

**BURSA MALAYSIA DERIVATIVES BERHAD**

Date : 27 September 2007

Trading Participant Circular : 21/2007

**AMENDMENTS TO THE RULES OF BURSA MALAYSIA DERIVATIVES BHD  
("RULES OF BURSA DERIVATIVES") CONSEQUENTIAL TO THE CAPITAL  
MARKETS AND SERVICES ACT 2007**

Please be advised that Bursa Malaysia Derivatives Bhd has made amendments to the Rules of Bursa Derivatives consequential to the Capital Markets and Services Act 2007 and the Capital Markets and Services Regulations 2007 which is coming into force on 28 September 2007.

A copy of the amendments are attached herewith and marked as Annexure 1 ("the said Amendments"). We have also attached a table setting out the list of rules which have been amended and the same is marked as Annexure 2 herewith. The said Amendments shall take effect from 28 September 2007 ("the said Effective Date").

The said Amendments are reflected either with a strike through to denote deletions or underlined to denote new insertions made to the Rules of Bursa Derivatives.

All rules, directives, circulars in force which make reference or contain provisions relating to the above matters shall have effect from the date hereof as if such reference or provisions relate the amendments made herein.

This circular is available at

[http://www.bursamalaysia.com/website/bm/rules\\_and\\_regulations/bursa\\_rules/bm\\_derivatives.html](http://www.bursamalaysia.com/website/bm/rules_and_regulations/bursa_rules/bm_derivatives.html).

In the event of any queries in relation to the circular kindly contact the following persons:

1. Sharon Barbosa (03-20347295)
2. Azrina Abdul Rashid (03-20347326)
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4. Ahmad Suffian (03-20347242)-in relation to registration matters

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**LEGAL ADVISORY AND CORPORATE LEGAL AFFAIRS**

# **ANNEXURE 1**

**Rule 101**

These Rules are intended to ensure a fair and open market on the Exchange and to provide protection to the public in its contact with the Exchange, its Participants and Registered Representatives. In the observance of these Rules and in areas or circumstances not explicitly covered by any Rule all persons trading on the Exchange shall guide themselves not only by the letter but also the spirit of these Rules as reflected in the following principles:

- (a) the observance of high standards of integrity and fair dealing;
- (b) acting with due care, skill and diligence;
- (c) organising and controlling one's affairs in a responsible manner and according to defined procedures; and
- (d) dealing with the Exchange and the Commission in an open and co-operative manner and keeping each body promptly informed of anything which might reasonably be expected to be disclosed to it.

**Rule 102**

All persons trading on the Exchange are bound by and must observe the provisions of these Rules and all Contracts made or entered into on the Exchange shall be governed by these Rules.

**Rule 103**

These Rules may be supplemented by guidelines, notices or circulars of general application issued by the Exchange for the guidance of Participants and Registered Representatives or to govern the trading of any Contract or Contracts.

In the event of amendments being made to the Rules which does or has the effect of overriding provisions or instructions stated in guidelines, notices or circulars previously issued by the Exchange, such guidelines, notices or circulars are deemed to be overridden by the provisions of the amended Rules.

**Rule 104**

The Exchange, shall, so far as it is possible without disclosing any confidential information, make or provide any interpretation of these Rules and, upon such publication, the interpretation shall be binding on all persons trading on the Exchange. The interpretation of the Rules so made or provided by the Exchange shall be published and circulated to the Participants as soon as practicable but the validity of the said interpretation in the interim shall not be invalidated for any reason whatsoever.

**Rule 105**

The Exchange may from time to time alter, add to or rescind any of these Rules provided that:

- (a) the Exchange shall prior to making such alteration, addition or rescission have given Participants notice of the proposed alteration, addition or rescission together with an invitation to the Participants to submit their comments (if any) to the proposed alteration, addition or rescission within such period as determined by the Exchange; and
- (b) the Exchange shall comply with the Futures-Industry Capital Markets Services Act in connection with the making of the Rules and any alteration, addition or rescission thereof.

**Rule 106**

Any alteration, addition or rescission to the Rules shall take effect from such date as is determined by the Exchange with the approval of the Commission. The Exchange shall give notice of all such alterations, additions or rescission to the Rules together with the effective date of such alterations, additions or rescission to all Participants provided that the accidental omission to give notice or the non-receipt of notice by any Participant shall not invalidate such alterations, additions or rescission nor delay its operation.

**Rule 107**

- (a) All notices required to be sent under these Rules shall be in writing and sent to the address and/or facsimile number of the addressee as contained in the records of the Exchange.
- (b) The party giving any notice under these Rules shall regard such notice as having been received in the following circumstances:-
  - (i) if sent by post within Peninsula Malaysia, on the 3<sup>rd</sup> Business Day after posting;
  - (ii) if sent by air mail to Sabah, Sarawak or outside Malaysia, on the 5<sup>th</sup> Business Day after posting;
  - (iii) if sent by courier, on the 2<sup>nd</sup> Business Day after despatch; and
  - (iv) if sent by facsimile immediately upon generation of a report indicating that the transmission was successful.
- (c) The Exchange may at any time specify such other methods of giving notice as it deems fit, including electronic mail, other electronic means and advertisement in newspapers.

**Rule 108**

The Exchange may at any time impose, vary or waive any fees, levies and/or charges subject to any terms and conditions thereto.

*(End of Business Rule 100)*

**Rule 201      Definitions**

In these Rules, except where inconsistent with the subject or context:-

“**Adjusted Net Capital**” is as defined in Rule 602.2;

“**Adjustment Agreement**” means one of two or more standardised agreements the effect of which is that -

- (a) a particular person will either be under an obligation to pay, or will have a right to receive, an amount of money depending on a state of affairs existing at a particular future time including, without prejudice to the generality of the foregoing, a state of affairs that relates to fluctuations in the value or price of an instrument or other property, or in the numerical level of an index, an interest rate or other factor; and
- (b) the amount of money will be calculated in a particular manner by reference to that state of affairs,

whether or not the agreement is capable of being varied or discharged before that future time;

“**American Style Option**” means an Option that may be exercised on any Business Day prior to and including its Expiration Date;

“**Appeal Board**” *[This definition has been deleted]*

“**Appraisal**” means the weighing, sampling and analysis of Crude Palm Oil;

“**Arbitration**” means the resolution of Disputes pursuant to these Rules, whether such Dispute is placed before the Dispute Sub-Committee or the Arbitration Panel or the Appeal Board established by these Rules and the word “arbitrate” shall have a corresponding meaning;

“**Arbitrators**” mean the persons sitting on the Dispute Sub-Committee or the Arbitration Panel and/or the Appeal Board in their capacity as adjudicators of any Dispute;

“**Arbitration Fee**” means the fees prescribed in Rule 513.5A;

“**Arbitration Panel**” shall consist of person or persons appointed or nominated in accordance with Rule 513.6A;

“**Articles**” means the Memorandum and Articles of Association of the Exchange, as may be amended from time to time;

“**Associate Participant**” means a Corporation, which has been admitted as an Associate Participant in accordance with these Rules and has not ceased for any reason to be an Associate Participant;

“**Associate Member’s Representative**” *[This definition has been deleted]*

“**Auditors**” means the auditor or auditors for the time being of the Exchange;

“**Award**” means a decision of the Arbitration Panel or Dispute Sub-Committee;

“**Bank**” means a ~~bank licensed to carry on banking business in Malaysia under the Banking and Financial Institutions Act 1989 and any regulations made thereunder as modified or varied or replaced~~ licensed bank as defined in Section 2 of the Capital Markets Services Act;

“**Bank Negara Malaysia**” means the Central Bank of Malaysia established under the Central Bank of Malaysia Ordinance 1958;

“**Board**” *[This definition has been deleted]*

“**Bursa Securities**” means Bursa Malaysia Securities Berhad;

**“Business Day”** means any day on which the Exchange is open for trading;

**“Call Option”** means a contract that is entered into on the Market under which a person acquires from another person an option or right, exercisable at or before a stated time -

- (a) to buy from that other person a stated quantity of a named Instrument at a price stated in, or to be determined in accordance with, the Contract;
- (b) to assume, at a stated price and within a stated period, a Long Position in relation to a named Futures Contract; or
- (c) to be paid by that other party, at the time when the option or right is exercised, an amount of money to be determined by reference to a state of affairs that relates to fluctuations in the value or price of an Instrument or other property, or in the numerical level of an index, an interest rate or other factor;

**“Capital Adequacy Ratio”** means “Capital Adequacy Ratio” as referred to in the Rules of Bursa Securities;

**“Capital Adequacy Requirements”** means the capital adequacy requirements as referred to in the Rules of Bursa Securities;

**“Capital Markets Services Representative’s Licence”** shall have the same meaning as is assigned to it in [Section 2 of the Capital Markets Services Act](#);

**“Capital Market Services Act”** means [Capital Markets and Services Act 2007](#);

**“Capital Markets Services Licence”** shall have the same meaning as is assigned to it in [Section 2 of the Capital Markets Services Act](#);

**“Cash Covered”** means, in respect of a written position in an Option, that the written position has been covered to the satisfaction of the Clearing House by cash or such other collateral approved by the Clearing House for this purpose;

**“Cash Settlement”** means in respect of a Contract, the settlement in cash of a position that has been Closed Out or expired or exercised;

**“Certificate of Quality”** means the declaration of guarantee of quality of Crude Palm Oil in the Negotiable Storage Receipt;

**“Chief Operating Officer”** *[This definition has been deleted]*

**“Claim or Grievance”** means any Dispute which arises out of any transaction, on or subject to these Rules executed by or effected through a Participant, or any employee of such Participant which Dispute does not require adjudication, the presence of essential witnesses or third parties over whom the Exchange does not have jurisdiction or who are otherwise not available. The term “Claim or Grievance” shall not include dispute arising from cash market transactions, which are not part of, or directly connected with, any transaction executed on the Exchange for the purchase or sale of any Contract;

**“Claimant”** means a person who asserts a claim pursuant to these Rules for settlement of Disputes;

**“Clearing House”** means the Bursa Malaysia Derivatives Clearing Berhad;

**“Clearing Participant”** means a Trading Participant or an Associate Participant who is a participant of the Clearing House for the clearing, settlement and exercise of Contracts;

**“Client”** ~~means~~ in respect of any Trading Participant or any person or organisation, means a person on whose behalf the Trading Participant trades or proposes to trade, or from whom the Trading Participant accepts instructions to trade in Contracts;

**“Client Account”** means an account of a Client maintained with a Trading Participant or an Associate Participant;

**“Clients’ Segregated Account”** means a separate account for any money, security or document of title relating to any property received from Clients or accruing to Clients, maintained in accordance with Section 52 of the ~~Futures Industry~~ Capital Markets Services Act;

**“Close Out”** means to discharge the obligations of a person in the Long Position or Short Position under a Contract and shall include the discharge of these obligations as a result of the matching up of the Contract with a Contract of the same kind under which the person has assumed an offsetting Short Position or offsetting Long Position, as the case may be;

**“Commission”** means the Securities Commission established under the Securities Commission Act 1993;

**“Commodity Contract”** means a Contract designated by the Board as a Commodity Contract and can be traded on the Exchange by parties approved by the Exchange to trade Commodity Contracts;

**“Commodity Participant”** means a Trading Participant, which holds Preference Share “C”;

**“Compliance Officer”** means a person who is registered with the Exchange as a ‘Compliance Officer’ of a Trading Participant in accordance with the provisions in these Rules;

**“Contract”** means an Option or a Futures Contract;

**“Corporation”** ~~is as defined in Section 2 of the Futures Industry Act and any regulation made thereunder as modified or varied or replaced~~ shall have the same meaning as is assigned to it in Section 2 of the Capital Markets Services Act;

**“Crude Palm Oil”** means crude palm oil with specifications set out in Rule 1300;

**“Crude Palm Kernel Oil”** means crude palm kernel oil with specifications set out in Rule 1700;

**“Daily Settlement Price”** means the price of a Contract as may be determined by the Clearing House for the purposes of settlement to market in accordance with the rules of the Clearing House;

**“Defendant”** means a person against whom a claim is asserted pursuant to these Rules for settlement of Disputes;

**“Dispute”** means a dispute which is subject to the procedures prescribed in Rules 513.6C or 513.7D;

**“Eligible Delivery Agreement”** means an agreement that is one of two or more standardised agreements the effect of which is that a person is under an obligation to make or accept delivery at a particular future time of a particular quantity of a particular Instrument -

- (a) for a particular price; or
- (b) for a price to be calculated in a particular manner, whether or not;
  - (aa) the subject matter of the agreement is in existence; or
  - (bb) the agreement is capable of being varied or discharged before that future time, and in respect of which it appears likely at the relevant time, having regard to all relevant circumstances, that -
    - (aaa) the obligation of the person in the Short Position to make delivery will be discharged except by the person making delivery;
    - (bbb) the obligation of the person in the Long Position to accept delivery will be discharged except by the person accepting delivery; or
    - (ccc) the person on the Short Position, or Long Position, will assume an offsetting Long Position, or offsetting Short Position, as the case may be, under another agreement of the same kind;

**“Eligible Non-Universal Broker”** shall have the same meaning as is assigned to that expression in the Rules of Bursa Securities;

“**Entity**” shall bear the same meaning as is ascribed thereto in the Guidelines on Supervisory Functions;

“**Equity Financial Participant**” means a Trading Participant, which holds Preference Share “A”;

“**European Style Option**” means an Option that may be exercised only on its Expiration Date;

“**Exchange**” means Bursa Malaysia Derivatives Berhad;

“**Exchange Holding Company**” means Bursa Malaysia Berhad;

“**Exercise**” means to invoke the rights granted to the Holder of an Option;

“**Exercise Notice**” means a notification that the Holder of an Option wishes to exercise such Option;

“**Exercise Price**” means the unit price that the Holder pays and the Writer receives in the case of Call Options or the unit price the Writer pays and the Holder receives in the case of Put Options, on exercise of the relevant Option;

“**Expiration Date**” means in respect of an Option, the day on which the Option expires and the contractual rights and obligations of Holders and Writers are expressed to terminate respectively;

“**Fidelity Fund**” means the fidelity fund of the Exchange established in accordance with the Futures Industry Capital Markets Services Act;

“**Final Closing Price**” means in respect of a Stock Option contract, the price calculated by the Exchange in accordance with Rule 808.1 on the Final Trading Day;

“**Final Settlement Day**” means the Business Day following the Final Trading Day when all Open Positions are cash settled, or settled by delivery in accordance with the rules of the Clearing House;

“**Final Trading Day**” means the last Business Day designated for the trading of a Contract;

“**Financial Contract**” means a Contract designated by the Board as a Financial Contract and can be traded on the Exchange by parties approved by the Exchange to trade Financial Contracts;

“**Floor**” *[This definition has been deleted]*

“**Floor Contract**” *[This definition has been deleted]*

“**Floor Procedures**” *[This definition has been deleted]*

“**Floor Representatives**” *[This definition has been deleted]*

“**Full Hearing**” means the hearing as prescribed in Rule 513.7F;

“**Futures Broker**” means a holder of a Capital Markets Services Licence who carries on the business of regulated activity of trading in futures contracts;

“**Futures Contract**” ~~means a futures contract as defined in the Futures Industry Act, shall have the same meaning as is assigned to it in Section 2 of the Capital Markets Services Act;~~

“**Future Industry Act**” ~~means the Futures Industry Act 1993, as may be amended from time to time and includes, as the context so requires, any regulations made thereunder;~~

“**Futures Fund Manager’s Representatives**” means a holder of Capital Markets Services Representative’s Licence who carries on a regulated activity of fund management in relation to futures contracts;

“**Group**” shall bear the same meaning as is ascribed thereto in the Guidelines on Supervisory Functions;



**“Guidelines on Investment Banks”** means the Guidelines on Investment Banks issued by Bank Negara Malaysia and the Commission, including all modifications, re-issuance or consolidations thereof and directives issued pursuant thereto;

**“Guidelines on Supervisory Functions”** means the “Guidelines on Performance of Supervisory Functions at Group Level for Capital Market Intermediaries” issued by the Commission on 29 June 2005, including any subsequent amendments, modifications, variations, supplements or substitutes thereto and any directives or guidelines as may be issued thereunder;

**“Head of Compliance”** mean ‘Head Of Compliance’ as referred to in the Guidelines on Supervisory Function;

**“Holder”** means the buyer of an Option who assumes a Long Position;

**“Instrument”** means -

- (a) any share or any underlying asset of a Contract which is capable of being transferred;
- (b) any stock index or group of share or stock indices; and
- (c) in the case of an Option, includes a Futures Contract;

**“In writing”** means written, typed, printed or lithographed, or partly one and partly another, and includes any other mode of representing or reproducing words in a permanently visible form;

**“Investment Bank”** means an Investment Bank as defined in the Rules of Bursa Securities and which is approved as a Trading Participant of the Exchange in accordance with Rule 305, unless the context otherwise permits;

**“Investment Bank Capital Adequacy Framework”** means the Investment Bank Capital Adequacy Framework referred to in the Guidelines on Investment Banks;

**“KLIBOR/Kuala Lumpur Interbank Offer Rate”** means an interest rate derived from the activities of borrowing and lending Ringgit Malaysia in the professional inter-bank market;

**“Licensed Merchant Bank”** shall have the same meaning as is assigned to it in Section 2 of the [Capital Markets Services Act](#);

**“Listed Corporation”** shall have the same meaning as is assigned to it in Section 2 of the [Capital Markets Services Act](#);

**“Local Participant”** means a person who has been admitted as a Local Participant in accordance with these Rules and has not ceased for any reason to be a Local Participant;

**“Long Position”** in relation to -

- (a) a Futures Contract that is an Eligible Delivery Agreement, means the position of a person who, because of the agreement, is under an obligation to accept delivery in accordance with the agreement;
- (b) a Futures Contract that is an Adjustment Agreement, means the position of a person who, because of the agreement -
  - (i) will, if the value or worth of the agreement (as determined in accordance with the agreement) as at a particular future time is less by a particular amount than the value or worth of the agreement (as so determined) as at a particular earlier time, be under an obligation to pay that amount; and
  - (ii) will, if the value or worth of the agreement (as so determined) as at a particular future time is greater by a particular amount than the value or worth of the agreement (as so determined) as at a particular earlier time, have a right to receive that amount; or
- (c) an Option means the position of the Holder;

**“MGS”** means Malaysian Government Securities, as issued by the Malaysian government from time to time;

“**Margin Call**” means a call by a Trading Participant or an Associate Participant from its Client(s) for cash or collateral to meet the Client(s)’ obligations pursuant to trading in Contracts;

“**Market**” means the market operated by the Exchange for trading in Contracts;

“**Market Contract**” *[This definition has been deleted]*

“**Maturity Date**” means the last Business Day of the contract month or any such day that may be determined by the Exchange from time to time;

“**Participant**” means, unless otherwise specified, a participant of the Exchange for the time being falling within any of the classes of participation set out in Rule 301;

“**Minimum Financial Resources Requirement**” means the minimum resources requirement that is determined by the Exchange from time to time in accordance with Rule 602;

“**Minister**” ~~means the Minister for the time being charged with the responsibility for finance; shall have the same meaning as is assigned to it in Section 2 of the Capital Markets Services Act;~~

“**Month of tender**” means the calendar month during which a tender is made;

“**Negotiable Storage Receipt**” means a document issued by the Port Installation Owner pursuant to Rule 1300;

“**Nominating Participant**” means a Trading Participant who is also a Clearing Participant who provides an undertaking with respect to a Non-Clearing Participant;

“**Non-Clearing Participant**” means a Participant, which is not a participant of the Clearing House;

“**Non-Equity Financial Participant**” means a Trading Participant, which holds Preference Share “B”;

“**Officer**” in relation to Trading Participant, the Exchange or Exchange holding company shall include –

- (a) any director, secretary or employee of the corporation;
- (b) a receiver and manager, appointed under a power contained in any instrument, of any part of the undertaking or property of the corporation; and
- (c) any liquidator of a corporation appointed in a voluntary winding up, but does not include –
  - (i) any receiver who is not also a manager;
  - (ii) any receiver and manager appointed by the court; or
  - (iii) any liquidator appointed by the court or by the creditors;

“**Open Position**” means the position of a party under a Contract whose rights or obligations have not expired or been discharged or where the rights and/or obligations under that Contract are yet to be fulfilled;

“**Option**” includes a Call Option and a Put Option;

“**Participating Organisation**” shall have the same meaning as is assigned to that expression in the Rules of Bursa Securities;

“**Pit**” *[This definition has been deleted]*

“**Port Tank Installations**” means the port tank installations approved by the Exchange as points of delivery for Crude Palm Oil and Crude Palm Kernel Oil tendered in fulfilment of Futures Contracts;

“**Port Tank Installation Owner**” means a Corporation duly in possession of a Port Tank Installation and its servants;

**“Preference Share”** means any of the class of “A”, “B” or “C” preference shares of the Exchange, each having the rights and liabilities as provided by the Articles and in these Rules;

**“Premium”** means an account maintained by a Trading Participant for the purpose of recording its own Contracts, assets and profits and losses resulting from those Contracts;

**“Put Option”** means a contract that is entered into on the Market under which a person acquires from another person an option or right, exercisable at or before a stated time -

