

**ANNEXURE 1**

**RULES OF BURSA MALAYSIA SECURITIES CLEARING SDN BHD**

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

EXISTING PROVISIONS		AMENDED PROVISIONS
<b>INTERPRETATION</b>	New definition	<u>"Clearing and Settlement Functions"</u>  <u>The functions of a Clearing Participant in relation to clearing and settling transactions in securities.</u>
<b>INTERPRETATION</b>	New definition	<u>"Commission's Licensing Handbook"</u>  <u>The licensing handbook issued by the Commission pursuant to Section 377 of the Act and includes any subsequent amendments, modifications, variations, supplements or substitutes.</u>
<b>INTERPRETATION</b>	New definition	<u>"Service Provider"</u>  <u>The entity within the group or an external entity to which the Clearing Participant has outsourced the Clearing and Settlement Functions and includes any subsequent service provider(s) to whom the initial service provider or any subsequent service provider has further contracted the Clearing and Settlement Functions.</u>
<b>Rule A2.3</b>	<b>Rule A2.3 OUTSOURCING BY TRADING CLEARING PARTICIPANTS</b>	<b>Rule A2.3 OUTSOURCING BY TRADING CLEARING PARTICIPANTS</b>
<b>Rule A2.3</b>	(a) A Trading Clearing Participant is not permitted to outsource any of its functions as a Trading Clearing Participant except in accordance with these Rules.	<u>[Deleted]</u>
<b>Rule A2.3</b>	(b) A Trading Clearing Participant may outsource its Back Office Functions if it:	<u>(ba) A Trading Clearing Participant which outsources its may outsource its Back Office Clearing and Settlement Functions if</u>

EXISTING PROVISIONS		AMENDED PROVISIONS
	<ul style="list-style-type: none"> <li>(i) complies with the requirements that must be met prior to the outsourcing as set out under the Guidelines on Outsourcing as though the Trading Clearing Participant is the market intermediary mentioned in the Guidelines on Outsourcing; and</li> <li>(ii) has obtained the prior written approval of the Clearing House for any material outsourcing arrangement as required under the Guidelines on Outsourcing.</li> </ul>	<p><del>#must:</del></p> <ul style="list-style-type: none"> <li><del>(i) — 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 Trading Clearing Participant is the CMSL holder market intermediary mentioned in the Commission’s Licensing Handbook Guidelines on Outsourcing; and</del></li> <li><del>(ii) — has obtained the prior written approval of the Clearing House for any material outsourcing arrangement as required under the Guidelines on Outsourcing.</del></li> </ul>
<b>Rule A2.3</b>	(c) In relation to paragraph 3.02 of the Guidelines on Outsourcing, a Trading Clearing Participant 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.	[Deleted]
<b>Rule A2.3</b>	<p>(d) A Trading Clearing Participant which has outsourced its Back Office Functions under this Rule A2.3 must, in relation to such functions:</p> <ul style="list-style-type: none"> <li>(i) comply with these Rules, the Guidelines on Outsourcing (as though the Trading Clearing Participant is the market intermediary mentioned in the Guidelines on Outsourcing) and any directives that may be issued by the Clearing House on this matter; and</li> <li>(ii) 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</li> </ul>	<p><del>(eb) A Trading Clearing Participant which has outsourced its Back Office Functions under this Rule A2.3 must, in relation to such functions:</del></p> <ul style="list-style-type: none"> <li><del>(i) — comply with these Rules, the Guidelines on Outsourcing (as though the Trading Clearing Participant is the market intermediary mentioned in the Guidelines on Outsourcing) and any directives that may be issued by the Clearing House on this matter; and</del></li> <li><del>(ii) — 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</del></li> </ul>

EXISTING PROVISIONS		AMENDED PROVISIONS
	Trading Clearing Participant is required to.	Trading Clearing Participant is required to.
<b>Rule A2.3</b>	New provision	<u>(c) A Trading Clearing Participant remains accountable for all outsourced Clearing and Settlement 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.</u>
<b>Rule A2.3</b>	(e) The Clearing House may, at any time, revoke any approval given to the Trading Clearing Participant for its material outsourcing or direct the Trading Clearing Participant to discontinue the outsourcing of the Back Office Functions, partly or wholly, for any reason whatsoever.	[Deleted]
<b>Rule A2.3</b>	(f) For the purpose of this Rule, unless the context otherwise requires:  (i) “Back Office Functions” means back office functions as defined under the Guidelines on Outsourcing.	[Deleted]
	(ii) “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]
	(iii) “service provider” has the same meaning as is assigned to it in the Guidelines on Outsourcing.	[Deleted]
	(iv) “sub-contractor” means the service provider to whom the initial service provider has further contracted the Back Office Functions.	[Deleted]

