part of the Service Provider which results in a breach of these Rules. The authorised direct member 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 authorised direct member and the Depository and direction issued by the Depository.</u></p>
Rule 14.13	<p>(7) Directions: Any direction issued by the Depository and directed to the authorised direct member, where applicable, is deemed to have also been issued and directed to the service provider and the sub-contractor</p>	[Deleted]

EXISTING PROVISIONS		AMENDED PROVISIONS
	and shall be regarded to be within the knowledge of the service provider and the sub-contractor.	
Rule 14.13	<p>(8) Confidentiality: The authorised direct member must ensure that:</p> <p>(a) the service provider and if applicable, the sub-contractor protects the confidentiality and security of the documents and information of clients and that the authorised direct member is immediately notified of any breach of this requirement by the service provider or the sub-contractor; and</p> <p>(b) 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.</p>	[Deleted]
Rule 14.13	(9) Insurance: The authorised direct member 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.	(94) Insurance: The authorised direct member must have in place an insurance policy to protect it against any liability, loss or damage arising from any action or omission of the sService pProvider and if applicable, the sub-contractor in performing the said Back Office <u>Depository</u> Functions.
Rule 14.13	(10) Access to books: The authorised direct member must ensure that the Depository or its agent shall at all times have access to and be allowed to make copies of the books (as defined in the Capital Markets and Services Act 2007) of the authorised direct member, the service provider or the sub-contractor. The authorised direct member shall procure a written consent through a letter of	(105) Access to books: The authorised direct member must ensure that the Depository or its agent shall at all times have access to and be allowed to make copies of the books (as defined in the Capital Markets and Services Act 2007) of the authorised direct member or, the sService pProvider or the sub-contractor . The authorised direct member shall procure a written consent through a letter of undertaking from the

EXISTING PROVISIONS		AMENDED PROVISIONS
	undertaking from the service provider or the sub-contractor to allow the Depository or its agent to exercise its powers as stated above.	sService pProvider or the sub-contractor to allow the Depository or its agent to exercise its powers as stated above.
Rule 14.13	(11) Amendments to conditions: The Depository reserves the right to add, delete or amend any of the conditions set out in Rule 14.13.	(446) Amendments to conditions: The Depository reserves the right to add, delete or amend any of the conditions set out in Rule 14.13.
Rule 14.13	(12) Commencement of outsourcing: Save as otherwise approved by the Depository, an authorised direct member must not commence outsourcing of its Back Office Functions as permitted under Rule 14.13(3) unless it has given prior notification to the Depository of its intention to outsource.	(427) CommencementNotification of outsourcing: Save as otherwise approved by the Depository, a An authorised direct member must <u>notify the Depository within 2 weeks from the signing of the relevant agreement(s) setting out the terms and conditions of the outsourcing arrangement, including where applicable, the agreement setting out the terms and conditions for sub-contracting the Depository Functions to another Service Provider (“relevant service level agreement(s)”)not commence outsourcing of its Back Office Functions as permitted under Rule 14.13(3) unless it has given prior notification to the Depository of its intention to outsource.</u>
Rule 14.13	(13) Termination or variation of services of service provider or sub-contractor: The authorised direct member must notify the Depository of the termination or any variation of the services of the authorised direct member’s service provider or any sub-contractor not later than 10 market days from the date of the termination or variation notice or the effective date of termination or variation, whichever the earlier.	(438) Termination or variation of services of sService pProvider or sub-contractor: The An authorised direct member must, <u>in respect of the outsourcing of the Depository Functions,</u> notify the Depository of: <ul style="list-style-type: none"> (i) <u>the termination or any variation of the relevant service level agreement(s)services of the authorised direct member’s service provider or any sub-contractor; or</u> (ii) <u>any adverse development arising from or in connection with the outsourcing arrangement that could significantly affect the authorised direct member,</u> <u>within 2 weeks from the occurrence of such event.</u>