- (a) to sell to another person a stated quantity of a named Instrument at a price stated in, or to be determined in accordance with, the Contract;
- (b) to assume at a stated price and within a stated period, a Short Position in relation to a named Futures Contract; or
- (c) to be paid by that other party, at the time when the option or right is exercised, an amount of money to be determined by reference to a state of affairs that relates to fluctuations in the value or price of an Instrument or other property, or in the numerical level of an index, an interest rate or other factor;

**“Record”** shall have the same meaning as is assigned to it in Section 2 of the Capital Markets Services Act;

**“Registered Representative”** means a person ~~licensed as a futures broker’s representative under the Futures Industry who holds the Capital Markets Services Representative Licence Act to carry on a regulated activity of trading in futures contracts~~ and who is nominated by a Trading Participant to be registered as provided under Rule 322 and whose registration has not been terminated;

**“Representative”** shall have the same meaning as is assigned to it in Section 2 of the Capital Markets Services Act;

**“Risk Weighted Capital Ratio”** shall have the same meaning that is assigned to that expression in the Guidelines on Investment Banks;

**“Rules”** means these Rules of the Exchange, and any amendments or additions thereto which may be made by the Exchange from time to time and includes any schedules, guidelines, notices or circulars of general application issued by the Exchange for the guidance of Participants or to govern the trading of any Contract or Contracts;

**“Rules of Bursa Securities”** means the Rules of Bursa Securities, including any amendments made thereto, and any rulings, guidelines and directives issued pursuant thereto;

**“Scrip Covered”** means in respect of a Call Option for a Stock Option Contract, that the Writer’s obligation is secured in accordance with these Rules by shares;

**“Secretariat”** means the Secretariat established in accordance with Rule 513.4A;

**“Secretary”** *[This definition has been deleted]*

~~**“Securities Industry Act”** means Security Industry Act 1983;~~

**“Securities Laws”** means as defined in the Securities Commission Act 1993;

**“Serial Months”** means any calendar month other than the quarterly cycle months of March, June, September and December;

**“Share Futures Contract”** means an Adjustment Agreement where the underlying shares are share of a company listed on an Underlying Market approved by the Exchange and the Commission;

**“Short Position”** in relation to -

- (a) a Futures Contract that is an Eligible Delivery Agreement, means the position of a person who, because of the agreement, is under an obligation to make delivery in accordance with the agreement;

- (b) a Futures Contract that is an Adjustment Agreement, means the position of a person who, because of the agreement -
- (i) will, if the value or worth of the agreement (as determined in accordance with the agreement) as at a particular future time is greater by a particular amount than the value or worth of the agreement (as so determined) as at a particular earlier time, be under an obligation to pay that amount; and
  - (ii) will, if the value or worth of the agreement (as so determined) as at a particular future time is less by a particular amount than the value or worth of the agreement (as so determined) as at a particular earlier time, have a right to receive that amount; or
- (c) an Option, means the position of the Writer;

“**Special Scheme Broker**” shall have the same meaning as is assigned to that expression in the Rules of Bursa Securities;

“**Specified Exchange**” shall have the same meaning as is assigned to it in Section 2 of the Capital Markets Services Act;

“**Stock Index Futures Contract**” means an Adjustment Agreement where the underlying stock index is a stock index or a basket of shares of an Underlying Market approved by the Exchange and the Commission;

“**Stock Index Option Contract**” means an Option where the underlying stock index is a stock index or a basket of shares of an Underlying Market approved by the Exchange and the Commission;

“**Stock Option Contract**” means an Option where the underlying share is a block of shares of a company listed on an Underlying Market approved by the Exchange and the Commission;

“**Summary Proceedings**” means the procedures prescribed under Rule 513.7E;

“**Supervisory Functions**” shall bear the same meaning as is ascribed thereto in the Guidelines on Supervisory Functions;

“**Tender**” means the exchange of documents through the Clearing House in fulfilment of a Contract of future delivery of Crude Palm Oil and Crude Palm Kernel Oil;

“**The Kuala Lumpur Wholesale Money Market**” means a market located in Kuala Lumpur and supervised by Bank Negara Malaysia where institutions trade money market instruments;

“**Trading Participant**” means a Corporation holding any or all Preference Shares which shall be referred to as Equity Financial Participant, a Non-Equity Financial Participant or a Commodity Participant (as the case may be) and has been admitted as a Trading Participant in accordance with these Rules and has not ceased for any reason to be a Trading Participant;

“**Umpire**” means an individual who is appointed by virtue of Rule 513.6A;

“**Underlying Market**” means -

- (a) in relation to a Stock Index Option Contract or a Stock Index Futures Contract, the market from which prices and other relevant information are taken for the computation of the underlying stock index; and
- (b) in relation to any other Contract, the market in which the underlying Instrument is traded;

“**Writer**” means the seller of an Option who assumes a Short Position.

“**Universal Broker**” means Universal Broker as defined in the Rules of Bursa Securities;

## **Rule 202 Interpretation**

### **Rule 202.1**

Words importing the singular number only shall include the plural number and vice versa.

**Rule 202.2**

Words importing one gender shall include the other gender.

**Rule 202.3**

Headings are included for convenience only and shall not affect the construction of these Rules.

**Rule 202.4**

For the purposes of these Rules a person shall be deemed to have control of another person-

- (a) where the first person, or any related company or companies of the first person, directly or indirectly by any means whatever, holds or beneficially owns fifteen percent (15%) or more of the nominal, issued or paid up capital or of the voting power of the other person or of a third person which has control (in terms of this definition) of that other person; or
- (b) where a partner or director of the first person or of any related company of the first person is also a partner or director of the other person; or
- (c) where by reason of any contract, agreement or arrangement of any nature, whether legally enforceable or not, the first person effectively controls the management, or fifteen percent (15%) or more of the voting power, of the other person, or is entitled to nominate or appoint one or more directors of the other person.

**Rule 202.5**

The meaning of any term defined in these Rules extends to all grammatical variations of that term.

**Rule 202.6**

Any reference in these Rules to “schedule” or “guideline” shall be construed as a reference to a schedule or guideline of, to or as contained in these Rules, unless otherwise stated.

**Rule 202.7**

Any reference in these Rules to “suspend” or “halt” in relation to the trading of a Contract may be construed to mean “forbidden”, “halted”, “reserved”, “suspended” or “frozen” as determined by the Exchange pursuant to Rule 702B.

*(End of Business Rule 200)*

**Rule 301 General**

**Rule 301.1 Participantship Classes**

There shall be the following classes of participantship:

- (a) Trading Participants, which comprises of:-
  - (i) Equity Financial Participants;
  - (ii) Non-Equity Financial Participants; and
  - (iii) Commodity Participants;
- (b) Local Participants;
- (c) Associate Participants;
- (d) Such other class of participantship as may from time to time be created by the Exchange.

**Rule 301.2**

Admission to, and termination from, any class of participantship shall be determined in accordance with these Rules.

**Rule 301.3**

The rights, privileges and obligations attaching to each class of participantship shall be as set out in these Rules; provided that unless stated herein to the contrary, such rights, privileges and obligations may at any time be altered by the Exchange.

**Rule 301.4**

- (a) Subject to Rule 301.4(b), no Participant shall be recognised by the Exchange as holding its participantship upon any trust, mortgage, charge, lien or any encumbrance and the Exchange shall not be bound by or compelled in any way to recognise (even where it has notice thereof) any equitable, contingent, future or partial interest in any participantship of the Exchange or any other rights in respect of any participantship of the Exchange, except an absolute right to the entirety thereof.
- (b) The Exchange shall have a lien on every participantship for all the Participant's liabilities to the Exchange, the Clearing House to other Participants and the Clients of that Participant.

**Rule 301.5**

No person shall be entitled to describe himself or itself as a Participant of the Exchange unless he or it is registered as a Participant in accordance with these Rules.

**Rule 301.6**

No person shall be eligible to be a Participant where that person, or a director of that person (in the case of a company), has within a period of five (5) years prior to its application to be a Participant been declared and/or remains an undischarged bankrupt or been convicted of a seizeable offence or an offence involving a finding of fraud.

**Rule 301.7**

All Participants shall be required to be a Clearing Participant or to enter into an arrangement with a Clearing Participant for the clearing of their Contracts. In the case of an Investment Bank, the Investment Bank shall be required to be a Clearing Participant.

#### **Rule 301.8 Register of Participants**

The Exchange shall maintain a register of all Participants containing all relevant particulars of each Participant. It shall be open to inspection by the public during any Business Day and copies of the register or extracts therefrom may be taken upon payment of a fee.

#### **Rule 301.9 Disputes**

Any dispute concerning the status, rights, privileges or obligations of Participants or any point which may arise in such connection which has not been provided for in these Rules shall be referred to the Exchange whose decision shall be final and binding.

#### **Rule 301.10 Memorandum and Articles of Association of Participants to conform to Rules**

- (a) Each Trading Participant shall ensure that its Memorandum and Articles of Association shall at all times conform to these Rules so as to enable it to observe and perform fully the covenants, terms, stipulations, conditions and other provisions of these Rules and, in so far as may be necessary, each Trading Participant shall amend its Memorandum and Articles of Association accordingly.
- (b) Such Memorandum and Articles of Association must be deposited with the Exchange and any change in its Memorandum and Articles of Association shall be notified to the Exchange.

#### **Rule 302 Trading Participant - Purpose**

##### **Rule 302.1**

Trading Participant must have as the purpose of their participation the conduct of a business as a Futures Broker, ~~licensed under the Futures Industry Act and the carrying on of trading in Contracts traded on the Exchange.~~

All such Participants having business interests other than those of a Futures Broker ~~licensed under the Futures Industry Act and carrying on trading in Contracts~~ shall declare in writing to the Exchange all such other business interests and, notwithstanding the provisions herein contained, the Exchange shall have the absolute power to determine whether or not such other business interests may be continued and, if so, the conditions on which and the period for which they may be continued.

##### **Rule 302.2**

Every Trading Participant shall designate at least one (1) corporate nominee, who shall be authorised to communicate with the Exchange and to represent the organisation in all matters relating to its business.

#### **Rule 303 Trading Participant - Eligibility**

Trading Participants shall be companies duly incorporated under the Companies Act 1965 with a minimum issued and paid-up capital of RM5 million or any other such amount which may be determined by the Exchange from time to time in consultation with the Commission and shall comply with any other financial requirements specified under the Futures Industry Capital Markets Services Act and all guidelines issued by the

Commission. To be eligible for participantship, the applicant to be a Trading Participant must satisfy all the requirements and criteria for participantship, which the Exchange may from time to time determine. Subject to Rule 301.7, Trading Participants may be Clearing Participants or Non-Clearing Participants.

Trading Participants shall also be a holder of a valid ~~futures brokers Capital Markets Services~~ licence to carry on the business of regulated activity of trading in futures contracts issued pursuant to the Futures Industry Act and have satisfied or will satisfy upon registration, the terms and conditions of, or imposed by the Commission related to, such licence.

## **Rule 304 Trading Participant - Rights**

### **Rule 304.1**

A Trading Participant shall (subject to Rule 304.3) have the following rights in respect of the trading facilities provided by the Exchange:

- (a) the right to trade for itself in the Market, in such manner as the Exchange may from time to time direct;
- (b) the right to trade on behalf of Clients and to charge a commission on all business transacted by it on behalf of these Clients at such rate or rates as the Exchange may from time to time consider appropriate;
- (c) the right to be a Nominating Participant for the purpose of clearing for Non-Clearing Participants; and
- (d) all other rights conferred on Trading Participants by these Rules in respect of trading in Contracts transacted in the Market.

### **Rule 304.2**

A Trading Participant's rights shall cease for any period of suspension of participantship of that Trading Participant or for the duration when they cease to have the ability or access to the ability to clear their Contracts through the Clearing House; and shall cease permanently in the event of the participantship of the Trading Participant being terminated or the Trading Participant otherwise ceasing to be a Trading Participant unless otherwise directed by the Exchange.

### **Rule 304.3**

The Exchange may from time to time prescribe new rights, vary, suspend, or abrogate any existing rights of Trading Participants.

## **Rule 305 Trading Participant - Registration of Participantship**

### **Rule 305.1**

Application for registration as a Trading Participant shall be made in the following manner:

- (a) an applicant for registration as a Trading Participant shall lodge, or caused to be lodged, with the Exchange:
  - (i) an application in such form and providing such information, as the Exchange may from time to time require, together with a non-refundable trading participantship application fee prescribed by the Exchange; and
  - (ii) an application for subscription of one (1) class "A", "B" or "C" Preference Share at a subscription price as may be determined by the Exchange from time to time.



- (b) the form of application for participants shall contain an acknowledgement that the applicant has perused the Rules of the Exchange and agrees to abide by them and any other requirements as may be determined by the Exchange from time to time. The minimum information to be provided by the applicant shall include:
- (i) a copy of its Memorandum and Articles of Association;
  - (ii) a copy of the applicant's board resolution authorising the making of the application; and
  - (iii) a statement of its net tangible assets, its Adjusted Net Capital, and its secured creditors, in such form as the Exchange shall from time to time prescribe, signed by a director of the applicant. Where the applicant is a Universal Broker, Eligible Non-Universal Broker or Special Scheme Broker, the statement of Adjusted Net Capital here shall be substituted with the statement of its Capital Adequacy Ratio. Where the applicant is an Investment Bank, the statement of Adjusted Net Capital here shall be substituted with the statement of its Risk Weighted Capital Ratio.

### Rule 305.2

- (a) The Exchange shall consider the application and may call for such further information as it considers necessary.
- (b) In determining whether to approve an application the Exchange shall be entitled to consider not only the character, business integrity, financial probity and trading expertise of the applicant and its directors and principal officers but also the effect of admission of the applicant in terms of the balance, support and development of the various classes of Contracts, the degree of accessibility of the market through the applicant for both the trade and public at large, as well as such other matters as the Exchange may regard as relevant from time to time.

### Rule 305.3

Following approval by the Exchange, the applicant shall, upon being licensed under the ~~Futures Industry Capital Markets Services~~ Act, lodge with the Exchange:

- (a) subject to Rule 502.3, an initial contribution to the Fidelity Fund as prescribed by the ~~Futures Industry Capital Markets Services~~ Act;
- (b) such portion of the annual registration fee as the Exchange may determine; and
- (c) if not already acquired, the acquisition of a particular class or classes of Preference Share required for Trading Participants.

### Rule 305.4

- (a) Registration of trading participants shall not be effective until:
  - (i) the applicant has complied with this Rule 305, has ~~obtained the been duly licensed as a futures broker~~ Capital Markets Services Licence to carry on the business of regulated activity of trading in futures contracts under the Futures Industry Act. In the case of an applicant who is a Universal Broker, Eligible Non-Universal Broker or Special Scheme Broker, in addition to being ~~duly licensed as a futures broker under the Futures Industry Act~~, it must also be a holder of Capital Markets Services Licence to carry on the business of regulated activity of dealing in securities duly licensed as dealer under the Securities Industry Act. In the case of an applicant who is an Investment Bank, ~~in addition to being duly licensed as a futures broker under the Futures Industry Act~~, it must also be a duly licensed as a licensed merchant bank under the Banking and Financial Institutions Act 1989 and a holder

of Capital Markets Services Licence to carry on the business of regulated activity of dealing in securities dealer under the Securities Industry Act; and

- (ii) the applicant is also or has been granted approval in principle by the Clearing House to be a Clearing Participant or, with the exception of an Investment Bank, has entered into arrangements satisfactory to the Exchange with a Clearing Participant for the clearing, settlement and exercise of Contracts of that applicant.
- (b) The Exchange may require that an applicant furnish it with evidence which prove that the requirements set out Rule 305.4(1) and (ii) have been complied with.

### **Rule 305.5**

In relation to a Trading Participant that has obtained approval to operate as an Investment Bank after its registration as a Trading Participant under this Chapter, the Trading Participant shall notify the Exchange in writing of the same at least seven (7) days prior to the commencement of its business as an Investment Bank or such other timeframe as may be permitted by the Exchange, which notification shall be accompanied by the documents stipulated under Rule 305.1(a)(i) and (iii) and those evidencing compliance with Rule 305.4(a)(ii) and Rule 301.7 above. In addition, the Trading Participant is required to provide a copy of the relevant documents necessary to evidence a change of name (if any) under the Companies Act 1965, and any other document that may required by the Exchange.

### **Rule 306 Trading Participant – Annual Registration Fees and Levies**

#### **Rule 306.1**

The Trading Participant shall pay, in addition to the amounts payable on application to be a Participant:

- (a) an annual subscription of such amount as may from time to time be determined by the Exchange; and
- (b) contributions or levies of such amounts, calculated in such manner (including any manner based on each Contract traded, cleared or settled) as the Exchange may from time to time determine.

Payment shall be due on such date or dates as the Exchange may from time to time determine.

#### **Rule 306.2**

If a Trading Participant fails to pay any subscription, contribution or levy within seven (7) days of the due date, it shall pay interest from the due date at such rate as may be fixed by the Exchange from time to time.

Should the default not be remedied within thirty (30) days of the due date, then the Exchange may give notice of termination or suspension from participantship. Notwithstanding such termination or suspension, the Exchange may pursue payment of the amount due by legal action.

#### **Rule 306.3**

There shall be no entitlement to a refund of any portion of any subscription, contribution or levy which has been paid by a Trading Participant which has ceased for any reason to be a Trading Participant or whose participantship rights have been suspended, and all subscriptions, contributions and levies which have become due and payable by a Trading Participant which has ceased for any reason to be a Trading Participant or whose participantship rights have been suspended, but have not been paid, shall remain due and payable by it notwithstanding such cessation or suspension.

**Rule 307      Trading Participant - Changes in Control**

**Rule 307.1**

*[This Rule has been deleted]*

**Rule 307.2**

*[This Rule has been deleted]*

**Rule 307.3**

*[This Rule has been deleted]*

**Rule 307.4**

*[This Rule has been deleted]*

**Rule 307.5**

*[This Rule has been deleted]*

**Rule 308      Trading Participant - Transfer of Participantship**

**Rule 308.1**

A Trading Participant shall be entitled to transfer its participantship subject to the following conditions:

- (a) the Trading Participant shall have paid, or made provisions satisfactory to the Exchange for the payment of, all monies payable by it, whether actual or contingent, to the Exchange and shall, if so required by the Exchange, have complied with all its other obligations under these Rules;
- (b) the Trading Participant shall have given notice in writing to the Exchange of its wish to transfer (herein called "the proposed transfer"), accompanied by an application form completed by the proposed transferee as if it were an applicant for admission as a Trading Participant, and the application fee prescribed by Rule 305.1;
- (c) the proposed transferee shall otherwise have complied with the provisions of Rule 305 as if they were repeated in full in this Rule;
- (d) the proposed transferee shall have been approved by the Exchange on the same criteria as the Exchange approves an applicant for admission as a Trading Participant; and
- (e) the proposed transfer is not effective without the approval of the Exchange.

Without limiting the foregoing, the Exchange may prescribe as it sees fit, the following:

- (i) transfer of existing Contracts and/or Open Positions in accordance with Rule 707.8(a)(i); and
- (ii) liquidation of existing Contracts and/or Open Positions in accordance with Rule 707.8(a)(ii) and Rule 707.8(a)(iii).

**Rule 308.2**

The Exchange may impose conditions on any approval and shall not be obliged to give any reasons for imposing any such conditions or refusing to approve a proposed transfer. Any application for approval shall be deemed to have been withdrawn if the conditions imposed by the Exchange have not been met within sixty (60) days (or such longer period as may be allowed by the Exchange) of their being imposed by the Exchange.

### **Rule 308.3**

A proposed transfer once approved by the Exchange or any other relevant authorities (if required) shall be implemented within sixty (60) days of the date of the approval, or such further period as the Exchange may allow, and if not so implemented the approval shall be deemed to have lapsed. Implementation shall occur by way of:

- (a) written acknowledgement from the two parties being lodged with the Exchange that all legal documentation and requirements of both parties in order to complete the transfer have been satisfactorily completed;
- (b) the approved transferee paying to the Exchange the transfer fee prescribed by the Exchange; and
- (c) the transferor Trading Participant delivering its certificate of the particular class of Preference Share and duly executed and stamped transfer form of the same to the Exchange for the issue of a new Preference Share certificate of the same class to the transferee.

### **Rule 308.4**

Save as provided by this Rule, a Trading Participant shall not transfer any Preference Share held by it provided always that where the participation of a Trading Participant has been terminated, the Exchange may direct the Trading Participant to transfer any Preference Share held by it to any party approved by the Exchange as a transferee.

### **Rule 308.5**

The Exchange may require that the purchase price paid for the transfer of participation in accordance with this Rule 308 shall be paid directly by the proposed transferee to the Exchange and dealt with by the Exchange in the manner set forth in Rule 308.6.