EXISTING PROVISIONS		AMENDED PROVISIONS
<b>Rule A2.3</b>	<p>(g) (i) This Rule is not applicable to a Trading Clearing Participant which is an Investment Bank.</p> <p>(ii) A Trading Clearing Participant 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>(ed) (i) This Rule is not applicable to a Trading Clearing Participant which is an Investment Bank.</p> <p>(ii) A Trading Clearing Participant 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>
<b>Rule B2.4</b>	<b>Rule B2.4 OUTSOURCING BY NON TRADING CLEARING PARTICIPANTS</b>	<b>Rule B2.4 OUTSOURCING BY NON TRADING CLEARING PARTICIPANTS</b>
<b>Rule B2.4</b>	<p>(a) For the purposes of this Rule, unless the context otherwise requires:</p> <p>(i) “Back Office Functions” in this rule encompasses only the operational or administrative aspects of the entity’s functions as a Non Trading Clearing Participant, including clearing and settlement of transactions in securities involving the Non Trading Clearing Participant’s principal accounts and transactions in securities involving the Non Trading Clearing Participant’s nominee accounts held for locally incorporated companies which are wholly owned by the Non Trading Clearing Participant;</p>	[Deleted]
	<p>(ii) “service provider” means any entity which carries out the outsourced Back Office Functions; and</p>	[Deleted]
	<p>(iii) “sub-contractor” means the service provider to whom the initial service provider has further contracted the Back Office Functions.</p>	[Deleted]
<b>Rule B2.4</b>	<p>(b) A Non Trading Clearing Participant is not permitted to outsource any of its functions as a Non Trading Clearing Participant except in accordance with this Rule.</p>	[Deleted]

EXISTING PROVISIONS		AMENDED PROVISIONS
<b>Rule B2.4</b>	(c) A Non Trading Clearing Participant may outsource its Back Office Functions relating to its function as a Non Trading Clearing Participant to a service provider or a sub-contractor provided that the Non Trading Clearing Participant complies with the conditions set out in this Rule B2.4.	( <del>ea</del> ) A Non Trading Clearing Participant <del>which may</del> outsources its <del>Back Office Clearing and Settlement</del> Functions <del>relating to its function as a Non Trading Clearing Participant</del> to a <del>s</del> Service <del>p</del> Provider <del>or a sub-contractor provided that the Non Trading Clearing Participant must</del> comply <del>ies</del> with the conditions set out in this Rule B2.4.
<b>Rule B2.4</b>	(d) The Non Trading Clearing Participant must ensure that: <ul style="list-style-type: none"> <li>(i) the service provider does not further assign the Back Office Functions to a sub-contractor unless the prior approval of the Non Trading Clearing Participant is first obtained; and</li> <li>(ii) the sub-contractor does not further assign the Back Office Functions to any party.</li> </ul>	<del>[Deleted]</del>
<b>Rule B2.4</b>	(e) The Non Trading Clearing Participant 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 Non Trading Clearing Participant and the Clearing House and direction issued by the Clearing House.	( <del>eb</del> ) The Non Trading Clearing Participant must ensure compliance by the <del>s</del> Service <del>p</del> Provider( <del>s</del> ) <del>and if applicable, the sub-contractor</del> of all relevant requirements stipulated in any provision in these Rules, agreement between the Non Trading Clearing Participant and the Clearing House and direction issued by the Clearing House.
<b>Rule B2.4</b>	(f) The Non Trading Clearing Participant 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 Non Trading Clearing Participant and the Clearing House and direction issued by the Clearing House.	( <del>fc</del> ) <del>A Non Trading Clearing Participant remains accountable for all outsourced Clearing and Settlement 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 Non Trading Clearing Participant 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 Non Trading Clearing Participant and the Clearing House and direction issued by the Clearing House.</del>
<b>Rule B2.4</b>	(g) Any direction issued by the Clearing House and directed	<del>[Deleted]</del>

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	to the Non Trading Clearing Participant, where applicable, is deemed to have also been issued and directed to the service provider and the sub-contractor and shall be regarded to be within the knowledge of the service provider and the sub-contractor.	
<b>Rule B2.4</b>	<p>(h) The Non Trading Clearing Participant must ensure that:</p> <p>(i) the service provider and if applicable, the sub-contractor protects the confidentiality and security of the documents and information of clients and that the Non Trading Clearing Participant is immediately notified of any breach of this requirement by the service provider or the sub-contractor; and</p> <p>(ii) 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]
<b>Rule B2.4</b>	(i) The Non Trading Clearing Participant 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.	( <del>id</del> ) The Non Trading Clearing Participant must have in place an insurance policy to protect it against any liability, loss or damage arising from any action or omission of the <del>s</del> Service <del>p</del> Provider <del>and if applicable, the sub-contractor(s)</del> in performing the said <del>Back Office Clearing and Settlement</del> Functions.
<b>Rule B2.4</b>	(j) The Non Trading Clearing Participant must ensure that the Clearing House or its agent shall at all times have access to and be allowed to make copies of the books (as defined in the Act) of the Non Trading Clearing	( <del>je</del> ) The Non Trading Clearing Participant must ensure that the Clearing House or its agent shall at all times have access to and be allowed to make copies of the books (as defined in the Act) of the Non Trading Clearing Participant, <del>or the</del> <del>s</del> Service