EXISTING PROVISIONS		AMENDED PROVISIONS
		not later than 10 market days from the date of the termination or variation notice or the effective date of termination or variation, whichever the earlier.
Rule 14.13	(14) Revocation of right to outsource: Notwithstanding any provision in these Rules to the contrary, the Depository may, where it deems fit, revoke the right of the authorised direct member to outsource its Back Office Functions pursuant to this Rule, without assigning any reason for such revocation.	[Deleted]
Rule 14.13	(15) Non-application: The above provisions shall not apply to an authorised direct member who is also a market intermediary as mentioned in the Guidelines on Outsourcing. Such authorised direct member may outsource its Back Office Functions subject to compliance with the Guidelines on Outsourcing and the provisions in Rule 2.12 which shall apply, mutatis mutandis, to such authorised direct member as if it were an authorised depository agent mentioned therein.	(159) Non-application: The above provisions shall not apply to an authorised direct member who is also a market intermediary market intermediary CMSL holder as mentioned in the Guidelines on Outsourcing Commission's Licensing Handbook . Such authorised direct member may outsource its Back Office Depository Back Office Functions subject to compliance with the Commission's Licensing Handbook Guidelines on Outsourcing Commission's Licensing Handbook Guidelines and the provisions in Rule 2.12 which shall apply, mutatis mutandis, to such authorised direct member as if it were an authorised depository agent mentioned therein.
Rule 38.02	Rule 38.02 General Penalty: (1) Breach of these Rules: Notwithstanding any other powers conferred on the Depository in these Rules or in the Act, the Depository shall have the following powers in the event of any breach of any of the provisions of these Rules or any undertakings, representations or warranties given to the Depository or any other terms and conditions agreed upon with the Depository by the following persons: (a) in relation to an issuer, to reprimand and/or impose a fine not exceeding the sum of two hundred and	Rule 38.02 General Penalty: (1) Breach of these Rules: Notwithstanding any other powers conferred on the Depository in these Rules or in the Act, the Depository shall may take any one or more of the have the following powers actions in the event of any breach of any of the provisions of these Rules or any undertakings, representations or warranties given to the Depository or any other terms and conditions agreed upon with the Depository by the following persons: (a) in relation to an issuer, to;

EXISTING PROVISIONS		AMENDED PROVISIONS
	<p>fifty thousand ringgit and/or withdraw the authority given to such person to act as an authorised nominee or exempt authorised nominee as the case may be and/or disallow the issuer's access to any of the services or facilities provided by the Depository for any period as may be determined by the Depository at its absolute discretion; and</p> <p>(b) in relation to any authorised depository agent, authorised direct member or other users, to reprimand and/or impose a fine not exceeding the sum of two hundred and fifty thousand ringgit and/or withdraw the authority given to such person to act as an authorised nominee or exempt authorised nominee as the case may be.</p>	<p>(i) _____ reprimand <u>the issuer</u>;</p> <p>(ii) _____ and/or impose a fine not exceeding the sum of two hundred and fifty thousand ringgit;</p> <p>(iii) _____ and/or withdraw the authority given to such person to act as an authorised nominee or exempt authorised nominee as the case may be; <u>or</u></p> <p>(iv) -and/or- disallow the issuer's access to any of the services or facilities provided by the Depository for any period as may be determined by the Depository at its absolute discretion; and</p> <p>(b) in relation to any authorised depository agent, authorised direct member or other users;</p> <p>(i) _____ to reprimand <u>such person</u>; and/or</p> <p>(ii) _____ impose a fine not exceeding the sum of two hundred and fifty thousand ringgit; and/or</p> <p>(iii) _____ withdraw the authority given to such person to act as an authorised nominee or exempt authorised nominee as the case may be; <u>or</u></p> <p>(iv) <u>in respect of a breach of these Rules that relates to a function that has been outsourced, impose any restriction or condition in relation to the breach committed or on the activities that such person undertakes.</u></p>

EXISTING PROVISIONS		AMENDED PROVISIONS
(2)	Continuing breach: In the case of a continuing breach the authorised depository agent, authorised direct member, issuer or other users as the case may be, in addition to the penalties under subsection (1) is liable to a fine not exceeding five thousand ringgit for every day or part of a day during which the breach continues.	(2) [No change]
(2A)	Authorisation: The Depository shall appoint a committee, a sub-committee or officer(s) of the Depository or Exchange Holding Company to discharge the exercise of its powers under subsection (1).	(2A) [No change]
(3)	Interpretation: For the purpose of this Rule, the term authorised depository agent or authorised direct member includes its wholly owned nominee company.	(3) [No change]

[End of Rule Amendments]