### **Rule 308.6**

The purchase price paid by the proposed transferee (if required under Rule 308.5 to be paid directly to the Exchange) shall be retained and used by the Exchange to settle all the transferor's liabilities to the Exchange, the Clearing House and other Participants or any Client of the transferor, to the maximum extent legally possible and in the following order of priority:

- (a) payment of all contribution, levies, charges, fines, and any other liabilities of the transferor to the Exchange and the Clearing House;
- (b) payment, at the absolute discretion of the Exchange to Clients of the transferor in respect of those liabilities arising out of the transferor's misappropriation of Client funds or the failure of the transferor to properly execute transactions or credit balances due to any Client arising directly out of transactions on the Exchange; and
- (c) payment to other Participants in respect of any liabilities of the transferor to the other Participants arising directly out of transactions on the Exchange. All Participants who shall have any claim against the transferor shall within ten (10) days of publication by the Exchange of the transfer of the transferor's participation submit to the Exchange in writing the details of their claims against the transferor. In determining the liabilities and extent of the liabilities of the transferor to the other Participants, the Exchange shall have regard to the claims so

submitted and shall deduct from such claims of a Participant, the prevailing market price of any collateral held by such Participant.

If the purchase price of the transfer of participantship shall be insufficient to pay all amounts determined to be payable under the above categories, claims under the above categories shall be paid in the priority stated above. If the purchase price shall be insufficient to pay the amounts to be payable in one category, then claims under that category shall be paid pro rata and the remaining shall be left unpaid. The residue of the purchase price shall be paid to the transferor or its legal representative or to such person as the transferor or legal representative shall direct.

#### **Rule 308.7**

The transfer of a participantship shall not release the transferor from any liability which at the date of transfer has already accrued to the Client of the Trading Participant, the Exchange, the Clearing House or any other Participant or which may thereafter accrue in respect of any act or omission prior to such transfer.

#### **Rule 308.8**

The Exchange will maintain a register of the particulars of the transfer and may, at its discretion, disclose the price of the transfer.

### **Rule 309      Trading Participant - Surrender of Participantship/Resignation**

#### **Rule 309.1**

- (a) A Trading Participant desirous of resigning from participantship of the Exchange may make a written application to the Exchange for surrender of its participantship.
- (b) If a Trading Participant wishes to resign from participantship of the Exchange, it shall:-
  - (i) give not less than thirty (30) days (or such period as may otherwise be prescribed by the Exchange) prior written notice of its intention to resign and proposed date of resignation;
  - (ii) satisfy the Exchange that it has taken or will take before the proposed date of resignation proper and adequate steps for the orderly winding down of its futures trading business;
  - (iii) not enter into any transactions in the period of thirty days (or such period as may otherwise be prescribed by the Exchange) immediately preceding the proposed date of resignation except with the consent of the Exchange;
  - (iv) comply with such direction as may be issued by the Exchange in relation to the orderly winding down of its futures trading business; and
  - (v) enter into such agreement or arrangement or undertaking with the Exchange as the Exchange shall deem fit or expedient.

#### **Rule 309.2**

- (a) The Exchange may accept the Trading Participant's surrender or participantship/resignation provided that in consultation with the Clearing House and the Commission, the Exchange is satisfied that the Trading Participant has fulfilled or will be able to fulfil all its obligations to the Exchange, the Clearing House and its clients whereupon the Exchange shall notify all other Trading Participants of its acceptance and the resigning Trading Participant's effective date of resignation.

- (b) The surrender of its participantship by a Trading Participant shall not take effect until such surrender is officially approved by the Exchange. The Exchange may give its approval upon such terms and conditions as the Exchange may determine. Without limiting the foregoing, the Exchange may prescribe as it sees fit, the following:
- (i) transfer of existing Contracts and/or Open Positions in accordance with Rule 707.8(a)(i); and
  - (ii) liquidation of existing Contracts and/or Open Positions in accordance with Rule 707.8(a)(ii) and Rule 707.8(a)(iii).
- (c) The resigning Trading Participant is bound to comply with such restrictions on its participantship as may be imposed by the Exchange and/or Clearing House until its effective date of resignation as published by the Exchange.

### **Rule 309.3**

Upon approval by the Exchange of the Trading Participant's surrender, the Preference Share held by the Trading Participant shall be forfeited and the Trading Participant shall deliver to the Exchange the original certificates to such Preference Share together with a duly executed blank transfer form for such Preference Share and the Exchange is authorised to complete the transfer form and effect a transfer of the Preference Shares to any company approved by the Exchange for a total consideration of RM1 payable by the transferee to the Trading Participant.

The Exchange shall be entitled to pay the said consideration without transferring the Preference Share and the Trading Participant shall not be entitled to inquire as to whom any Preference Share may be, or have been, transferred or as to any additional sums received by the Exchange in respect of the transfer of such Preference Share.

### **Rule 309.4**

There shall be no entitlement to a refund of any part of the premium paid for the Preference Share allotted to the Trading Participant, or of any portion of the annual subscription fee, or of any contribution to the Fidelity Fund paid by a Trading Participant who surrenders its participantship or ceases to be a Trading Participant for any cause whatsoever.

### **Rule 309.5**

The surrender of its participantship by a Trading Participant shall not in any way diminish any liability which that Trading Participant may have to the Exchange or the Clearing House or any other Participant or any Client of that Trading Participant arising out of its participantship up to the date of surrender of participantship and such liability shall continue to subsist until satisfied or discharged.

### **Rule 309.6**

The resigning Trading Participant's name will be removed from the Register of Trading Participants on the effective date of resignation.

## **Rule 310 Trading Participant - Voluntary Suspension of Participantship**

### **Rule 310.1**

A Trading Participant may make a written application to the Exchange for suspension of its participantship in accordance with such policies as may be determined by the Exchange from time to time.

### **Rule 310.1A**

The application pursuant to Rule 310.1 shall be for a period of up to 6 months from the date of approval by the Exchange. The duration of the voluntary suspension may be further extended by the Exchange for a period of 6 months or for such other duration at the absolute discretion of the Exchange.

#### **Rule 310.2**

The suspension of a Trading Participant's participation shall not take effect until the application for suspension is approved by the Exchange. The Exchange may give approval upon such terms and conditions as the Exchange may determine. Without limiting the foregoing, the Exchange may prescribe as it sees fit, the following:

- (a) transfer of existing Contracts and/or Open Positions in accordance with Rule 707.8(a)(i); and
- (b) liquidation of existing Contracts and/or Open Positions in accordance with Rule 707.8(a)(ii) and Rule 707.8(a)(iii).

#### **Rule 310.3**

There shall be no entitlement to a refund of any part of the premium paid for the Preference Share allotted to the Trading Participant, or of any portion of the annual subscription fee, or of any contribution to the Fidelity Fund paid by a Trading Participant whose application for suspension of its participation is approved by the Exchange.

#### **Rule 310.4**

The suspension of a Trading Participant's participation shall not in any way diminish or affect any liability which that Trading Participant may have to the Exchange or the Clearing House or any other Participant or any Client of that Trading Participant arising out of its participation up to the date of suspension and such liability shall continue to subsist until satisfied or discharged.

#### **Rule 310.5**

During the suspension period, the suspended Trading Participant may by written application to the Exchange, apply for reinstatement of its participation. The reinstatement shall not take effect until the application for reinstatement is approved by the Exchange. The Exchange may give approval upon such terms and conditions as the Exchange may from time to time determine.

### **Rule 311 Trading Participant-Voluntary Liquidation**

#### **Rule 311.1**

A Trading Participant shall by notice in writing inform the Exchange that it intends to go into voluntary liquidation.

#### **Rule 311.2**

Upon receipt of this written notice, the Exchange shall require the Trading Participant to surrender its participation in accordance with Rule 309 above.

### **Rule 311A Trading Participant - Suspension of Participation**

#### **Rule 311A.1**

The Exchange may, decide in its absolute discretion to suspend the participanship of a Trading Participant in the event of any non-compliance or default of these Rules.

#### **Rule 311A.2**

The period of suspension shall be within the sole discretion of the Exchange.

#### **Rule 311A.3**

Upon the Exchange granting its approval, the Exchange shall by notice in writing inform the Trading Participant of the suspension and such suspension shall take immediate effect and shall continue until the suspension period expires or such earlier time as the Exchange deems fit to lift the suspension.

#### **Rule 311A.4**

The suspension of its participanship shall not in any way whatsoever diminish any liability which the Trading Participant may have to the Exchange or the Clearing House or any other Participant or any Client of that Trading Participant where such liability arises from the participanship up to the date of the suspension and such liability shall continue to subsist until fully satisfied or discharged.

### **Rule 311B    Trading Participant - Termination of Participanship**

#### **Rule 311B.1**

The Exchange may, decide in its absolute discretion to terminate the participanship of a Trading Participant in the event of any or all of the following namely, upon any order being made for the winding up of the Trading Participant or the appointment to the Trading Participant of a receiver, statutory manager, provisional liquidator or upon the failure of the Trading Participant to comply with these Rules or upon revocation of its license by the Commission pursuant to the Futures-Industry Capital Markets Services Act.

#### **Rule 311B.2**

The Exchange may, decide in its absolute discretion to terminate the participanship of a Trading Participant in the event of any or all of the following namely, upon any order being made for the winding up of the Trading Participant or the appointment to the Trading participant of a receiver, statutory manager, provisional liquidator or upon the failure of the Trading Participant to comply with these Rules or upon revocation of its licence Capital Markets Services Licence to carry on the business of regulated activity of trading in futures contracts by the Commission pursuant to the Futures-Industry Capital Markets Services Act.

#### **Rule 311B.3**

Upon receipt of this termination notice, the Preference Share held by the Trading Participant shall be forthwith forfeited and the Trading Participant shall within two (2) days of the receipt of the termination notice deliver to the Exchange the original certificate to such Preference Share together with a duly executed blank transfer form for such Preference Share and the Exchange shall be authorised to complete the transfer form and effect a transfer of the Preference Share to any company approved by the Exchange. The provisions of Rule 308 in respect of transfer of participanship to a transferee shall apply here.

#### **Rule 311B.4**

The Trading Participant shall be deemed to be bound by these Rules until such time as the Preference Share is registered in the name of an entity approved by the Exchange.



### **Rule 311B.5**

The termination of its participantsip shall not in any way whatsoever diminish any liability which the Trading Participant may have to the Exchange or the Clearing House or any other Participant or any Client of that Trading Participant where such liability arises from the participantsip up to the date of termination and such liability shall continue to subsist until fully satisfied or discharged.

### **Rule 311B.6**

In the event the Trading Participant fails to perform any or all acts required to be performed by it under this Rule, the Exchange shall be entitled to take further action to compel the performance of the same.

### **Rule 311C Universal Broker, Eligible Non-Universal Broker, Special Scheme Broker and Investment Bank**

#### **Rule 311C.1**

A Universal Broker, Eligible Non-Universal Broker, Special Scheme Broker and Investment Bank may at its discretion and in line with its commercial considerations, determine the structure of its futures broking activities, subject to the Rules hereinafter contained and to the requirements of the Rules of Bursa Securities.

#### **Rule 311C.2**

A Universal Broker, Eligible Non-Universal Broker, Special Scheme Broker and/or Investment Bank not having a futures broking subsidiary but intends to carry out futures trading activities shall fulfil the following:-

- (a) become a Trading Participant of the Exchange and a Clearing Participant as defined in these Rules; and
- (b) apply for a Capital Markets Services Licence pursuant to the Futures Industry Act to carry on the business of regulated activity of trading in futures contracts; and
- (c) its representatives shall pass the relevant examinations approved by the Exchange in consultation with the Commission, and hold a Capital Markets Services Representative's Licence for the regulated activity of trading in futures contracts ~~be licensed and registered~~ as a Registered Representative within the definition of these Rules.

#### **Rule 311C.3**

A Universal Broker, Eligible Non-Universal Broker, Special Scheme Broker and/or Investment Bank may carry out futures broking activities via its subsidiary or related company (being a subsidiary of the Universal Broker's, Eligible Non-Universal Broker's, Special Scheme Broker's or Investment Bank's holding company) where the subsidiary or related company is a Trading Participant of the Exchange duly licensed pursuant to the Futures Industry Capital Markets Services Act.

### **Rule 312 Local Participant - Eligibility**

#### **Rule 312.1**

Registration as a Local Participant shall be available to an individual who:

- (a) is of good character and has not been convicted of any offence involving fraud or dishonesty;
- (b) not an undischarged bankrupt;

- (c) has passed an examination approved by the Exchange or have been granted an exemption in respect thereof; and possess such qualification as approved by the Exchange;
- (d) has a risk capital of such amount as determined by the Exchange;
- (e) has sufficient and relevant trading experience; and
- (f) such other requirements and criteria for participation, which the Exchange may from time to time determine.

**Rule 312.2**

*[This Rule has been deleted]*

**Rule 313 Local Participant - Rights**

**Rule 313.1**

A Local Participant shall have the following rights in respect of the trading facilities provided by the Exchange:

- (a) the right to trade for himself in the Market, in such manner as the Exchange may from time to time direct; and
- (b) all other rights conferred on Local Participants by these Rules in respect of trading in Contracts in the Market.

**Rule 313.2**

A Local Participant's rights shall cease for any period of suspension of that Local Participant and shall cease permanently in the event of the Local Participant being terminated or otherwise ceasing to be a Local Participant.

**Rule 314 Local Participant - Admission as Participant**

**Rule 314.1**

Registration as a Local Participant shall occur in the following manner:-

- (a) an applicant for registration as a Local Participant shall lodge with the Exchange an application in such form, and providing such information, as the Exchange shall from time to time prescribe. The form shall contain an acknowledgement that:
  - (i) the applicant has perused these Rules;
  - (ii) agrees to abide by them and any future amendments made thereto; and
  - (iii) agrees to abide by any other requirements as may be determined by the Exchange from time to time;
- (b) the Exchange shall consider the application and may call for such further information, as it considers necessary;
- (c) in determining whether to approve an application the Exchange shall be entitled to consider not only the character, business integrity, financial probity and trading expertise of the applicant but also the effect of admission of the applicant in terms of the balance, support and development of the various classes of Contract, as well as such other matters as the Exchange may regard as relevant from time to time;
- (d) an applicant for local participation must be nominated by a Nominating Participant. The applicant shall provide the Exchange with a legally enforceable undertaking in the prescribed form by its Nominating Participant to be liable for and

to be treated in all respects by the Exchange as the party to the Contracts traded on the Exchange by the Local Participant; provided however that such undertaking shall not affect the Nominating Participant's rights against the Local Participant in respect of any Contracts traded on the Exchange by the Local Participant. The Nominating Participant shall comply with that undertaking until it has cancelled its nomination of the Local Participant in accordance with Rule 314.2;

- (e) Deleted.

#### **Rule 314.2**

- (a) It is the responsibility of the Nominating Participant and the Local Participant to inform the Exchange immediately in writing when the Nominating Participant cancels its nomination of the Local Participant or where the Local Participant chooses to terminate any arrangement with his Nominating Participant resulting in the cancellation of that Trading Participant's nomination. Where the Nominating Participant of a Local Participant has been suspended, or has ceased to be a participant of the Exchange or the Clearing House for any reason whatsoever, its nomination shall be deemed as cancelled, and all provisions in these Rules relating to a cancellation of a nomination shall apply.
- (b) Such cancellation shall automatically suspend the trading rights of the Local Participant, without any necessity for a resolution of the Exchange, until such time as another Trading Participant who is also a Clearing Participant becomes his Nominating Participant in accordance with Rule 314.1(d).
- (c) The liabilities of the first Nominating Participant in respect of the Local Participant's Open Positions shall cease only when all the Local Participant's Open Positions are liquidated and any liabilities arising therefrom (including those to the Clearing House) are duly settled or when such positions are transferred to another Nominating Participant who is also a Clearing Participant.

#### **Rule 314.3**

Where the Nominating Participant of a Local Participant has cancelled its nomination of the Local Participant, or there has ceased for any other reason to be a Nominating Participant of a Local Participant, another Nominating Participant may elect to become the new Nominating Participant of that Local Participant. The appointment of the new Nominating Participant shall take effect upon receipt by the Exchange of:

- (a) an undertaking by the new Nominating Participant in the prescribed form; and
- (b) satisfactory evidence that no monies are owing by the Local Participant to his previous Nominating Participant in respect of trading on the Exchange or that other arrangements (satisfactory to that previous Nominating Participant) have been made for the payment of any monies owing.

#### **Rule 314.4**

- (a) No Local Participant shall be a director or employee of any Trading Participant unless the Local Participant has leased his participants in accordance with Rule 318 or otherwise as approved by the Exchange.
- (b) *[This sub-rule has been deleted]*

**Rule 315      Local Participant - Registration Fees and Levies**

**Rule 315.1**

*[This Rule has been deleted]*

**Rule 315.2**

*[This Rule has been deleted]*

**Rule 315.3**

*[This Rule has been deleted]*

**Rule 315.4**

Upon application, registration or during the tenure of its participantship, the Local Participant may be required to deposit with the Exchange a minimum amount of money, which shall be determined by the Exchange from time to time. The deposit may be utilised in paying all liabilities of the Local Participant to the Exchange and his nominating Trading Participant but shall otherwise be refundable to the Local Participant upon the termination of his participantship.

**Rule 316      Local Participant - Transfer of Participantship**

**Rule 316.1**

*[This Rule has been deleted]*

**Rule 316.2**

*[This Rule has been deleted]*

**Rule 316.3**

*[This Rule has been deleted]*

**Rule 316.4**

*[This Rule has been deleted]*

**Rule 316.5**

*[This Rule has been deleted]*

**Rule 316.6**

*[This Rule has been deleted]*

**Rule 316.7**

*[This Rule has been deleted]*

**Rule 316.8**

*[This Rule has been deleted]*

**Rule 317 Local Participant - Surrender of Participantship/Resignation****Rule 317.1**

- (a) A Local Participant desirous of resigning from participantship of the Exchange may make a written application to the Exchange for surrender of its participantship.
- (b) If a Local Participant wishes to resign from participantship of the Exchange, it shall:-
  - (i) give not less than thirty (30) days (or such period as may otherwise be prescribed by the Exchange) prior written notice of its intention to resign and proposed date of resignation;
  - (ii) not enter into any transactions in the period of [thirty] days (or such period as may otherwise be prescribed by the Exchange) immediately preceding the proposed date of resignation except with the consent of the Exchange; and
  - (iii) enter into such agreement or arrangement or undertaking with the Exchange as the Exchange shall deem fit or expedient.
- (c) No surrender of participantship by a Local Participant shall take effect until such surrender is officially approved by the Exchange. The Exchange may give approval upon such terms and conditions as the Exchange may determine including as to the transfer or liquidation of the Open Positions of the Local Participant or their assumption by the Local Participant's nominating Trading Participant. Upon such approval, the Local Participant shall be deemed to have resigned.

**Rule 317.2**

*[This Rule has been deleted]*

**Rule 317.3**

*[This Rule has been deleted]*

**Rule 317.4**

The resignation of a Local Participant shall not in any way diminish any liability which he or his nominating Trading Participant may have to the Exchange or any other Participant arising out of his participantship up to the date of surrender of participantship and such liability shall continue to subsist until satisfied or discharged.

**Rule 317.5**

The resigning Local Participant's name will be removed from the Register of Local Participants on the effective date of resignation.

**Rule 318 Local Participant - Lease of Participantship**

**Rule 318.1**

*[This Rule has been deleted]*

**Rule 318.2**

*[This Rule has been deleted]*

**Rule 318.3**

*[This Rule has been deleted]*

**Rule 318.4**

*[This Rule has been deleted]*

**Rule 318.5**

*[This Rule has been deleted]*

**Rule 318.6**

*[This Rule has been deleted]*

**Rule 318A Local Participant - Suspension or Termination of Participantship**

**Rule 318A.1**

The Exchange may decide in its absolute discretion to suspend or terminate the participantship of a Local Participant if the Local Participant:-

- (a) violates any of the provisions of these Rules;
- (b) is found guilty of misconduct or wilful neglect;
- (c) is convicted of an offence involving fraud or dishonesty;
- (d) has become a bankrupt or has a petition presented for his bankruptcy;
- (e) has ceased to be nominated by the Trading Participant which had nominated his application and has not secured the nomination of a new nominating Trading Participant in accordance with Rule 314.3;
- (f) commits any act which the Exchange or any of its committees determines impair the good name of the Exchange or its Participants; or
- (g) omits to do any act, which the Exchange or any of its committees determines impair the good name of the Exchange or its Participants.

**Rule 318A.2**

Within seven (7) days from the Exchange approval, the Exchange shall issue a notice in writing to the Local Participant informing him of the suspension or termination.

**Rule 318A.3**

In the case of a suspension of participantship, such suspension shall take immediate effect and shall continue until the suspension period expires or such earlier time as the Exchange deems fit to lift the suspension.

**Rule 318A.4**

The period of suspension shall be within the sole discretion of the Exchange.

**Rule 318A.5**

The suspension or termination of participantship shall not in any way whatsoever diminish any liability which the Local Participant may have to the Exchange or his nominating Trading Participant where such liability arises from the participantship up to the date of suspension or termination and such liability shall continue to subsist until fully satisfied or discharged.

**Rule 318B Local Participantship - Voluntary Suspension****Rule 318B.1**

A Local Participant may make a written application to the Exchange for suspension of his participantship in accordance with such policies as may be determined by the Exchange from time to time.

**Rule 318B.1A**

The application pursuant to Rule 318B.1 shall be for a period of up to 6 months from the date of approval by the Exchange. The duration of the voluntary suspension may be further extended by the Exchange for a further period of 6 months or for such other duration at the absolute discretion of the Exchange.