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	Participant, the service provider or the sub-contractor. The Non Trading Clearing Participant shall procure a written consent through a letter of undertaking from the service provider or the sub-contractor to allow the Clearing House or its agent to exercise its powers as stated above.	<del>p</del> Provider <del>or the sub-contractor</del> . The Non Trading Clearing Participant shall procure a written consent through a letter of undertaking from the <del>s</del> Service <del>p</del> Provider <del>or the sub-contractor</del> to allow the Clearing House or its agent to exercise its powers as stated above.
<b>Rule B2.4</b>	(k) Save as otherwise approved by the Clearing House, a Non Trading Clearing Participant must not commence outsourcing of its Back Office Functions as permitted under Rule B2.4(c) unless it has given prior notification to the Clearing House of its intention to outsource..	( <del>k</del> f) <del>Save as otherwise approved by the Clearing House, a</del> Non Trading Clearing Participant must <u>notify the Clearing House 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 Clearing and Settlement Functions to another Service Provider (“relevant service level agreement(s)”) not commence outsourcing of its Back Office Functions as permitted under Rule B2.4(c) unless it has given prior notification to the Clearing House of its intention to outsource.</u>
<b>Rule B2.4</b>	(l) The Non Trading Clearing Participant must notify the Clearing House of the termination or any variation of the services of the Non Trading Clearing Participant’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.	( <del>l</del> g) <del>The</del> A Non Trading Clearing Participant must, <u>in respect of the outsourcing of the Clearing and Settlement Functions,</u> notify the Clearing House of: <ul style="list-style-type: none"> <li>(i) <u>the termination or any variation of the relevant service level agreement(s) services of the Non Trading Clearing Participant’s service provider or any sub-contractor or</u></li> <li>(ii) <u>any adverse development arising from or in connection with the outsourcing arrangement that could significantly affect the Non Trading Clearing Participant,</u></li> </ul> <u>within 2 weeks from the occurrence of such event</u>  <del>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.</del>

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<b>Rule B2.4</b>	(m) Notwithstanding any provision in these Rules to the contrary, the Clearing House may, where it deems fit, revoke the right of the Non Trading Clearing Participant to outsource its Back Office Functions pursuant to this Rule, without assigning any reason for such revocation.	<del>[Deleted]</del>
<b>Rule 3.1</b>	<b>SUSPENSION, TERMINATION OF CLEARING PARTICIPANTSHIP AND OTHER DISCIPLINARY ACTIONS</b>	<b>SUSPENSION, TERMINATION OF CLEARING PARTICIPANTSHIP AND OTHER DISCIPLINARY ACTIONS</b>
<b>Rule 3.1.2</b>	<p>The following actions may be taken against any Clearing Participant or SBL Participant/Agent who has been found to have committed any of the acts of misconduct stipulated in Rule 3.1.1:</p> <p>(a) suspend or terminate its Clearing Participantship;</p> <p>(b) suspend or terminate the SBL Participant/Agent as a SBL Participant/Agent;</p> <p>(c) limit the activities or access of the Clearing Participant or the SBL Participant/Agent to the services and facilities of the Clearing House on such terms and for such period as the Clearing House may in its sole discretion determine;</p> <p>(d) impose on the Clearing Participant or the SBL Participant/Agent a fine not exceeding five hundred thousand ringgit (RM 500,000.00); and/or</p> <p>(e) reprimand the Clearing Participant or the SBL Participant/Agent (private or public).</p>	<p><del>The Clearing House may take any one or more of the</del> following actions <del>may be taken</del> against any Clearing Participant or SBL Participant/Agent who has been found to have committed any of the acts of misconduct stipulated in Rule 3.1.1:</p> <p>(a) [No change]</p> <p>(b) [No change]</p> <p>(c) [No change]</p> <p>(d) impose on the Clearing Participant or the SBL Participant/Agent a fine not exceeding five hundred thousand ringgit (RM 500,000.00); <del>and/or</del></p> <p>(e) reprimand the Clearing Participant or the SBL Participant/Agent (private or public); <u>or</u></p>

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		<u>(f) 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 a Clearing Participant undertakes.</u>

[End of Rule Amendments]