**Rule 318B.2**

The suspension of a Local Participant's participantship shall not take effect until the application for suspension is approved by the Exchange. The Exchange may give approval upon such terms and conditions as the Exchange may determine. Without limiting the foregoing, the Exchange may prescribe as it sees fit, the following:

- (a) transfer of existing Contracts and/or Open Positions in accordance with Rule 707.8(a)(i); and
- (b) liquidation of existing Contracts and/or Open Positions in accordance with Rule 707.8(a)(ii) and Rule 707.8(a)(iii).

**Rule 318B.3**

*[This Rule has been deleted]*

**Rule 318B.4**

The suspension of a Local Participant's participantship shall not in any way diminish or affect any liability which the Local Participant or his nominating Trading Participant may have to the Exchange or to any other Participant arising out of his participantship up to the date of such suspension of participantship and such liability shall continue to subsist until fully satisfied or discharged.

**Rule 318B.5**

During the suspension period, the suspended Local Participant may by written application to the Exchange, apply for reinstatement of his participanship. The reinstatement shall not take effect until the application for reinstatement is approved by the Exchange. The Exchange may give approval upon such terms and conditions as the Exchange may from time to time determine.

**Rule 319      Trading Permits****Rule 319.1**

*[This Rule has been deleted]*

**Rule 319.2**

*[This Rule has been deleted]*

**Rule 319.3**

*[This Rule has been deleted]*

**Rule 319.3A**

*[This Rule has been deleted]*

**Rule 319.3B**

*[This Rule has been deleted]*

**Rule 319.3C**

*[This Rule has been deleted]*

**Rule 319.3D**

*[This Rule has been deleted]*

**Rule 319.3E**

*[This Rule has been deleted]*

**Rule 319.4**

*[This Rule has been deleted]*

**Rule 319.5**

*[This Rule has been deleted]*



**Rule 319.6**

*[This Rule has been deleted]*

**Rule 319.7**

*[This Rule has been deleted]*

**Rule 319.8**

*[This Rule has been deleted]*

**Rule 319.10**

*[This Rule has been deleted]*

**Rule 319.11**

*[This Rule has been deleted]*

**Rule 320 Associate Participant**

**Rule 320A.1 Associate Participant - Eligibility**

An Associate Participant must:-

- (a) be a Corporation or body corporate;
- (b) not carry on the business of futures broking within Malaysia;
- (c) not own any Preference Shares;
- (d) have a minimum paid up capital of Ringgit Malaysia Two Million (RM2,000,000);
- (e) be a Clearing Participant or be nominated by a Nominating Participant for the clearing of its Contracts;
- (f) comply with such financial requirements as are for the time being prescribed by the Exchange; and
- (g) comply with such other conditions as the Exchange may from time to time prescribe.

**Rule 320B.1 Associate Participant – Rights**

An Associate Participant shall (subject to Rule 320B.3) have the following rights in respect of the trading facilities provided by the Exchange:-

- (a) the right to trade for itself in the Market via a Trading Participant for trading in Contracts in such manner as the Exchange may from time to time direct; and
- (b) all other rights conferred on Associate Participants by these Rules in respect of trading in Contracts transacted in the Market.

**Rule 320B.2**

The Associate Participant's rights shall cease for any period of suspension of participantship of that Associate Participant or for the duration when it ceases to have the ability or access to the ability to clear its Contracts through the Clearing House; and shall cease permanently in the event of the participantship of the Associate Participant being terminated or the Associate Participant otherwise ceasing to be an Associate Participant unless otherwise directed by the Exchange.

### **Rule 320B.3**

The Exchange may from time to time prescribe new rights, vary, suspend or abrogate any existing right of Associate Participants.

## **Rule 320C Associate Participant – Registration**

### **Rule 320C.1**

Application for registration as an Associate Participant shall occur in the following manner:-

- (a) an applicant for registration as an Associate Participant shall lodge, or cause to be lodged, with the Exchange an application in such form and providing such information, as the Exchange may from time to time require, together with a non-refundable fee prescribed by the Exchange;
- (b) the form of application for participantship shall contain an acknowledgment that the applicant has perused the Rules of the Exchange and agrees to abide by them and any other requirements as may be determined by the Exchange from time to time;
- (c) the Exchange shall in considering the application for participantship may call for such further information, as it deems necessary.
- (d) in determining whether to approve an application the Exchange shall be entitled to consider not only the character, business integrity, financial probity and trading expertise of the applicant and its directors and principal officers, the degree of accessibility of the market through the applicant for both the trade and public at large, as well as such other matters as the Exchange may regard as relevant from time to time; and
- (e) *[This sub-rule has been deleted]*

### **Rule 320C.2**

Following the approval by the Exchange, the applicant shall lodge with the Exchange:-

- (a) *[This sub-rule has been deleted]*
- (b) the participantship entrance fee of such amount as may from time to time be determined by the Exchange; and
- (c) such portion of the annual subscription as the Exchange may determine.

## **Rule 320D Associate Participants – Registration Fees, Levies and Deposits**

### **Rule 320D.1**

An Associate Participant shall pay, in addition to the amounts payable on application to be a participant:

- (a) an annual fee of such amount as may from time to time be determined by the Exchange; and

- (b) deposits or levies of such amounts, calculated in such manner (including any manner based on each Contract traded, cleared or settled) as the Exchange may from time to time think fit.

**Rule 320D.2**

Payment shall be due on such date or dates as the Exchange may from time to time determine.

**Rule 320D.3**

If an Associate Participant fails to pay any subscription, deposit or levy within seven (7) days of the due date, he shall pay interest from the due date at such rate as may be fixed by the Exchange from time to time. Should the default not be remedied within thirty (30) days of the due date, then the Exchange may give notice of termination or suspension from participantship. Notwithstanding such termination or suspension, the Exchange may pursue payment of the amount due by legal action.

**Rule 320D.4**

There shall be no entitlement to a refund of any portion of the participantship entrance fee paid by an Associate Participant or any subscription, deposit or levy which has been paid by an Associate Participant, which has ceased for any reason to be an Associate Participant or whose participantship rights have been suspended, and all subscriptions and deposits and levies, which have become due and payable by an Associate Participant, which has ceased for any reason to be an Associate Participant or whose participantship rights have been suspended, but have not been paid, shall remain due and payable by him notwithstanding such cessation or suspension.

**Rule 320E Associate Participant – Changes in Control**

**Rule 320E.1**

*[This Rule has been deleted]*

**Rule 320E.2**

*[This Rule has been deleted]*

**Rule 320E.3**

*[This Rule has been deleted]*

**Rule 320E.4**

*[This Rule has been deleted]*

**Rule 320E.5**

*[This Rule has been deleted]*

**Rule 320F Associate Participant – Transfer of Participantship**

**Rule 320F.1**

An Associate Participant shall be entitled to transfer its participantship subject to the following conditions:-

- (a) the Associate Participant shall have paid, or made provisions satisfactory to the Exchange for the payment of, all monies payable by it, whether actual or contingent, to the Exchange and shall, if so required by the Exchange, have complied with all its other obligations under these Rules;
- (b) the Associate Participant shall have given notice in writing to the Exchange of its wish to transfer (herein called “the proposed transfer”), accompanied by an application form completed by the proposed transferee as if it were an applicant for admission as an Associate Participant, and the application fee prescribed by Rule 320C;
- (c) the proposed transferee shall otherwise have complied with the provisions of Rule 320C as if they were repeated in full in this Rule;
- (d) the proposed transferee shall have been approved by the Exchange on the same criteria as the Exchange approves an applicant for admission as an Associate Participant; and
- (e) the proposed transfer is not effective without the approval of the Exchange.

#### **Rule 320F.2**

The Exchange may impose conditions on any approval and shall not be obliged to give any reasons for imposing any such conditions or refusing to approve a proposed transfer. Any application for approval shall be deemed to have been withdrawn if the conditions imposed by the Exchange have not been met within sixty (60) days (or such longer period as may be allowed by the Exchange) of their being imposed by the Exchange.

#### **Rule 320F.3**

A proposed transfer once approved by the Exchange or any other relevant authorities (if required) shall be implemented within sixty (60) days of the date of the approval, or such further period as the Exchange may allow, and if not so implemented the approval shall be deemed to have lapsed. Implementation shall occur by way of:

- (a) written acknowledgment from the two parties being lodged with the Exchange that all legal documentation and requirements of both parties in order to complete the transfer have been satisfactorily completed; and
- (b) the approved transferee paying to the Exchange the transfer fee prescribed by the Exchange.

#### **Rule 320F.4**

The Exchange may require that the purchase price paid for the transfer of participanship in accordance with this Rule 320F shall be paid directly by the proposed transferee to the Exchange and dealt with by the Exchange in the manner set forth in Rule 320F.5.

#### **Rule 320F.5**

The purchase price paid by the proposed transferee for the associate participanship (if required under Rule 320F.4 to be paid directly to the Exchange) shall be retained and used by the Exchange to settle all the transferor’s liabilities to the Exchange (including other Participants) to the maximum extent legally possible and in the following order of priority:

- (a) payment of all contributions, levies, charges, fines and any other liabilities of the transferor to the Exchange; and
- (b) payment to other Participants in respect of any other liabilities arising directly out of transactions on the Exchange. All Participants who shall have any claim against the transferor shall within ten (10) days of publication by the Exchange of the

transfer of the transferor's participanship submit to the Exchange in writing the details of their claims against the transferor. In determining the liabilities and extent of the liabilities of the transferor to the other Participants, the Exchange shall have regard to the claims so submitted and shall deduct from such claims of a Participant, the prevailing market price of any collateral held by such Participant.

If the purchase price of the transfer of participanship shall be insufficient to pay all amounts determined to be payable under the above categories, claims under the above categories shall be paid in the priority stated above. If the purchase price shall be insufficient to pay the amount to be payable in one category, then claims under that category shall be paid pro-rata and the remaining shall be left unpaid. The residue of the purchase price shall be paid to the transferor or his legal representative or to such person as the transferor or legal representative shall direct.

#### **Rule 320F.6**

The transfer of a participanship shall not release the transferor from any liability, which at the date of transfer has already accrued to the Exchange, the Clearing House or any other Participant or any other Client of that Associate Participant which may thereafter accrue in respect of any act or omission prior to such transfer.

#### **Rule 320F.7**

The Exchange will maintain a register of the particulars of the transfer and may at its discretion, disclose the price of the transfer.

### **Rule 320G Associate Participant – Surrender of Participanship/Resignation**

#### **Rule 320G.1**

- (a) An Associate Participant desirous of resigning from participanship with the Exchange may make a written application to the Exchange for surrender of its participanship.
- (b) If a Associate Participant wishes to resign from participanship of the Exchange, it shall:-
  - (i) give not less than thirty (30) days (or such period as may otherwise be prescribed by the Exchange) prior written notice of its intention to resign and proposed date of resignation;
  - (ii) satisfy the Exchange that it has taken or will take before the proposed date of resignation proper and adequate steps for the orderly winding down of its futures trading business;
  - (iii) not enter into any transactions in the period of [thirty] days (or such period as may otherwise be prescribed by the Exchange) immediately preceding the proposed date of resignation except with the consent of the Exchange;
  - (iv) comply with such direction as may be issued by the Exchange in relation to the orderly winding down of its futures trading business; and
  - (v) enter into such agreement or arrangement or undertaking with the Exchange as the Exchange shall deem fit or expedient.

#### **Rule 320G.2**

- (a) The Exchange may accept the Associate Participant's surrender or participanship/resignation provided that in consultation with the Clearing House and the Commission, the Exchange is satisfied that the Associate Participant has fulfilled or will be able to fulfil all its obligations to the Exchange, the Clearing House and its clients whereupon the Exchange shall notify all other Trading

Participants of its acceptance and the resigning Associate Participant's effective date of resignation.

- (b) The surrender of its participanship by an Associate Participant shall not take effect until such surrender is officially approved by the Exchange. The Exchange may give its approval upon such terms and conditions as the Exchange may determine. Without limiting the foregoing, the Exchange may prescribe as it sees fit, the following:
  - (i) transfer of existing Contracts and/or Open Positions in accordance with Rule 707.8(a)(i);
  - (ii) liquidation of existing Contracts and/or Open Positions in accordance with Rule 707.8(a)(ii) and Rule 707.8(a)(iii).
- (c) The resigning Associate Participant is bound to comply with such restrictions on its participanship as may be imposed by the Exchange and/or Clearing House until its effective date of resignation as published by the Exchange.

### **Rule 320G.3**

There shall be no entitlement to a refund of any portion of the participanship entrance fee or of any annual subscription fee paid by an Associate Participant who resigns or otherwise ceases to be an Associate Participant.

### **Rule 320G.4**

The surrender of its participanship by an Associate Participant shall not in any way diminish any liability which that Associate Participant may have to the Exchange or the Clearing House or any other Participant or any Client of that Associate Participant arising out of its participanship up to the date of surrender of participanship and such liability shall continue to subsist until satisfied or discharged.

### **Rule 320G.5**

The resigning Associate Participant's name will be removed from the Register of Associate Participants on the effective date of resignation.

## **Rule 320H Associate Participant – Suspension of Participanship**

### **Rule 320H.1**

The Exchange may, decide in its absolute discretion to suspend the participanship of an Associate Participant in the event of any non-compliance or default of these Rules.

### **Rule 320H.2**

The period of suspension shall be within the sole discretion of the Exchange.

### **Rule 320H.3**

Upon the Exchange granting its approval, the Exchange shall by notice in writing inform the Associate Participant of the suspension and such suspension shall take immediate effect and shall continue until the suspension period expires or such earlier time as the Exchange deems fit to lift the suspension.

### **Rule 320H.4**

The suspension of its participantship shall not in any way whatsoever diminish any liability which the Associate Participant may have to the Exchange or the Clearing House or any other Participant or any Client of that Associate Participant where such liability arises from the participantship up to the date of the suspension and such liability shall continue to subsist until fully satisfied or discharged.

## **Rule 320I Associate Participant – Voluntary Suspension of Participantship**

### **Rule 320I.1**

An Associate Participant may make a written application to the Exchange for suspension of its participantship in accordance with such policies as may be determined by the Exchange from time to time.

### **Rule 320I.1**

The application pursuant to Rule 310I.1 shall be for a period of up to 6 months from the date of approval by the Exchange. The duration of the voluntary suspension may be further extended by the Exchange for a further period of 6 months or for such other duration at the absolute discretion of the Exchange.

### **Rule 320I.2**

The suspension of an Associate Participant's participantship shall not take effect until the application for suspension is approved by the Exchange. The Exchange may give approval upon such terms and conditions as the Exchange may determine. Without limiting the foregoing, the Exchange may prescribe as it sees fit, the following:-

- (a) transfer of existing Contracts and/or Open Positions in accordance with Rule 707.8(a)(i); and
- (b) liquidation of existing Contracts and/or Open Positions in accordance with Rule 707.8(a)(ii) and Rule 707.8(a)(iii).

### **Rule 320I.3**

The suspension of an Associate Participant's participantship shall not in any way diminish or affect any liability which that Associate Participant may have to the Exchange or the Clearing House or any other Participant or any Client of that Associate Participant arising out of its participantship up to the date of suspension and such liability shall continue to subsist until satisfied or discharged.

### **Rule 320I.4**

During the suspension period, the suspended Associate Participant may by written application to the Exchange, apply for reinstatement of its participantship. The reinstatement shall not take effect until the application for reinstatement is approved by the Exchange. The Exchange may give approval upon such terms and conditions as the Exchange may from time to time determine.

## **Rule 320J Associate Participant – Termination of Participantship**

### **Rule 320J.1**

The Exchange may, in consultation with the Commission, decide in its absolute discretion to terminate the associate participantship in the event of any or all of the following namely: upon any order being made for the winding up of the Associate Participant or the appointment to the Associate Participant of a receiver, statutory manager, provisional liquidator or upon the failure of the Associate Participant to comply with these Rules or

upon revocation of its license by the Securities Commission pursuant to the ~~Futures~~ Industry Capital Markets Services Act.

**Rule 320J.2**

Within seven (7) days from the Exchange approval, the Exchange shall issue a notice in writing to the Associate Participant informing it of its termination.

**Rule 320J.3**

The termination of its participantsip shall not in any way whatsoever diminish any liability which the Associate Participant may have to the Exchange or the Clearing House or any other Participant where such liability arises from the participantsip up to the date of termination and such liability shall continue to subsist until fully satisfied or discharged.

**Rule 320J.4**

In the event the Associate Participant fails to perform any or all acts required to be performed by it under this Rule, the Exchange shall be entitled to take further action to compel the performance of the same.

**Rule320K Associate Participant – Voluntary Liquidation**

**Rule 320K.1**

An Associate Participant shall by notice in writing inform the Exchange that it intends to go into voluntary liquidation.

**Rule 320K.2**

Upon receipt of this written notice, the Exchange shall require the Associate Participant to surrender its participantsip in accordance with Rule 320G above.

**Rule 320L Associate Participant – Associate Participant’s Representative**

**Rule 320L.1**

*[This Rule has been deleted]*

**Rule 320L.2**

*[This Rule has been deleted]*

**Rule 320L.3**

*[This Rule has been deleted]*

**Rule 320L.4**

*[This Rule has been deleted]*

**Rule 320L.5**

*[This Rule has been deleted]*



**Rule 320L.6**

*[This Rule has been deleted]*

**Rule 320L.7**

*[This Rule has been deleted]*

**Rule 320L.8**

*[This Rule has been deleted]*

**Rule 320L.9**

*[This Rule has been deleted]*

## **Rule 321      Market Makers**

### **Rule 321.1**

A market maker is an individual who or corporation which has been approved by the Exchange subject to such terms and conditions as it deems fit, to undertake in accordance with this Rule 321, the obligation of quoting upon request a bid and an offer in respect of any Contract or Contracts for which it or he is an appointed market maker. A market maker must provide quotes upon request at all times during trading hours.

### **Rule 321.2**

A market maker may be appointed in respect of any Contracts as the Exchange may specify.

### **Rule 321.3**

Transactions of a market maker should constitute a course of tradings reasonably calculated to contribute to the maintenance of a fair and orderly market, and no market maker shall enter into transactions or make bids or offers that are inconsistent with such a course of tradings.

### **Rule 321.4**

With respect to each Contract for which the market maker holds an appointment, it or he has a continuous obligation to engage, to a reasonable degree under the existing circumstances, in tradings for himself/itself. Without limiting the foregoing, a market maker is expected to perform the following activities in the course of maintaining a fair and orderly market:-

- (a) to compete with other market makers to improve markets in the Contracts for which he or it holds an appointment;
- (b) to make markets of such number of contracts, as may be determined by the Exchange from time to time, in all the Contracts for which he or it holds an appointment;
- (c) to update market quotations in response to changed market conditions in all the Contracts for which he or it holds an appointment; and
- (d) to price Contracts fairly by bidding and offering with a spread between his or its offer and bid no wider than such spread as may from time to time be determined by the Exchange.

### **Rule 321.5**

A Local Participant who is a market maker must make arrangements to finance their transactions as market maker and must identify to the Exchange the source of this financing and its terms. The Exchange must be informed immediately of the intention of any party to terminate or change any such arrangement.

### **Rule 321.6**

The Exchange may from time to time accord or grant privileges and prerogatives to market makers, which are not accorded or granted to Participants.

### **Rule 321.7**

The market maker may be suspended or terminated by the Exchange upon a determination that such market maker has failed to properly perform as a market maker.

### **Rule 321.8**

A market maker may make a written application to the Exchange to terminate or suspend its or his rights and obligations as a market maker with respect to any Contract for which it is an approved market maker. The Exchange may give its approval upon such terms and conditions as the Exchange may determine, which shall include but not limited to:-

- (a) restricting the termination or suspension to one Contract at a time; and
- (b) upon such time interval to be determined by the Exchange from time to time.

A market maker who has terminated or suspended its or his rights and obligations in accordance with this Rule 321.8 shall not be approved as a market maker for another Contract within the period of thirty (30) days from the date of such termination or such time period as the Exchange may from time to time determine.

### **Rule 322 Registered Representatives**

#### **Rule 322.1**

- (a) A Registered Representative is a person registered with the Exchange to act as a trading representative of a Trading Participant. Trading Participants may accept orders on behalf of Clients only through their Registered Representatives.
- (b) Every Trading Participant shall ensure that the trading representatives who are employed, engaged or appointed by it are duly registered with the Exchange in the manner provided within these Rules.
- (c) Every Registered Representative shall be bound by and comply with:-
  - (i) these Rules; and
  - (ii) all directives, rulings and guidelines (other than those guidelines which are expressed to be non-binding) issued by the Exchange from time to time.

#### **Rule 322.2**

An applicant for registration to the Exchange as a Registered Representative must:

- (a) not be less than twenty one (21) years of age;
- (b) be of good character and not have been convicted of any offence involving fraud or dishonesty;
- (c) not be an undischarged bankrupt;
- (d) have passed an examination approved by the Exchange;
- (e) be sponsored or employed by only one (1) Trading Participant;
- (f) agree to abide by these Rules; and
- (g) be a holder of Capital Markets Services Representative Licence for the regulated activity of trading in futures contracts, ~~duly licensed as a futures broker's representative under the Futures Industry Act.~~

#### **Rule 322.3**

The Exchange shall be authorised to register Registered Representatives subject to such terms and conditions as it may from time to time prescribe and shall have the authority to revoke or suspend such registration if the Registered Representative:-

- (a) violates any of the provisions of these Rules;

- (b) is found guilty of misconduct or wilful neglect;
- (c) is convicted of an offence involving fraud or dishonesty;
- (d) has become a bankrupt or has a petition presented for his bankruptcy;
- (e) is no longer sponsored by, or in the employ of, the Trading Participant which sponsored his application or employed him;
- (f) commits any act which the Exchange or any of its committees determine impairs the good name of the Exchange or its Participants; or
- (g) omits to do any act, which the Exchange or any of its committees determine impairs the good name of the Exchange or its Participants.

#### **Rule 322.4 Fees on Registration**

- (a) A Registered Representatives shall be liable to pay an annual registration fee or such other fees and charges as may be prescribed or imposed by the Exchange from time to time.
- (b) All fees and charges payable to by the Registered Representative shall be paid promptly within such period as may be stipulated by the Exchange.
- (c) The fees and charges payable by the Registered Representative shall be borne by the Registered Representative or the Trading Participant with which the Registered Representative is employed, engaged or appointed, as may be agreed between the Registered Representative and the Trading Participant concerned.

#### **Rule 322.5 Renewal of Registration**

- (a) The registration of a Registered Representative shall be subject to ~~annual~~ renewal not later than fourteen (14) days from the date of the Commission's renewal of his Capital Markets Services Representative Licence for the regulated activity of trading in futures contracts as evidenced by the date of issuance of the licence, by submitting a written application to the Exchange in such form as may be prescribed by the Exchange, and which shall be accompanied by:-
  - (i) Confirmation or evidence in such form as may be issued by the Commission of the renewal of the Capital Markets Services Representative Licence for the regulated activity of trading in futures contracts licence issued by the Commission pursuant to the Futures Industry Act 1993; and
  - (ii) Payment of a non-refundable fee prescribed by the Exchange in accordance with Rule 322.4.
- (b) At any time after receipt of an application pursuant to this Rule, the Exchange may, as it thinks fit, require an applicant to provide such additional information and/or documents as it may determine.
- (c) The Exchange may impose such other conditions or restrictions on a Registered Representative as it thinks fit at any time during the term of his registration.

#### **Rule 322.6**

In sponsoring an applicant for registration as a Registered Representative, the Trading Participant shall furnish such particulars and information to the Exchange as the Exchange may request. The Trading Participant sponsoring a Registered Representative shall be responsible for the acts of such Registered Representative and any violation of these Rules by a Registered Representative may be considered a violation by his sponsoring Trading Participant.

A Registered Representative shall be associated with no more than one (1) Trading Participant at one time. During the time that a Registered Representative is registered with the Exchange, the Registered Representative shall be deemed to be an agent of the Trading Participant. Such Trading Participant shall forthwith notify the Exchange if a Registered Representative ceases to be sponsored by it.

#### **Rule 322.7**

*[This Rule has been deleted]*

#### **Rule 322.8**

The employment by a Trading Participant of a person who performs the duties of a Registered Representative but is not so registered with the Exchange shall be considered a major offence and will be dealt with accordingly.

#### **Rule 322.9**

The Exchange may establish such additional terms and conditions for the registration and continued registration of Registered Representatives as it deems fit.

#### **Rule 322A Refusal to Register**

The Exchange may refuse an application made under Rule 300 if:-

- (a) the application was not made in accordance with the requirements of these Rules or the information required therein was not submitted or adequate;
- (b) the applicant has failed to comply with any other requirement of these Rules and/or any regulations, directives or guidelines thereunder;
- (c) the registration of the applicant is not in the interest of a fair and orderly market;
- (d) the Exchange is satisfied that the qualifications or any of them prescribed in these Rule has/have not been fulfilled by the applicant; or
- (e) the Exchange is of the opinion that registration of the applicant may affect the optimum utilisation of its facilities, taking into account risk management and any other considerations.

#### **Rule 322B Decisions of the Exchange**

- (a) Subject to Rule 401A, any decision of the Exchange shall be final and binding on all Participants, applicants and persons registered with the Exchange.
- (b) The Exchange shall not be required to give any reasons for its decision.

#### **Rule 322C Continuing Liability**

- (a) Notwithstanding that a Participant or person registered with the Exchange ceases to be registered or be struck off the Register by the exchange for any reason whatsoever, the Participant or person registered with the Exchange registered person shall be bound by these Rules which are now or may hereafter be in force and all directives, rulings and guidelines issued by the Exchange insofar as they relate to any antecedent breach committed by the Participant or registered personperson registered with the Exchange.
- (b) A Participant or person registered with the Exchange which has ceased to be registered or is struck off the Register shall retain all its records for at least seven (7) years. Any such record shall be produced for inspection to the Exchange on

demand and, where it is not retained in legible form, must be capable of being reproduced in that form.

**Rule 323 Meeting of Participants**

**Rule 323.1**

*[This Rule has been deleted]*

**Rule 323.2**

*[This Rule has been deleted]*

**Rule 323.2A Nomination Sub-Committee**

*[This Rule has been deleted]*

**Rule 323.3**

*[This Rule has been deleted]*

**Rule 323.4 Voting of Directors elected by Participants**

*[This Rule has been deleted]*

**Rule 323.5 Voting Weightage**

*[This Rule has been deleted]*

**Rule 323.6 Disqualification from Voting**

*[This Rule has been deleted]*

**Rule 323.7**

*[This Rule has been deleted]*

**Rule 323.8**

*[This Rule has been deleted]*

**Rule 323.9**

*[This Rule has been deleted]*

*(End of Business Rule 300)*

**Rule 400**

For the purposes of Rule 401 to Rule 406 inclusive, except where the context requires otherwise, the reference to “Participants” shall include Trading Participants, Local Participants, Associate Participants, ~~directors, officers and employees~~ of Trading Participants, Associate Participants, Registered Representatives and Associate Participant’s Representatives.

**Rule 401**

**Rule 401.1**

*[This Rule has been deleted]*

**Rule 401.2**

*[This Rule has been deleted]*

**Rule 401.3**

*[This Rule has been deleted]*

**Rule 401.4**

The integrity of the Exchange shall be maintained through the enforcement of these Rules and the adoption of high professional standards and ethics in the management of the Exchange. In performing such duties and other duties prescribed by the Futures Industry Capital Markets Services Act, the Articles and these Rules, the Exchange shall be empowered to:-

- (a) require any Participant to attend a meeting at any time and give such information as may be in their possession relating to any matter under investigation by the Exchange or any of the committees established under these Rules and every Participant shall ensure that all such requirements are met promptly and complied with and that the information asked for is made available promptly;
- (aa) make new policies and rules for the order and good governance of the Participants and in this regard have the relevant powers to add, vary, repeal, enforce or waive any of these Rules;
- (b) require any Participant to furnish any particulars and to produce for inspection all books, letters, telegrams, facsimiles, telex, computer print-outs or copies thereof, and any other documents or information in its possession as may be required by the Exchange or any of its committees and such Participant shall without delay ensure that such particulars are furnished and other material as aforesaid is produced accordingly;
- (bb) issue directives, rulings or guidelines for the purpose of or in conjunction with any of these Rules;
- (c) investigate the accounts and affairs of any Participant whenever in its opinion such action appears warranted;
- (d) *[This sub-rule has been deleted]*
- (e) *[This sub-rule has been deleted]*
- (f) Subject to Rule 401A, to interpret conclusively any provision of these Rules and the validity of any act or things done pursuant thereto in the event of any dispute or difference over such Rules;
- (g) Subject to Rule 401A, to exercise all such powers as may be necessary to enforce and implement these Rules;

- (h) to release information regarding a Participant's financial position or otherwise to the Commission or the Clearing House when so requested;
- (i) to order the Participant to liquidate such portion of the Participant's Open Position on its Proprietary Account and/or Client's Accounts as the Exchange deems necessary to ensure the integrity of any Contract or to ensure an orderly and liquid market;
- (j) to order the Participant to transfer existing Open Positions to another Clearing Participant or prescribe restrictions on positions as the Exchange deems necessary to ensure the integrity of any Contract to ensure an orderly and liquid market;
- (k) to require the Participants to submit reports, information and/or documents to the Exchange in the manner, mode and frequency as shall be prescribed by the Exchange;

and generally to do all things necessary for the smooth and efficient running of the Exchange.

#### **Rule 401.4A Incidental Powers of the Exchange**

Where any provision of these Rules empowers, authorises or enables the Exchange to do or enforce the doing of any act or thing, the Exchange shall have all such powers or rights as may be necessary or reasonably incidental to the Exchange doing or enforcing the doing of the act or thing.

#### **Rule 401.4B Effect of Powers**

Subject to Rule 401A, the Exchange's decision shall be final and binding on all Participants and persons to whom these Rules shall apply.

#### **Rule 401.5**

*[This Rule has been deleted]*

#### **Rule 401.6**

*[This Rule has been deleted]*

#### **Rule 401.7**

*[This Rule has been deleted]*

#### **Rule 401.8 Powers of Exchange Holding Company**

- (a) Where any provision of these Rules confers a right or power on the Exchange to do any act or thing such provision shall be deemed to confer the right or power on the Exchange holding company to do such act or thing on behalf of the Exchange.
- (b) An applicant, a Participant, a registered person(s) and other persons to whom these Rules are directed are bound to comply with, observe or give effect to any action of the Exchange holding company pursuant to Rule 401.8(a) above.

#### **Rule 401A Appeals Against Decisions of the Exchange**

- (a) The Exchange shall establish a Committee to determine appeals from a party against whom a decision has been made by the Exchange on applications relating to registration by the Exchange.



- (b) A person against whom a decision has been made by the Exchange may appeal against such decision by notifying the Exchange of its/his intention to appeal within fourteen (14) days from receipt of the notification of the decision.
- (c) The Committee referred to herein shall comprise such persons as may be appointed by the Exchange, all of whom must not have been involved in any other Committee of the Exchange that made the decision appealed against.
- (d) The Committee referred to herein may affirm, vary or set aside the decision appealed against or any penalty imposed.
- (e) The decision of the Exchange on appeal shall be final and binding on the appellant.

## **Rule 402**

### **Rule 402.1**

*[This Rule has been deleted]*

### **Rule 402.2**

*[This Rule has been deleted]*

### **Rule 402.3**

*[This Rule has been deleted]*

## **Rule 403 Indemnity**

### **Rule 403.1**

Without prejudice to any immunity or defence available to the following persons by statute or in law, none of such persons shall be liable in respect of anything done or omitted to be done by such persons in good faith in connection with the discharge or performance or purported discharge or performance of any function or duty, or the exercise or intended exercise of any power under these Rules or any applicable law or in respect of any decision made or enforcement action taken or notice of publication thereof, whether resulting in any loss of profit, costs, damages or damage to reputation or otherwise:-

- (1) the Exchange or the Exchange holding company;
- (2) any member of the board of the Exchange or Exchange holding company or any member of any committee of the Exchange or Exchange holding company;
- (3) any officer of the Exchange or Exchange holding company; or
- (4) any agent of, or any person acting under the direction of the Exchange or Exchange holding company.

### **Rule 403.2**

*[This Rule has been deleted]*

### **Rule 403.3**

*[This Rule has been deleted]*

## **Rule 404 Employees of the Exchange**

Participants will ensure that employees of the Exchange/Exchange holding company shall not have any beneficial interest in a Participant, or in any Contract traded in the Market, provided that:-

- (a) members of any committee of the Exchange/Exchange holding company who are employees of Trading Participants shall be deemed not to be employees of the Exchange; and
- (b) nothing in this Rule shall prevent any employee of the Exchange/Exchange holding company from holding shares in a ~~public~~ Listed ~~company~~ Corporation.

#### **Rule 405 Disclosure of Information**

The Exchange has the authority of each Participant to supply any particulars or information relating to the activities, assets and liabilities of the Participant in the possession of the Exchange to the Clearing House, the Commission or any statutory body or government agency or to any person (subject to the provisions of the ~~Futures Industry Capital Markets Services~~ Act) if the Exchange in its absolute discretion feels it necessary or desirable for the proper performance of its function.

#### **Rule 406 Compliance with the Act**

##### **Rule 406.1**

The Exchange and its committees, ~~and~~ officers ~~and employees~~ must at all times comply with the ~~Futures Industry Capital Markets Services~~ Act and directives given by the Minister or the Commission pursuant to powers vested under the ~~Futures Industry Capital Markets Services~~ Act.

*(End of Business Rule 400)*

**RULE 500 ENFORCEMENT OF  
RULES, APPEALS,  
ARBITRATION AND  
AUDIT**

**Rule 500**

For the purposes of Rule 501 to Rule 515 inclusive, except where the context requires otherwise, the reference to:-

- (a) "Participants" shall include Trading Participants, Local Participants, Associate Participants; and
- (b) "Registered Person" shall include ~~directors,~~ officers ~~and employees~~ of Trading Participants and Associate Participants, who are duly registered with the Exchange, and Registered Representatives.

**Rule 501 Committee**

**Rule 501.1**

The Exchange shall appoint a committee, sub-committee or officer(s) of the Exchange or Exchange holding company to discharge the exercise of its powers under this Rule 500.

**Rule 501.2**

*[This Rule has been deleted]*

**Rule 501.3**

The terms of reference in relation to the composition, jurisdiction and administration of all committees shall be as determined by the Exchange.

**Rule 501.4**

*[This Rule has been deleted]*

**Rule 501.5**

*[This Rule has been deleted]*

**Rule 502 Fidelity Fund Committee**

**Rule 502.1**

*[This Rule has been deleted]*

**Rule 502.2 Establishment Of A Fidelity Fund**

*[This Rule has been deleted]*

**Rule 502.3 Contributions by Trading Participant**

- (a) A Trading Participant shall, upon being licensed under the ~~Futures Industry Capital Markets Services~~ Act contribute to the Fidelity Fund a sum of Ringgit Malaysia Thirty

Thousand (RM30,000) and thereafter, on or before 31<sup>st</sup> of December of each of the next five (5) years in which it is licensed, the sum of Ringgit Malaysia Ten Thousand (RM10,000). The Exchange may, with the approval of the Commission, vary the amount and manner of the contributions by Trading Participant to the Fidelity Fund;

- (b) All contributions to the Fidelity Fund by a Trading Participant are non-refundable; and
- (c) In the event that the contribution by a Trading Participant to the Fidelity Fund is due and remains unpaid for seven (7) Business Days, the Trading Participant shall be suspended immediately. If the amount outstanding remains unpaid for another twenty one (21) Business Days from the date of suspension, the Trading Participant may be terminated. The Exchange may levy interest on late payments at a rate determined by the Exchange.

#### **Rule 502.4 Payments out of Fidelity Fund**

Subject to the ~~Futures Industry Capital Markets Services~~ Act and Rule 502, the Exchange shall pay out of the Fidelity Fund in the following priority:

- (a) the amount of all claims, including costs, allowed under Rule 502;
- (b) legal and other expenses of the Exchange incurred in investigating or defending claims under this Rule 502 in relation to the Fidelity Fund or in the exercise of the rights, powers and authorities vested in the Exchange or a committee or sub-committee established by the Exchange pursuant to these Rules;
- (c) premiums payable in respect of contracts of insurance or indemnity entered into by the Exchange pursuant to Rule 502.18;
- (d) all expenses incurred in the administration of the Fidelity Fund, including remuneration and allowances of the members of the appropriate committee or sub-committee established by the Exchange, and of persons employed by the Exchange in relation to the fund; and
- (e) other monies payable out of the Fidelity Fund under this Rule 502 and the ~~Futures Industry Capital Markets Services~~ Act.

#### **Rule 502.5 Claims**

- (a) A claim against the Fidelity Fund shall be considered in accordance with the provisions of the ~~Futures Industry Capital Markets Services~~ Act, and Rule 502;
- (b) The Exchange shall not be obliged to consider and determine a claim against the Fidelity Fund unless the person making the claim has satisfied the Exchange that he had made all efforts (other than by an action in court) to recover his loss from the Trading Participant in relation to whom the claim arose or from any other person who is liable in respect of the loss;
- (c) The Exchange shall only consider a claim lodged against a Trading Participant; and
- (d) ~~Any person suffering a loss in the manner as referred to in Section 167 (1) of the Capital Markets Services Act shall be entitled to claim from the Fidelity Fund. Where a person sustains pecuniary loss because of a defalcation or fraudulent misuse of money or other property committed in the course of or in connection with trading in Contracts on the Exchange by a Trading Participant or by any director or employee, as the case may be, of the Trading Participant in respect of any money, Contract or other property:~~
  - ~~(i) which was entrusted to or received by the Trading Participant, or any director or employee of the Trading Participant, for or on behalf of that person; and~~
  - ~~(ii) to which that person is entitled or in which he has a beneficial interest whether existing or contingent,~~

~~he shall be entitled, subject to this Rule 502, to claim compensation from the Fidelity Fund for such pecuniary loss PROVIDED that nothing in this Rule 502.5(d) shall entitle a Trading Participant to make a claim against the Fidelity Fund.~~

#### **Rule 502.6 Notice of Claims**

- (a) Where the Exchange has reason to believe that a Trading Participant has committed a defalcation or fraudulent misuse of monies~~ey~~ or other property which might give rise to compensation under this Rule 502, the Exchange ~~shall~~may cause to be published a notice in two (2) daily newspapers, one (1) in Bahasa Malaysia and one (1) in English, specifying a date, no earlier than three (3) months after publication of the notice or such other longer period as may be specified in the notice, on or before which claims for compensation from the Fidelity Fund may be made in relation to the Trading Participant specified in the notice; and
- (b) An action for damages shall not lie against the Exchange by reason of any notice published in good faith and without malice.

#### **Rule 502.7 Time Limitation**

- (a) Where a notice has been published pursuant to Rule 502.6, the claimant shall lodge his claim on or before the date specified in such notice;
- (b) Where a notice has not been published pursuant to Rule 502.6, the claimant shall lodge his claim within six (6) months after becoming aware of the defalcation or fraudulent misuse of monies~~ey~~ or other property giving rise to the claim; and
- (c) Any claim, which is received after the date, specified in paragraph (a) and (b) of this Rule 502.7 shall be barred, unless the Exchange shall otherwise determine.

#### **Rule 502.8 Form of Claim**

- (a) All claims against the Fidelity Fund shall be filed in a form approved by the Exchange and shall be accompanied by evidence necessary to substantiate the claim; and
- (b) Subject to the provisions of the ~~Futures Industry Capital Markets Services~~ Act and Rule 502.13, the amount of compensation which a claimant is entitled to claim is the amount of the actual ~~pecuniary~~monetary loss suffered including the reasonable costs and disbursements incidental to the making and pursuit of the claim less any amount or value of money or other benefits received or receivable in reduction of the loss from any other source.

#### **Rule 502.9 Submission of Documents and Appearances before ~~Committee~~the Exchange**

- (a) A claimant shall submit evidence in support of his claim as required by the Exchange. Where a claimant fails to produce the required evidence within ~~thirty (30) days~~one (1) month or such longer period as may be determined by the Exchange, and the Exchange is satisfied that such evidence is in the possession of or available to the claimant, the Exchange may dismiss the claimant's claim for such failure to comply; and
- (b) A claimant, Trading Participant or a director, employee or representative of a Trading Participant or any other person may be required to appear before the Exchange to provide evidence or to answer queries in respect of a claim. Should a claimant fail to appear before the Exchange when requested to do so without a satisfactory explanation, the Exchange may dismiss the claim.

#### **Rule 502.10 Powers Of Exchange In Relation to Claims Against the Fidelity Fund**

- (a) The Exchange ~~in considering a claim may~~ shall after due inquiry make a determination on the following matters :-
- (a) whether the claim should be allowed, partially allowed, disallowed or impose such conditions as it thinks fit ;
  - (b) if the claim is allowed or partially allowed, to specify :-
    - (i) the total amount of compensation determined to be payable ;
    - (ii) the amount of reasonable costs and disbursements payable thereon ;  
and
    - (iii) the time of payment of the amounts referred to in sub-paragraphs (i) and (ii); and
  - (c) if the claim is disallowed or partially allowed, the reasons for the disallowance or partial allowance, as the case may be.
- (i) ~~allow the claim in whole or in part; or~~
- (ii) ~~disallow the claim;~~
- (b) ~~The Exchange in allowing a claim, allowing a claim in part or disallowing a claim shall specify its reasons;~~
- (c) The Exchange shall determine a claim within six (6) months of the date on which the claim was made or such longer period as the ~~Commission~~Exchange may authorise; and
- (d) The Exchange upon deciding a claim shall notify the claimant in writing of its decision, ~~and deliver a copy of the notice to the Commission.~~

#### **Rule 502.11 Right of appeal**

A person may appeal any decision of the Exchange to the Commission within one (1) month of being notified of that decision. The decision of the Commission on appeal shall be final and conclusive.

#### **Rule 502.12 Payment Of Compensation**

- (a) The Exchange shall not pay compensation from the Fidelity Fund until after the expiry of the period allowed for appeal as specified in Rule 502.11. Where an appeal is made to the Commission, no payment shall be made to a claimant until after the determination of the appeal; and
- (b) Interest shall be payable out of the Fidelity Fund on the amount of compensation awarded less costs and disbursements at the prescribed rate, calculated from the day upon which the defalcation or fraudulent misuse of monies~~ey~~ or other property was committed and continuing until the day compensation is paid.

#### **Rule 502.13 Limitations on Compensation**

- (a) No monies~~ey~~ or property of the Exchange, other than the Fidelity Fund shall be used for the payment of a claim under this Rule 502. Where the Fidelity Fund is insufficient to pay the claims allowed by the Exchange in entirety, the Fidelity Fund shall, subject to paragraphs (b) and (c) of Rule 502.13, be apportioned between the claimants in such proportion and manner as the Exchange may equitably determine. Any claim, that remains unpaid wholly or in part, shall be charged against future receipts of the Fidelity Fund.

- (b) The maximum compensation payable from the Fidelity Fund in respect of all claims against a Trading Participant shall not exceed Ringgit Malaysia Five Hundred Thousand (RM500,000). Where the aggregate of all claims for compensation against a Trading Participant exceeds the sum of Ringgit Malaysia Five Hundred Thousand (RM500,000), the sum shall be apportioned between the claimants in such proportion and manner as the Exchange may equitably determine.
- (c) All partially fulfilled claims and any other claims for compensation which may subsequently arise or be made in relation to the default of that Trading Participant shall be absolutely discharged vis-à-vis the Fidelity Fund upon payment of the maximum compensation sum in accordance with Rule 502.13(b).

**Rule 502.14 Subrogation Right**

Upon the Exchange paying compensation from the Fidelity Fund, the Exchange shall be subrogated to the extent of that payment to all the rights and remedies of the claimant in respect of the ~~pecuniary~~ ~~monetary~~ loss sustained by him by reason of the default on which the claim was based together with such interest on that sum as may have been paid by the Exchange.

**Rule 502.15 Accounts**

*[This Rule has been deleted]*

**Rule 502.16 Advances**

*[This Rule has been deleted]*

**Rule 502.17 Permitted Investments**

*[This Rule has been deleted]*

**Rule 502.18 Insurance**

- (a) The Exchange may insure the Fidelity Fund with any registered insurance company in Malaysia for the purpose of insuring the Fidelity Fund against depletion due to claims; and
- (b) A claimant against the Fidelity Fund shall not have a right or action against an insurer with whom a contract of insurance or indemnity is made under Rule 502.18(a), nor have a right or claim in respect of money paid by the insurer in accordance with such contract.

**Rule 502.19 No Cause of Action against the Exchange**

A person claiming to suffer ~~pecuniary~~ ~~monetary~~ loss from the defalcation or fraudulent misuse of ~~monies~~ or other property of a Trading Participant shall not have a right of action against the Exchange other than a claim to compensation against the Fidelity Fund in accordance with this Rule 502.

**Rule 503**

**Rule 503.1**

*[This Rule has been deleted]*

**Rule 503.2**

*[This Rule has been deleted]*

### **Rule 503.3**

*[This Rule has been deleted]*

### **Rule 504**

#### **Rule 504.1**

The Exchange may:

- (a) evaluate the eligibility of potential new Participants;
- (b) evaluate the need for new classes of participation; and
- (c) make a determination on any matter, which pertains to membership.

#### **Rule 504.2**

*[This Rule has been deleted]*

#### **Rule 504.3**

*[This Rule has been deleted]*

### **Rule 505**

#### **Rule 505.1**

The Exchange shall have oversight of the business conduct of Participants and may establish such appropriate committee or sub-committee to conduct hearings on those matters over which it has been assigned jurisdiction by the Exchange including:-

- (a) the business conduct of and compliance with these Rules by Participants including those relating to financial requirements;
- (b) conduct of Participants, which may be detrimental to the Exchange;
- (c) manipulation of or an attempt to manipulate prices;
- (d) cornering or attempts to corner any Contracts;
- (e) conduct affecting other Participants except in so far as jurisdiction over conduct is assigned to other committees; and/or
- (f) Clients' complaints against a Participant.
- (g) *[This sub-rule has been deleted]*
- (h) *[This sub-rule has been deleted]*
- (i) *[This sub-rule has been deleted]*
- (j) *[This sub-rule has been deleted]*

#### **Rule 505.1A**

*[This Rule has been deleted]*



### **Rule 505.1B**

*[This Rule has been deleted]*

### **Rule 505.1C**

*[This Rule has been deleted]*

### **Rule 505.1D**

In relation to business conduct in general,

- (a) *[This sub-rule has been deleted]*
- (b) *[This sub-rule has been deleted]*
- (c) The Exchange may employ the services of an auditor or such other persons as the Business Conduct Committee may approve, to assist the Compliance Sub-Committee;
- (d) Where an auditor or such other persons are appointed to inspect books and records and/or investigate the conduct of a Participant, all fees and remuneration to be paid to the auditor or such other person shall be borne by the Participant;
- (e) The Exchange may by written direction, direct the Exchange to pay the fees and remuneration of the appointed auditor or such other person appointed within such time and in the manner it specifies. The Exchange may take disciplinary action pursuant to Rule 508 against a Participant for failure to comply with such direction. The amount specified in the direction shall be regarded as a debt owing to the Exchange and shall be recoverable by legal action notwithstanding any disciplinary action that may be taken against the Participant by the Exchange;
- (f) Where the Exchange has reason to believe that a Participant may have committed a breach of these Rules, it may require the Participant (or any other Participant) to appear before it and to furnish such information and make such explanation as may be required;
- (g) When a Participant is trading in Contracts on an exchange other than the Exchange, the Exchange may, to ensure that Client funds are protected, give directions with the following effect:
  - (i) that orders may only be placed with a Participant of the Exchange upon which the orders are to be effected;
  - (ii) that Client monies be placed with a particular member of a particular exchange;
  - (iii) that such security or guarantee, as may be determined by the Exchange, shall be taken out in respect of Client's funds placed overseas; or
  - (iv) that such other action be taken as the Exchange considers necessary; and
- (h) A Participant may, by notice in writing serve on the Exchange, within fourteen (14) days of the Participant being notified of a direction of the Exchange made pursuant to Rule 505.1D(g)(iii) above, appeal against such direction in accordance with Rule 512. Unless the Exchange in its absolute discretion otherwise orders, the Exchange shall comply with such direction pending the determination of the appeal.

### **Rule 505.2**

In relation to business conduct in general, the Exchange shall also:

- (a) make determinations on the manner of trading, the limits on Open Positions in any Contract or for any Participant and, generally, the trading practices in the market;
- (b) conduct periodic evaluation of Participants to review their market performance and ensure quality of the Market, competition amongst market makers and observance of high ethical standards;
- (c) make determinations in relation to the adoption of new Rules with respect to any of the foregoing and, upon request by a Participant, interpret, or provide guidance upon, any of these Rules; and
- (d) hear appeals against the decision of the Exchange's sub-committees unless otherwise provided in these Rules.

**Rule 505.3**

*[This Rule has been deleted]*

**Rule 505.4**

*[This Rule has been deleted]*

**Rule 506 Investigation**

**Rule 506.1**

Where the Exchange has instituted an investigation into any alleged or suspected Rule violation, all Participants shall co-operate in such investigation by:

- (a) providing all information, paper and/or document concerning the matter which are in their possession or under their control; and
- (b) rendering all such assistance as may be reasonable and necessary to enable the matter to be fully investigated,

within the time period stipulated by the Exchange.

**Rule 506.2**

The findings and results of all investigations by the Exchange shall be recorded in writing. The findings and results of all investigations shall be deemed confidential and shall not be revealed or otherwise used, except in connection with a hearing resulting from the investigation or except when permitted under these Rules or required by law.

**Rule 506.3**

The Exchange shall consider such findings arising from the audits, inspections and investigations conducted by the Exchange on a Participant. After considering the findings, where the Exchange is of the opinion that the breach is not sufficiently serious to warrant further referral to an appropriate committee or sub-committee established by the Exchange, the Exchange may at its absolute discretion proceed to caution or reprimand the Participant or cause the matter to be brought to the notice of the Participant.

**Rule 507 Hearing**

**Rule 507.1 Assignment for Hearing**

- (a) A Participant against whom disciplinary action is proposed to be taken (“Defaulting Participant”) shall be notified by the Exchange of such action in writing (“Requisite Notice”).
- (b) The Requisite Notice shall specify:-
  - (i) the nature and particulars of the charge against the Defaulting Participant; and
  - (ii) the time, place and date of the meeting (being not less than fourteen (14) days after the date when such notice is served) when such charge is to be heard before and dealt with by the Exchange.

**Rule 507.1A Response to Requisite Notice**

- (a) The Defaulting Participant may respond to the charge by submitting a written response to the Exchange within fourteen (14) days from the date of the notice issued under this Rule.
- (b) If the Defaulting Participant fails, within the time stipulated under the foregoing Rule to respond to, or appear before the Exchange, the Exchange may proceed to deal with the charge against the Defaulting Participant.

**Rule 507.2 Hearing Procedures**

The Exchange or such other committee or sub-committee as established by the Exchange, as the case may be, when considering any matter under these Rules may regulate its sittings and adopt such procedures as it thinks fit provided that:

- (a) no legal counsel shall be allowed at such hearings without the prior written approval of the Exchange;
- (b) the Exchange or any hearing committee constituted by the Exchange shall be governed by the rules of natural justice and shall give each party a reasonable opportunity to make written or oral representations; and the Exchange or any hearing committee constituted by the Exchange as may be appropriate shall not find an allegation proved unless it is satisfied on the balance of probabilities.
- (c) the Exchange or any hearing committee constituted by the Exchange and any member of such hearing committee may actively question any witness and examine all evidence or they may request the officers of the Exchange to conduct the examination. The Defaulting Participant may testify, produce evidence, call its own witnesses and cross-examine any witness. The Exchange shall not be bound by the formal rules of the law of evidence and procedure;
- (d) the Exchange and any member of the hearing committee constituted by the Exchange may require the Defaulting Participant or Defaulting Participant’s employee to attend, to testify, and to produce all books and records relevant to the charge. Prior to the hearing, the Defaulting Participant involved may examine all evidence which is to be relied upon by the hearing committee during the hearing, or is relevant to the charge or charges; and
- (e) *[This sub-rule has been deleted]*
- (f) the exercise of disciplinary powers by the Exchange or any hearing committee constituted by the Exchange shall, where applicable, extend to an eOfficer, ~~employee~~, agent or representative of the Defaulting Participant in his own right.

**Rule 507.3**

The proceedings of the hearing shall be properly recorded. All testimony and documents produced in connection with a hearing shall be deemed confidential and shall not be revealed or otherwise used, except in connection with disciplinary proceedings resulting from the hearing or except when permitted under these Rules or required by law.

#### **Rule 507.4 Notice of Findings**

- (a) The Exchange or any hearing committee constituted by the Exchange shall give written notice of the findings of the hearing and of any action taken under Rule 508 to the Commission and the Defaulting Participant concerned, as well as the Defaulting Participant's right of appeal under Rule 512.

#### **Rule 508 Action against Participants**

##### **Rule 508.1**

The Exchange or any committee or sub-committee established by the Exchange, after completion of a hearing, may:

- (a) decide that no action be taken;
- (b) issue a private warning or public reprimand or a notice of censure;
- (c) issue such recommendations, or give such advice, or issue such directions to remedy any matter, as it sees fit;
- (d) order the Defaulting Participant to cease and desist from the conduct found to be in violation of these Rules;
- (e) direct that the Defaulting Participant shall not open any new Client Account without the express consent of the Exchange;
- (f) order the Defaulting Participant to liquidate such portion of the Defaulting Participant's Open Position on its Proprietary Account or Clients' Accounts, or both, as the committee deems necessary to ensure the integrity of any Contract or to ensure an orderly and liquid market;
- (g) order the Defaulting Participant to transfer existing Open Positions to another Trading Participant or prescribe restrictions on positions, as the committee deems necessary;
- (h) impose a fine against the Defaulting Participant not exceeding Ringgit Malaysia Five Hundred Thousand (RM 500,000) in respect of a major offence and Ringgit Malaysia Twenty Five Thousand (RM25,000) in respect of a minor offence or such other amount as may be prescribed by the Exchange;
- (i) direct, by way of compensation order that the Defaulting Participant recompense any Client who has suffered a readily determinable loss arising as a direct result of any matter on which the committee has adjudicated and in respect of which such Defaulting Participant is at fault;
- (j) determine that any reports or any extract or summary thereof, or any finding of, or sanction imposed to be published;
- (k) impose a period of suspension against the Defaulting Participant;
- (l) determine for the termination of participantship and/or striking off the Defaulting Participant's name from the relevant Register;
- (m) in the case of a charge proven against a Registered Representative, terminate the registration of a Registered Representative and/or striking off the Registered Representative's name from the relevant Register; and/or

- (n) take such other action as it may consider appropriate having regard to the provisions of these Rules and the Act and shall make a written record of any action so taken.

## **Rule 509 Action when Client violates these Rules**

### **Rule 509.1**

If the Exchange or any committee or sub-committee established by the Exchange has reason to believe or suspect that a Client is conducting its or his trading activities in violation of these Rules, it may, by due notice, request such Participant that has dealings with such Client to appear, produce documents and testify at a hearing to be conducted by the Exchange or any committee or sub-committee established by the Exchange as the case may be.

### **Rule 509.2**

Until the case has been decided by the Exchange or any committee or sub-committee established by the Exchange, the Exchange may send a directive to all Participants directing all Participants not to accept from such Client any new orders to open a position.

### **Rule 509.3**

If, after a hearing conducted pursuant to Rule 509.1, the Exchange or committee or sub-committee established by the Exchange conducting the hearing determines that the actions of such Client threaten the integrity or liquidity of any Contract or are likely to result in a squeeze, corner, or other form of manipulation, the committee conducting the hearing may:

- (a) order any Participant to close out all or any portion of such Client's position in the threatened Contract;
- (b) order that no Participant accept new positions in the threatened Contract on behalf of such Client; or
- (c) order such other action as is necessary.

## **Rule 510 Offences**

### **Rule 510.1**

All persons trading on the Exchange shall not commit or attempt to commit any or all of the offences stated hereunder. Offences under these Rules shall be classified into major offences and minor offences.

### **Rule 510.2 Major Offences**

Major offences shall include:-

- (a) accepting orders from Clients for Contracts without causing such orders to be executed on an exchange or in accordance with the rules, by-laws, regulations, customs and practice of such exchange;
- (b) being guilty of fraud or any act of bad faith or of any dishonest conduct;
- (c) making or reporting a false or fictitious trade;
- (d) knowingly acting as both buyer and seller in the same transaction except when permitted under the Rules;

- (e) manipulating prices or attempting to manipulate prices or to corner or attempt to corner any Contract in the Market;
- (f) making a material mis-statement to the Exchange or to a committee, or on any information supplied to the Exchange or its officers;
- (g) knowingly disseminating false or misleading reports concerning market information or conditions that may affect the price of any Instrument;
- (h) trading or accepting margins during its insolvency or after its ~~licence as a futures broker under the Futures Industry Capital Markets Services Licence Act~~ has been revoked, suspended or lapsed;
- (i) refusing to appear before any committee of the Exchange at a duly convened hearing, or in connection with any investigation or refusing to fully answer all questions or produce all books and records at any audit, hearing or investigation or giving false testimony;
- (j) making use of or revealing any confidential information obtained by reason of participating in any investigative proceeding or hearing;
- (k) permitting the use of its facilities or participating privileges by a Participant or Client in a manner that impairs the dignity or degrades the good name of the Exchange, or creates a market or other situation detrimental to the Exchange, or effectuating manipulations or corners or attempting either or to itself do any of the foregoing;
- (l) failing to maintain the Minimum Financial Resources Requirements as prescribed under these Rules;
- (m) committing an act, which is substantially detrimental to the interest of the Exchange/Exchange holding company and of its Participants or a Client of a Participant;
- (n) refusing to comply with a final arbitration award or decision of any committee conducting the hearing pursuant to these Rules;
- (o) persistently violating any Rule;
- (p) refusing to comply with an order of the Exchange or any committee or sub-committee established by the Exchange;
- (q) using, or permitting or suffering to be used, any monies, securities or documents of any of its Clients required by the ~~Futures Industry Capital Markets Services Act~~ to be kept on a Clients' Segregated Account otherwise than as may be permitted by the ~~Futures Industry Capital Markets Services Act~~;
- (r) failing to answer Clients' complaints promptly and in appropriate detail;
- (s) violating a Rule, which provides (as a result of such violation) for termination of participation;
- (t) violating a Rule, which cites such violation as a major offence;
- (u) failing to submit audited accounts or any other financial statements within the stipulated time as prescribed under these Rules;
- ~~(v) opening an account for any employee of the Exchange or Clearing House;~~
- (w) making a false or misleading entry in the accounting or other records;
- (x) violating any provisions of the Articles, ~~Futures Industry Capital Markets Services Act~~ or any regulations made thereunder; or
- (y) knowingly violating any Rule, assisting others in violating these Rules and any act, which damages the reputation, or business of the Exchange.

### **Rule 510.3 Minor Offences**

Minor offences shall include:

- (a) circulating or aiding in the circulation in any manner of rumours which cast doubt on the integrity of any Contract; or
- (b) violating any rule, the violation of which is not a major offence.

### **Rule 510.4**

The Exchange shall maintain a register of offences committed by Participants and the names of the offenders and shall publish, at such time and in such manner as the Exchange deems fit, any finding that a Participant has committed an offence and any penalty imposed in respect of the commission of such offence. Any finding that a Participant (who is licensed under the Futures Industry Capital Markets Services Act) has committed an offence and any penalty imposed in respect of such offence shall be reported within seven (7) days to the Commission.

### **Rule 511 Disciplinary Action**

#### **Rule 511.1**

Major offences may be dealt with by a termination of participantship, suspension, fine not exceeding RM500,000 or by both suspension and fine or by any other action deemed appropriate pursuant to and Rule 508.1. A Participant found guilty of having engaged in conduct which is substantially detrimental to the interest of the Exchange may, in addition to the disciplinary actions prescribed for a major offence, be required to pay the Exchange an amount computed to include the costs and expenses, including lawyer's fees, incurred by the Exchange in defending or responding to such Participant's action.

#### **Rule 511.2**

Minor offences may be dealt with by a fine not exceeding RM25,000 or suspension, or both suspension and fine or by any other action deemed appropriate pursuant to and Rule 508.1.

#### **Rule 511.3**

A Participant who has at any time been found guilty of a major offence shall not be entitled to nominate any representative to serve or continue to serve on any committee until otherwise decided by the Exchange.

#### **Rule 511.4**

The particular Preference Share held by a Trading Participant terminated from participantship shall be forfeited and the provisions of Rule 311B.3 shall, mutatis mutandis, apply.

### **Rule 512 Appeals**

- (a) The Exchange shall establish a committee to hear and determine appeals from decisions made by the Exchange, or committee or sub-committee established by the Exchange.
- (b) In amplification of Rule 401A, any Participant against whom a decision has been made by the Exchange on matters referred under this Rule 500 (in this Rule 512 referred to as the "appellant") may appeal against such decision by notifying the Exchange of his intention to appeal within fourteen (14) days from receipt of the notification from the Exchange, unless otherwise provided.

- (c) Pending the determination of an appeal under this Rule 512, the enforcement of any disciplinary action against the appellant with regards to the subject of the appeal shall be suspended until the disposal of the appeal.

**Rule 512.1**

- (a) *[This sub-rule has been deleted]*
- (b) *[This sub-rule has been deleted]*
- (c) Appeals from any decision made under this Rule 500 shall be in writing and lodged with the Exchange within fourteen (14) days of the appellant receiving the notice of the decision of the Exchange or committee or sub-committee established by the Exchange. The appellant shall state the grounds and reasons for appeal and the decision he is seeking from the Exchange in his notice of appeal.
- (d) The Exchange shall convene a meeting as soon as practicable to hear the appeal and the Participant may attend and give such explanation and produce such evidence as he thinks fit at the meeting. The Participant shall be entitled to legal representation at such meeting.
- (e) The appeal shall not be a rehearing of the facts presented at first instance to the Exchange at or committee or sub-committee established by the Exchange.
- (f) The Exchange shall not be bound by strict legal rules of evidence and procedure.
- (g) The Exchange sitting on appeal of any decision made under this Rule, may affirm, set aside or vary the decision in such manner as it sees fit. Such decision shall require a two-third majority of the members of the committee established by the Exchange to hear the appeal present and entitled to vote.
- (h) Pending a decision of an appeal from the Exchange, the earlier decision appealed from shall in all respects be valid and effective against the Participant.
- (i) The decision of the Exchange on an appeal shall be final and conclusive and binding on the Participant. The appeal shall nullify or cure any procedural irregularity of the earlier decision appealed from.
- (j) A Participant shall have no cause of action against the Exchange or committee or sub-committee established by the Exchange arising out of a decision of the Exchange to uphold an appeal in whole or in part. The Participant shall not institute any legal action against the Exchange in respect of any loss that the Participant may have suffered, including any loss of profit or any damage to reputation by reason of any disciplinary measure taken against the Participant.

**Rule 513 Settlement of Disputes**

**Rule 513.1 General Provisions**

- (a) This Rule 513 is created to establish a fair, expeditious and inexpensive procedure for settlement of Disputes so that resort to other legal means shall not be necessary.
- (b) This Rule 513 shall apply to a Dispute which arises out of a transaction on the Exchange but it shall not include a dispute arising from cash transactions which are not part of, or directly connected with, a transaction executed on the Exchange for the purchase or sale of a Contract.

**Rule 513.2 Definitions**

The definitions for the terms used in this Rule 513 shall be found in Rule 200.



**Rule 513.3 Jurisdiction**

- (a) Any Claim or Grievance between a Participant of the Exchange against another Participant whether originating during or after the cessation of the participantship of the parties, shall be settled by Arbitration in accordance with these procedures. Arbitration proceedings invoked pursuant to these Rules shall be independent of and shall not interfere with or delay the resolution of a Client's Claim or Grievance submitted for Arbitration pursuant to Rule 513.
- (b) *[This sub-rule has been deleted]*
- (c) All other Disputes, regardless of their nature between or among any two or more parties, shall if agreed by all parties involved, be settled by Arbitration in accordance with these Rules. Arbitration proceedings involved pursuant to this paragraph shall be independent of and shall not interfere with or delay the resolution of a Client's Claim or Grievance submitted for Arbitration pursuant to Rule 513.
- (d) Any statement of defence may set forth one or more counterclaims against the Claimant provided that any such counterclaims shall arise out of the transaction or occurrence that is the subject of the Claimant's Claim or Grievance. Counterclaims that do not arise out of the transaction that is the subject of the original claim may be heard only with the agreement of the Claimant.
- (e) Any person who submits a Dispute for Arbitration or submits thereto shall conclusively be deemed to have voluntarily recognised the jurisdiction of the Arbitrators to hear and determine such Dispute or controversy and any Award made thereunder shall be binding on such person who shall be obligated to perform any Award made.

**Rule 513.4 Secretariat – Establishment, Duties and Powers**

**Rule 513.4A Establishment**

The Secretariat shall be established and managed by an officer designated by the Exchange.

**Rule 513.4B Duties and Powers**

- (a) The Claimant shall file with the Secretariat a notice of intention to apply for Arbitration within ninety (90) calendar days (or such extended period deemed appropriate by the Exchange) from the time the Claim or Grievance arose.
- (b) The parties shall also file with the Secretariat a copy of any other notice (including consent of any Client to submit to Arbitration) notification, communication or proposal concerning the Arbitration proceedings.
- (c) All documents or information to be submitted by the parties shall be submitted to the Secretariat in triplicate whereupon the Secretariat shall despatch one copy each to the other party and to the Arbitrators.

**Rule 513.4C Classification of Disputes**

- (a) The Secretariat shall consider each notice, and refer each matter either to the Arbitration Panel or to the Exchange.
- (b) The Secretariat shall refer Disputes to an Arbitration Panel in the event that:
  - (i) a Dispute relates to a physical delivery arising out of or under a Contract on the Exchange; or
  - (ii) all parties to the Dispute have specifically requested in writing for the matter to be referred to the Arbitration Panel.
- (c) The Secretariat shall refer all other Disputes to the Exchange.

- (d) The Arbitration Panel shall conduct hearings in accordance with the procedures stated in Rule 513.6C. The Exchange, or an appropriate committee or sub-committee established by the Exchange shall conduct hearings in accordance with the procedures stated in Rule 513.7D.
- (e) The Secretariat shall thereupon provide the Claimant with a copy of notice for Arbitration and a statement of claim form.

**Rule 513.4D Procedure for submission of documents**

- (a) The Claimant shall deliver to the Secretariat the statement of claim form within ninety (90) calendar days (or such extended period deemed appropriate by the Exchange) from the time the Claim or Grievance arose, or within thirty (30) calendar days from the date the Exchange delivers a copy of this Rule 513 and a statement of claim form, whichever is later.
- (b) Subject to Rule 513.5, the statement of claim form shall set forth the name and address of the party or parties concerned, the nature and substance of the Claim or Grievance, the relief requested and the factual and legal basis alleged to underline such relief.
- (c) The statement of claim form shall be accompanied by the Claimant's non-refundable cheque payable to the Exchange in payment of the Arbitration Fee in accordance with Rule 513.5A.
- (d) The Claimant may annex to his statement of claim all documents which he deems relevant or may add a reference to the documents or other evidence that he will submit.
- (e) At the same time, the Claimant shall indicate whether he requires a Full Hearing. If a Full Hearing is required he shall also submit a provisional list of witnesses and/or experts that he intends to call.
- (f) The date when the statement of claim form is received by the Secretariat shall for all purposes be deemed to be the date of commencement of the Arbitration proceedings.
- (g) Upon receipt of the statement of claim form, the Secretariat shall promptly deliver a copy of the statement of claim form to each Defendant. Each Defendant shall, within twenty (20) calendar days following the delivery of such statement, file a statement of defence with the Secretariat, with a copy to the Claimant setting forth his position with respect to the Claimant's Claim or Grievance. Any allegation in the statement of claim form not denied clearly and specifically by a Defendant in his statement of defence shall be deemed admitted.
- (h) The Defendant may annex to his statement the documents on which he relies for his defence or may add a reference to the documents or other evidence that he will submit.
- (i) At the same time the Defendant shall indicate whether he requires a Full Hearing. If a Full Hearing is required, the Defendant shall also submit a provisional list of witnesses and/or experts that he intends to call.
- (j) The statement of defence may set forth one or more counterclaims against the Claimant provided that any such counterclaim shall arise out of the transaction or occurrence that is the subject of the Claimant's Claim or Grievance.
- (k) If a statement of defence sets forth one or more counterclaims, the Claimant shall reply to such counterclaims within twenty (20) calendar days following delivery of the Defendant's statement of defence. The reply shall be filed with the Secretariat and a copy to the Defendant involved.
- (l) It shall be the responsibility of the Claimant and Defendant to arrange for the appearance of their respective witnesses and/or experts during the Full Hearing.

- (m) The Secretariat shall make available or arrange for such facilities and assistance for the conduct of Arbitration proceedings as may be required, including suitable accommodation for sittings of the Arbitrators and Secretariat.

**Rule 513.5 General Provisions**

**Rule 513.5A Costs and Fees for Arbitration**

- (a) The costs and fees for Arbitration as set out in Schedule 14 (which may from time to time be varied by the Exchange) shall be borne in the following manner:
- (i) Arbitration Panel – the costs and fees shall initially be borne equally by both parties to the Arbitration.
  - (ii) The Exchange or committee or sub-committee established by the Exchange – the costs and fees shall initially be borne by the Claimant.

All costs and fees shall be deposited in advance. The Arbitrators and/or the Secretariat may while the hearing proceedings are in progress, at their absolute discretion call for additional deposits to defray the costs or fees of the hearing from both parties with respect to Arbitration Panel proceedings or the Claimant with respect to proceedings before the Exchange or committee or sub-committee of the Exchange.

- (b) The Arbitrators may decide to include in the award any other costs or fees as they may deem fit. With respect to all the costs and fees pertaining to the Arbitration or incidental thereto, the Arbitrators taking into account the circumstances of the case shall be free to determine which party shall bear such costs and fees or may apportion such costs and fees between the parties.

**Rule 513.5B Limitation Period**

Save as herein expressly stated, a person wishing to apply for Arbitration pursuant to this Rule 513 shall submit his request to the Secretariat within ninety (90) calendar days (or such extended period deemed appropriate by the Exchange) from the time the Claim or Grievance arose.

**Rule 513.5C Waiver of time limit**

The time limit set for any act under this Rule 513 may be varied at the sole discretion of either the Secretariat or the Arbitrators.

**Rule 513.5D Discretion of Arbitrators as to fees and costs**

- (a) The fees and costs pursuant to Schedule 14 may be varied or waived at the sole discretion of either the Arbitrators or the Exchange.
- (b) Notwithstanding any such variation, waiver or exemption under Rule 513.5D(a) above, the Arbitrators in the exercise of their powers under Rule 513.5A(b), may provide in their Award that the other party or parties shall bear the whole or part of such fees and costs as may have been payable otherwise than for such variation, waiver or exemption.

**Rule 513.5E Determination of Articles, Rules and Facts**

The Arbitrators shall be the sole and final judge of the facts as well as the meaning and effect of the Articles and Rules. The Arbitrators may refer any question of law to the solicitors, or legal officer of the Exchange for opinion, the expense of which shall be borne by the Exchange.

**Rule 513.5F Rules of Evidence shall not apply**

The Arbitrators shall not be bound by the strict rules of evidence and shall be at liberty to admit and consider any evidence whatsoever notwithstanding that it may not be admissible under the laws for the time being relating to evidence.

**Rule 513.5G Governing Law**

For the purpose of all proceedings by Arbitration or otherwise, a Contract shall be subject to these Rules and be governed by and construed in accordance with the laws of Malaysia.

**Rule 513.5H Record of Proceedings**

No verbatim records shall be made of the proceedings, unless requested by a party in writing who shall bear the costs of such record.

**Rule 513.5I Language**

- (a) Unless otherwise agreed by the Arbitrators, the language to be used in all proceedings shall be English/National Language; provided always that any oral evidence maybe given if necessary in any language and interpreted into English or the language of the proceedings by any interpreter provided or approved by the Secretariat.
- (b) The Arbitrators may order that any document annexed to the statement of claim or statement of defence and any supplementary documents or exhibits submitted in the course of the proceedings delivered in their original language shall be accompanied by a translation into English or the language of the proceedings.

**Rule 513.5J Legal Representation**

- (a) The parties to a Dispute shall not have present or be represented by legal counsel or solicitors or any member of the legal profession principally engaged in private practice, or any other third party not directly connected with the Dispute except with the prior written consent of the Arbitrators, such consent shall be granted at the sole and absolute discretion of the Arbitrators. The decision of the Arbitrators shall be binding and conclusive on all parties. PROVIDED THAT where a party to a dispute is a corporate entity, such party may be represented by a director or an employee of such corporation.
- (b) Notwithstanding any other provision in this Rule 513 the Exchange may, at its sole discretion, request its solicitors and/or legal officer to be present at any Arbitration and assist the Arbitrators thereat with such advice and assistance as may be required in the circumstances.

**Rule 513.5K Notice**

Any notice or other communication to be given or made pursuant to these Rules shall be deemed to have been delivered, in the case of any notice, or other communication given or made by telex, on the day on which it was despatched, or in the case of any notice or other communication given or made by post two (2) days after having been posted.

**Rule 513.5L Address for communication**

Unless otherwise decided by the Exchange, the address for communication in respect to Arbitration shall be the official address of the Exchange from which the Exchange carries on its business operations for the time being.

**Rule 513.6 Arbitration Panel and Procedures**

### **Rule 513.6A Appointment of Panel**

(a) The Secretariat shall maintain a list of arbitrators who have agreed to arbitrate under this Rule 513. The list shall comprise of:

- (i) persons appointed by the Exchange to serve as Arbitrators;
- (ii) persons approved by the Exchange to serve as Arbitrators upon nomination by its Participants and/or any parties, which subscribe to this Rule 513.

(b) Persons approved or appointed to serve as Arbitrators shall be those persons who are known to have had the relevant expertise, experience and background knowledge.

(c) Disqualification

An individual shall be disqualified to act as an Arbitrator or as an Umpire if such individual or a firm with which he is associated has an interest in the Claim or Grievance.

(d) Persons nominated may decline appointment

Any individual nominated by a Claimant or Defendant or the Exchange may decline to act as an Arbitrators or an Umpire PROVIDED that, if a nominated individual declines to act, he shall upon receipt of his notice of appointment, forthwith serve on the Secretariat written notice of his intention to decline appointment and the valid reasons for his decision.

(e) Appointment and renewal of Arbitrators

(i) Within twenty-one (21) calendar days of receiving the statement of claim the Secretariat shall forward the list of arbitrators to the Claimant. At the same time, the Secretariat will notify the Defendant about the application for Arbitration and also forward to him a list of arbitrators. The parties shall appoint the Arbitrators and/or Umpire from the list of arbitrators maintained by the Exchange.

(ii) The Dispute may be settled by a sole Arbitrator or by three (3) Arbitrators. Where the parties have agreed that the Dispute shall be settled by a sole Arbitrator, they may, by agreement, nominate him for confirmation by the Secretariat. If the parties fail so to nominate within seven (7) calendar days (or any other extended period deemed appropriate by the Exchange) from the date of despatch of the list of Arbitrators by the Secretariat to both parties, the sole Arbitrator shall be appointed by the Exchange.

(iii) Where the Dispute is to be referred to three (3) Arbitrators, each party shall nominate respectively one (1) Arbitrator within seven (7) calendar days (or any other extended period deemed appropriate by the Exchange) of the despatch of the list of arbitrators by the Secretariat to both parties. If either of the parties fail to so appoint their respective Arbitrators, the Exchange shall appoint the Arbitrators on behalf of the party so failing. The third Arbitrator who shall act as Umpire shall be appointed by both the Arbitrators nominated by the parties within seven (7) calendar days of their appointment, whereupon both Arbitrators shall inform the Secretariat who shall confirm the appointment of the Umpire. In the event that both Arbitrators fail to agree to the appointment of the Umpire within the stipulated period, the Exchange shall appoint the Umpire.

(iv) If any Arbitrator should resign, die, withdraw, or be unable to perform the duties of his office for any reason whatsoever the Exchange shall upon satisfactory proof declare the office vacant. Any such vacancy shall be filled in the same manner as an original appointment.

### **Rule 513.6B Hearing**

- (a) Subject to this Rule 513, the sole Arbitrator or Umpire may conduct the Arbitration in such a manner as he considers appropriate provided that the parties are treated equally and that at some appropriate stage of the proceedings each party is given full opportunity to present his case.
- (b) If either party requests for a Full Hearing at the commencement of the Arbitrators proceedings, the sole Arbitrator or Umpire shall hold a Full Hearing for the presentation of evidence by witnesses including expert witnesses or for oral arguments.
- (c) In the absence of such request, the sole Arbitrator or Umpire shall decide whether to hold such hearings or whether the proceedings shall be conducted on a basis of documents and other material.
- (d) Notwithstanding the above, the sole Arbitrator or Umpire shall have absolute discretion to decide whether a Full Hearing is necessary and to proceed without one as he deems fit. Where a Full Hearing is in progress and the sole Arbitrator or Umpire decides that the Full Hearing is not warranted, the sole Arbitrator or Umpire shall at his absolute discretion decide to terminate the Full Hearing and to conduct the proceedings on the basis of documents and other material.
- (e) The sole Arbitrator or Umpire shall fix the time and place for the hearings or proceedings.

**Rule 513.6C Conduct of Hearings**

- (a) The hearing of the Arbitration shall be opened by the recording of oaths by the parties/witnesses/experts and the recording of the place, time and date of hearing, the presence of the Arbitrators, the parties, witnesses and other persons (if any) and the receipt by the sole Arbitrator or Umpire of the statement of claim by the Claimant and the defence (if any) by the Defendant. If any witness and/or expert is introduced at a later stage of the Full Hearing his oath shall be recorded before his evidence is heard.
- (b) The Claimant shall present his claim and the Defendant shall present his defence at times indicated by the sole Arbitrator or Umpire. The witnesses and/or experts may adduce evidence as the sole Arbitrator or Umpire deems fit.
- (c) The sole Arbitrator or Umpire may question the parties and any of their witnesses and/or experts at any time during the proceedings.
- (d) The sole Arbitrator or Umpire may receive and consider the evidence of witnesses and/or experts by statutory declaration and may give it such weight as he deems fit after considering any objections made to its submission.
- (e) The sole Arbitrator or Umpire shall decide which further written statements or documents shall be required from the parties or may be presented by them and shall fix the periods of time communicating such statements.
- (f) The sole Arbitrator or Umpire shall inquire of the parties if they have any further proof to offer or witnesses to be heard or submissions to make, and if there are none, he shall declare the Full Hearing closed.
- (g) The sole Arbitrator or Umpire may if he considers it necessary owing to exceptional circumstances decide on his own motion or upon application of a party to reopen the hearing at any time before the Award is made.
- (h) Minutes of the proceedings shall be prepared and duly signed by the sole Arbitrator or the Umpire and/or any of the other Arbitrator, and unless there is evidence to the contrary such minutes shall be taken as conclusive evidence of the proceedings. These minutes shall be the property of the Exchange and shall not be made available to any party except with the consent of the Exchange.

**Rule 513.6D Failure to Comply**

- (a) If the Claimant has failed to communicate his Claim or Grievance within the period of time prescribed in Rule 513.4D(a) without showing sufficient cause for such failure, the sole Arbitrator or Umpire shall issue an order for the termination of the Arbitration proceedings. If the Defendant has failed to communicate his statement of defence within the period of time prescribed in Rule 513.4D(g) without showing sufficient cause of such failure, the sole Arbitrator or Umpire shall order the proceedings to continue.
- (b) If anyone or more of the parties, duly notified under this Rule 513, fails to appear at a hearing, without showing sufficient cause for such failure, the sole Arbitrator or Umpire may proceed with the Arbitration notwithstanding such absence.
- (c) If anyone or more of the parties, duly invited to produce documentary evidence, fails to do so within the established period of time without showing sufficient cause for such failure, the sole Arbitrator or Umpire may make the Award on the evidence before him. If any of the parties to the Arbitration proceedings fails to comply with the requirements of this Rule 513 or with any requests as may be imposed by the sole Arbitrator or Umpire, the sole Arbitrator or Umpire may at his sole discretion decide upon any further action to be taken.

**Rule 513.7 Arbitration Before The Exchange**

References to the Exchange hereinafter appearing shall, where applicable, include references to a committee or sub-committee established by the Exchange for the purposes of hearing a Dispute pursuant to these Rules.

**Rule 513.7A Quorum for Dispute Sub-Committee**

*[This Rule has been deleted]*

**Rule 513.7B General**

- (a) Subject to this Rule 513, the Exchange may conduct the Arbitration either by way of Summary Proceedings or by way of Full Hearing in such manner as it considers appropriate provided that at some appropriate stage of the proceedings each party is given a full opportunity to present his case.
- (b) The parties shall furnish to the Secretariat in accordance with the provisions of Rule 513.4D all relevant documentation including the statement of claim, the statement of defence and notice of any party's intention to call any witnesses.
- (c) The Secretariat shall compile a bundle of documents, consisting of all documentation submitted by both parties to the Secretariat.
- (d) The Secretariat shall then fix the date for the hearing of the Dispute.
- (e) Notice of time and place for hearing shall be served by the Secretariat on all parties.

**Rule 513.7C Classification of Procedures**

- (a) The Exchange may deal with the Dispute by way of Summary Proceedings in the event that:
  - (i) The Exchange is of the view, that it is clear on the basis of the pleadings and documentary evidence presented that there is no issue or question in Dispute which should be tried by way of a Full Hearing of the Dispute; or
  - (ii) All parties to the Dispute fail to make a request for the presentation of evidence by witnesses including expert witnesses or for oral argument; or



- (iii) Either or both parties to the Dispute request for the Dispute to be heard by way of Summary Proceedings.

Notwithstanding the above, the Exchange shall have absolute discretion to decide whether a Dispute may be dealt with by way of Summary Proceedings. Where Summary Proceedings are in progress, and the Exchange decides on the basis of submissions that a Full Hearing is warranted, the Exchange shall at its absolute discretion decide to terminate the Summary Proceedings and to conduct the proceedings on the basis of a Full Hearing.

- (b) The Exchange may deal with the dispute by way of Full Hearing in the event that: -
  - (i) The Exchange is of the view on the basis of the pleadings and documentary evidence presented, that it is unable to make a decision and require either or both parties to present evidence by witnesses including expert witnesses; or
  - (ii) Either or both parties request for a Full Hearing of the Dispute and the Exchange are of the view on hearing the submissions of the parties, that there are further issues or questions which require investigation and that there is a need to hold a hearing for the presentation of evidence by witnesses including expert witnesses.

Notwithstanding the above, the Exchange shall have absolute discretion to decide whether a Full Hearing is necessary and to proceed without one as it deems fit. Where a Full Hearing is in progress and the Exchange decides that the Full Hearing is not warranted, the Exchange shall at its absolute discretion decide to terminate the Full Hearing and to conduct the hearing by Summary Proceedings.

#### **Rule 513.7D Conduct of Hearings**

- (a) The hearing of the Dispute shall be opened by the recording of the place, time and date of hearing, the presence of the Exchange's ~~officials~~officers, the parties, witnesses and other persons (if any) and the receipt by the Exchange of all relevant documentation including the statement of claim and the defence (if any).
- (b) The Exchange shall then inform the parties as to the manner of proceedings whether by way of Summary Proceedings or Full Hearing.
- (c) The Exchange may hear submissions from the parties if either or both parties object to the manner of proceedings.
- (d) The decision of the Exchange with regard to the manner of proceedings shall be final.

#### **Rule 513.7E Summary proceedings**

- (a) The hearing of the Summary Proceedings shall be opened by the recording of the oaths of both parties.
- (b) The Exchange shall then review all documentation presented.
- (c) The Claimant shall present his claim and the Defendant shall present his defence at times indicated by the Exchange.
- (d) The Exchange may examine or cross-examine the parties at any time during the proceedings.
- (e) The Exchange shall decide whether further written statements or documents or evidence by way of statutory declaration shall be required from the parties or may be presented by them and shall fix the periods of time for communicating such statements.
- (f) The Exchange shall inquire of the parties if they have further submissions to make, and if there are none, the chairman shall declare the Summary Proceedings closed.



- (g) The Exchange may if it considers it necessary on its own motion and/or on the basis of the submission of either or both parties to the dispute have the matter heard as a Full Hearing.
- (h) The Exchange may if it considers it necessary owing to exceptional circumstances decide on its own motion or upon application of a party, to reopen the hearings at any time before the Award is made.
- (i) Minutes of the proceedings shall be prepared and duly signed by the Exchange, and unless there is evidence to the contrary such minutes shall be taken as conclusive evidence of the proceedings. These minutes shall be the property of the Exchange and shall not be made available to any party except with the consent of the Exchange.

**Rule 513.7F Full Hearing**

- (a) The hearing of Dispute shall open by the recording of oaths of both parties. The oath of any witness introduced by either party shall be recorded before his evidence is heard.
- (b) The Claimant shall present his claim and the Defendant shall present his defence at times indicated by the Dispute Sub-Committee. The witnesses and/or experts may be introduced by the Exchange as it deems fit.
- (c) The Exchange may question the parties and any of their witnesses at any time during the proceedings.
- (d) The Claimant and the Defendant shall be given the opportunity to question the other party and the witnesses of the other party on any evidence they have given, at times indicated by the Exchange.
- (e) The Exchange may receive and consider the evidence of witnesses and/or experts by affidavit and may give such weight as it deems fit after considering any objections made to its submission.
- (f) The Exchange shall decide whether further written statements or documents shall be required from the parties or may be presented by them and shall fix the periods of time for communicating such statements.
- (g) The Exchange shall inquire of the parties if they have any further proof to offer or witnesses to be heard or submissions to make, and if there are none, it shall declare the Full Hearing closed.
- (h) The Exchange may terminate the Full Hearing in accordance with Rule 513.7C(b) if it decides that the Full Hearing is not warranted.
- (i) The Exchange may if it considers it necessary owing to exceptional circumstances decide on its own motion or upon application of a party to reopen the hearing at any time before the Award is made.
- (j) Minutes of the proceedings shall be prepared and duly signed by the Exchange, and unless there is evidence to the contrary such minutes shall be taken as conclusive evidence of the proceedings. These minutes shall be the property of the Exchange and shall not be made available to any party except with the consent of the Exchange.

**Rule 513.7G Waiver Of Rights**

A party who knows or reasonably ought to have known that any provision of, or requirement under this Rule 513 has not been complied with and yet proceeds with the Arbitration without promptly stating his objection to such non-compliance, shall be deemed to have waived his right to object.

**Rule 513.8 Appeal**

**Rule 513.8A Arbitration Panel**

- (a) The Award of the Arbitration Panel shall be final and binding on the parties. No right of appeal shall lie from a decision of the Arbitration Panel to the Exchange.
- (b) Any Award of the Arbitration Panel shall be enforceable by leave of the High Court, Malaya in the same manner as a judgement or order of the same effect.

**Rule 513.8B Arbitration Before The Exchange**

- (a) Any party being dissatisfied with the Award of arbitration proceedings before the Exchange may appeal to the appropriate committee or sub-committee established by the Exchange within twenty-one (21) calendar days of the Award by giving written notice to the Secretariat. The notice of appeal shall be in triplicate.
- (b) If the notice of appeal is not filed within twenty-one (21) calendar days from the date of the Award, the Award of arbitration before the Exchange shall be final.
- (c) The appellant shall along with the notice of appeal, deposit with the Secretariat the appellant's non-refundable cheque payable to the Exchange, for the appropriate fees in accordance with Schedule 14 being the costs of appeal and any sums due and owing by the appellant to the respondent pursuant to the Award together with costs awarded (if any), and any other expenses. The Exchange and/or the Secretariat may, while the appellate hearing is in progress call for additional deposits from the appellant to defray the costs or fees of hearing.

**Rule 513.8C Payment of Award pending Appeal**

- (a) Where an appellant is appealing against an Award whereby he is required to make payment to the respondent, the appellant shall within seven (7) calendar days from the date of filing of the notice of appeal, deposit into the Exchange, the full amount due and owing to the respondent pursuant to the terms and conditions of the Award.
- (b) The Exchange shall hold any such deposit in an interest bearing account for the benefit of both parties, pending the decision of the Exchange on the appeal..
- (c) Any deposit (together with any accrued interest) paid into the Exchange shall not be paid out except pursuant to the final Award of the Exchange on the appeal. Where an Appeal is withdrawn prior to or during the course of hearing of the appeal, the Exchange shall make payment in accordance with the Award of the Exchange.

**Rule 513.8D Appointment of Members of the Appeal Board**

*[This Rule has been deleted]*

**Rule 513.8E Hearing**

In amplification of the provisions of Rule 401A,

- (a) The Exchange may decide upon the need of a Full Hearing after reviewing the case upon the basis of the Award, evidence and statements of all parties originally submitted to the Exchange at first instance.
- (b) Notwithstanding the above, the appellant may in the notice of appeal request the Exchange for a Full Hearing. The Exchange shall have absolute discretion to decide whether a Full Hearing is necessary or to proceed without one as it deems fit. Where a Full Hearing is in progress and the Exchange decides that the Full Hearing is not warranted, the Exchange shall at its absolute discretion decide to terminate the Full Hearing and to conduct the proceedings on the basis of documents and other material.

- (c) *[This sub-rule has been deleted]*
- (d) The Exchange may by a simple majority, either confirm, reverse or vary the Award as it considers fit, and such Award shall be final and binding on both parties.
- (e) An appellant shall have the right to withdraw the Appeal at any time before the hearing by forwarding a written notice of withdrawal to the Secretariat.
- (f) In the following cases the Exchange may reverse the Award of the Exchange made at first instance:-
- (i) Where the Award was procured by corruption or fraud;
  - (ii) Where there was partiality on the part of the Exchange;
  - (iii) Where the Exchange was wrong in refusing to hear relevant evidence or guilty of any other misconduct as a result of which the rights of any party have been prejudiced;
  - (iv) Where the Exchange exceeded its jurisdiction;
  - (v) Where the Exchange acted in manifest disregard of the applicable provisions of the Articles and Rules; and
  - (vi) Any other circumstances deemed appropriate by the Exchange.

The Exchange may consider the record made before the Exchange at first instance and any other relevant evidence submitted by the parties in support of or opposition to (i) through (vi) above. In the event that the Exchange decides to reverse the Award on any grounds in (i) through (vi) above, the Exchange may make an Award, which shall be final and binding upon the parties.

#### **Rule 513.9 Award and Enforcement**

##### **Rule 513.9A Award**

- (a) The Arbitrators shall make an Award as soon as practicable from the closure of the hearing.
- (b) The Arbitrators shall lodge their Award in writing with the Secretariat who shall transmit copies thereof to all interested parties. If an Appeal has been waived or if the Award was made by the Arbitrators, the Award shall be final.

##### **Rule 513.9B Form And Effect Of The Award**

- (a) In addition to making a final Award the Arbitrators shall be entitled to make an interim, interlocutory or partial Award.
- (b) The Arbitrators may state the reasons upon which the Award is based unless the parties have agreed that no reason is to be given.
- (c) The Arbitrators shall sign the Award and it shall contain the date on which and the place where the Award was made. If any of the Arbitrators fail to sign the Award, the Award shall state the reason for the absence of the signature.
- (d) The Award shall be made in writing and shall be final and binding on the parties.
- (e) Upon receipt of the Award the Secretariat shall within seven (7) calendar days notify the parties about the availability of the Award and to request them to take up the Award.
- (f) The parties to the Dispute shall be given a period of twenty-eight (28) calendar days from the date of service of the Award on the parties concerned to comply with the Award of the Arbitration Panel or Exchange.

- (g) The parties to the Dispute shall likewise comply with the Award of the Exchange on an appeal within a period of twenty-eight (28) calendar days from the date of service of the Award.
- (h) The Exchange may at its absolute discretion make the whole or parts of the Award available for public circulation.

**Rule 513.9C Settlement Or Other Grounds For Termination**

- (a) If before the Award is made the parties agree on a settlement of the Dispute, the Arbitrators shall either issue an order for the termination of the hearing or if requested by both parties and accepted by the Arbitrators record the settlement in the form of an Award on agreed terms. The Arbitrators is not obliged to give reasons for such an Award.
- (b) If before the Award is made, the continuation of the hearing becomes unnecessary or impossible for any reason not mentioned above, the Arbitrators shall inform the parties of his intention to issue an order for the termination of the hearing. The Arbitrators shall have the power to issue such an order unless a party raises justifiable grounds for objection.
- (c) Copies of the order for termination of the hearing or of the Award on agreed terms, signed by Arbitrators shall be communicated by the Arbitrators and/or Secretariat to the parties.
- (d) If the Arbitration is terminated pursuant to Rule 513.6B or 513.7C(b), the Arbitrators shall be at liberty to determine which party is to bear the costs or fees or to apportion the costs or fees between the disputing parties as he deems fit.

**Rule 513.9D Interpretation Of The Award**

- (a) At any time before the enforcement of the Award in its entirety, either party with notice to the other party, may request that the Arbitrators give an interpretation of the Award.
- (b) The interpretation shall be given in writing as soon as practicable after the receipt of the request. The interpretation shall form part of the Award.

**Rule 513.9E Correction of the Award**

- (a) At any time before the enforcement of the Award in its entirety, either party with notice to the other party, may request the Arbitrators to correct in the Award any errors in computation, any clerical or typographical errors, or any errors of similar nature. The Arbitrators may within thirty (30) calendar days (or such extended period deemed appropriate by the Exchange) after the communication of the Award make such corrections on its own initiative. Such corrections shall form part of the Award.
- (b) Where a request is made to correct in the Award any errors in computation, any clerical or typographical errors or any errors of a similar nature, and the Exchange is of the opinion that such error does not exist, the Exchange shall have absolute discretion not to make any correction as requested.

**Rule 513.9F Finality and Enforceability of the Award**

- (a) All Awards shall be final and binding and shall be enforceable by leave of the High Court, Malaya in the same manner as a judgement or order of the same effect.
- (b) In the event of failure by any Participant to comply with any Award of the Arbitrators within twenty-eight (28) calendar days from the date of service of the Award or within seven (7) calendar days from the date of filing of the notice of appeal such failure shall be deemed to be a major offence under these Rules.

- (c) The Secretariat shall forthwith forward a copy of any Award to the, who shall endorse the Award and such endorsement shall be a determination of the Exchange who shall then take any further action it may deem appropriate.

**Rule 513.10 Judicial Review**

No party to the Dispute shall have the right to resort to court in respect of any Claim or Grievance unless all the procedures provided in Rule 513 are fully exhausted.

**Rule 514 Limitation on Legal Action**

A Participant who commences any legal action without first exhausting the procedures set out in these Rules may be found to have engaged in conduct, which is substantially detrimental to the interest of the Exchange.

**Rule 515 Audit by the Exchange**

**Rule 515.1**

*[This Rule has been deleted]*

**Rule 515.1A Right To Inspection**

- (a) Every Participant shall from time to time, with or without notice, be subject to inspection and/or audits by the Exchange to ensure and appraise the Participant's compliance with provisions of these Rules, Clearing House rules, Participant's internal policies and/or on other rules and regulations related to its business in the regulated activity of dealing trading in futures contracts trading.
- (b) Without prejudice to Rule 515.1A(a), a Participant shall afford, and shall procure its Registered Persons ~~and/or its employees~~ to produce to the Inspector (as hereinafter defined) such documents, books or records for the purposes of inspection and this may include to make copies of, and/or take extracts from such documents, books or records to enable the Exchange to properly perform its inspection and its other duties under the Futures Industry Capital Markets Services Act and these Rules.
- (c) No Participant ~~and/or~~ its Registered person(s) ~~and/or its employees~~ shall hinder or obstruct the Inspector from discharging his duties and shall without reasonable excuse give the Inspector such assistance that he may reasonably require to discharge his duties.

**Rule 515.1B Appointment**

Without prejudice to the powers of the Exchange as conferred under these Rules, the Exchange shall have the authority to appoint:-

- (a) An officer of the Exchange
- (b) An officer of the Exchange holding company; and/or
- (c) A qualified accountant or an advocate and solicitor,

as the Exchange's inspector ("Inspector"), for the purposes of exercising all or any of the inspection powers vested in it under Rule 515.

**Rule 515.1C Inspection Cost**

The Exchange may, at its absolute discretion, charge a fee proportionate for the work performed by the Inspector, which shall be payable by the Participant on which the inspection and/or audit was conducted and there shall be no dispute as to the fee payable to the Exchange.

**Rule 515.1D Reporting**

- (a) The Exchange, may forward to the Participant the whole, parts or a summary of any report issued by the Exchange as a result of the inspection under Rule 515.
- (b) The Participant shall table the findings of the Exchange's inspection to the Participant's board of directors as soon as practicable.
- (c) The decided course of action and corrective measures taken (if any) by the Participant's board of directors to address any non-compliance or irregularities in respect of the inspection report shall be submitted to the Exchange as the case may be together with a written declaration, by the Participant's chairman or Executive Director, in such form acceptable to the Exchange stating that the decided course of action and corrective measures (if any) have been duly carried out or completed, within one (1) month or such other period determined by the Exchange at any time from the date of the relevant meeting of the board of directors.

**Rule 515.2**

The Exchange may impose upon any Participant additional or more stringent record keeping or reporting requirements than those under these Rules, or the Futures Industry Capital Markets Services Act and may impose them for such period as the Exchange deems fit. Such Participant may, within fourteen (14) days after the imposition of such requirement, or following a material change in circumstances, request the Exchange in writing to reconsider its decision and may make such written representations and supply such written information as it considers relevant.

*(End of Business Rule 500)*

**Rule 601 Trading Participant - Conduct**

**Rule 601.1 General Compliance**

A Trading Participant shall at all times act in a manner consistent with the promotion and protection of the goodwill and public image of the Exchange and its Participants, and in particular it shall be the responsibility of each Trading Participant:

- (a) to observe, comply with and act consistently with these Rules and with decisions of the Exchange and its committees, and to settle any disputes with its Client or another Participant in the manner provided by these Rules;
- (b) to co-operate with the Exchange and any committee of the Exchange in the performance by the Exchange and that committee of its duties, and in particular, to assist in every way in any investigation and to make available to the Exchange and that committee its accounting and other records;
- (c) to observe, comply with and act consistently with the rules of the Clearing House (so far as is applicable to the Trading Participant) and with decisions of the Clearing House and its committees;
- (d) not to act in any way which would adversely affect the goodwill or public image of the Exchange and its Participants;
- (e) to effect and maintain such form of indemnity as the Exchange may from time to time determine to be appropriate to protect the interests of Clients;
- (f) to notify the Exchange in writing immediately upon the happening of any of the following:
  - (i) the bankruptcy of any of the directors of the Trading Participant;
  - (ii) the appointment to the Trading Participant of a receiver, statutory manager, provisional liquidator or liquidator or upon any petition being presented for the winding up or dissolution or upon any resolution being passed or order being made for the winding up or dissolution of the Trading Participant;
  - (iii) where the Trading Participant, or any of its directors, is convicted of a seizable offence or an offence involving a finding of fraud; or
  - (iv) where the Trading Participant, or any of its directors is engaged in acts or practices inconsistent with just and equitable principles of trade;
- (g) to comply with all Rules and laws for the time being in force relating to trading in Contracts;
- (h) to ensure compliance by each Registered Representative, Local Participant or Associate Participant with the ~~Futures Industry Capital Markets Services~~ Act, these Rules and (to the extent applicable to each of them) the rules of the Clearing House; and
- (i) to contribute annually before the 31st of December, in each of the five (5) years following its admission to participants, the sum of RM10,000 to the Fidelity Fund, provided that the Exchange may, from time to time with the approval of the Commission vary the amount and manner of contribution to the Fidelity Fund.

**Rule 601.2 Compliance - Business Conduct**

**Rule 601.2A**

For the purpose of this sub-Rule 601.2, "employee" shall include Registered Representatives, Registered Representatives in training, and directors of Trading



Participant; and any company in which the Registered Representatives, Registered Representatives in training, or directors have more than a 15% direct equity shareholding.

For the purpose of this sub-Rule 601.2, "immediate family member" shall include parents, spouse, children or siblings.

#### **Rule 601.2B**

It shall be the responsibility of the Trading Participant to ensure that:

- (a) no business shall knowingly be transacted by a Trading Participant on behalf of an employee or director of another Trading Participant or for an account in which such employee or director has an interest either directly or indirectly without the prior consent of the second Trading Participant. For the purpose of this sub-Rule, the second Trading Participant shall not allow its employee or director to open an account with the first Trading Participant unless prior written consent is obtained from its Board Of Directors;
- (b) no business shall knowingly be transacted by a Trading Participant on behalf of its employee or the immediate family member of the employee, or any Client in which such employee or the immediate family member of the employee has any interest, direct or indirect except with the prior written consent from the Board of Directors of the Trading Participant. Provided always that:
  - (i) no such consent shall be given unless the Board of Directors is satisfied that any such business transacted does not in anyway conflict with the interest of the Trading Participant or any Client of the Trading Participant;
  - (ii) a copy of the written consent is attached to the signed client agreement between the employee and the Trading Participant; and
  - (iii) such account shall be actively monitored by a Compliance Officer in the manner envisaged by Rule 610.1B.
- (c) it does not knowingly employ any person who has been involved in any investigation by the Exchange as a result of which there has been a finding of misconduct involving that person, without first obtaining the written approval of the Exchange;
- (d) it does not carry on its business at any place other than its principal place of business as notified to the Exchange in its application for participantship (unless it has obtained the prior approval in writing from the Exchange);
- (e) it does not permit any one Client to represent such a percentage of the trading by the Trading Participant as may reasonably be likely to prejudice or diminish the ability of the Trading Participant to meet its obligations in the event of a default by such Client;
- (f) neither the Trading Participant nor any of its Registered Representatives shall share directly or indirectly in the profits or losses on any Client Account or indemnify or compensate a Client against losses suffered on any Client Account or in any transaction effected with or for such Client. It shall also not assume for its Proprietary Account any losses incurred by its Client unless the losses are directly attributable to any mistakes and/or negligence of the Trading Participant or its Registered Representatives;
- (g) no person shall effect the purchase or sale of any Contracts for the purpose of improperly influencing the price of the Contracts or prices on the Underlying Market;
- (h) no person who, in relation to trading in Contracts, is in possession of material non-public information obtained as a result of a position of confidence held by that person and which might reasonably be expected to affect materially the price of such Contracts, shall make improper use of such information to gain, directly or indirectly, an advantage for himself or for any other person;



- (i) its trading functions and back-office settlement functions are properly segregated and any Registered Representatives authorised by the Trading Participant to trade on behalf of Clients does not trade for the Trading Participant's Proprietary Account; and
- (j) where the trading terminals of any Local Participant and other Trading Participant who is not a participant of the clearing house clearing through it are placed in the Trading Participant's office premises, the terminals are placed in a location that is physically segregated from the trading terminals of the rest of its Registered Representatives.

**Rule 601.3 Compliance - Internal Records**

~~It is the responsibility of each Trading Participant:~~

(a) ~~A Trading Participant shall maintain separately from other records which correctly record and explain trading in futures contracts by the Trading Participant on its own account to maintain internal records of orders received from, and orders executed for Clients and to maintain separate internal records showing the time, date and nature of its own orders and trading and the source of funds used for that trading. The internal records shall include:~~

- ~~(i) Client name/account number;~~
- ~~(ii) a description of the Contract entered into, including the underlying Instrument;~~
- ~~(iii) delivery/settlement month and year;~~
- ~~(iv) types of order;~~
- ~~(v) number of lots;~~
- ~~(vi) price;~~
- ~~(vii) put or call (for Options); and~~
- ~~(viii) Exercise Price (for Options).~~

(b) ~~to maintain, in accordance with the above, records that set out the above prescribed particulars of:~~

- ~~(i) the types of instructions to trade in Contracts, i.e. whether the order is a buy, sell, exercise and/or liquidating order;~~
- ~~(ii) the date and time of receipt, transmission and execution of those instructions; and~~
- ~~(iii) the person by whom those instructions are received and/or the person by whom they are transmitted and executed.~~

A Trading Participant shall maintain records that set out the particulars of:

- (i) the instructions by a client to trade in futures contracts;
- (ii) the date and time of receipt, sending and carrying out of those instructions;
- (iii) the person by whom those instructions are received, the person by whom they are sent and the person by whom they are carried out;
- (iv) the date and time of receipt, sending and carrying out of instructions to trade in futures contracts on the holder's own account; and

(v) the person by whom instructions of the kind referred to in rule 601.3(b)(iv) above are received, the person by whom they are sent and the person by whom they are carried out; and

(vi) the source of funds used for the trading in futures contract on the holder's own account.

~~Such records are to be maintained in accordance with the requirements of the Futures Industry Act, except audio magnetic tapes of Clients' conversations and conversations pertaining to the Trading Participant's proprietary trading which need only be maintained for a period of not less than two (2) years from the date of the conversation.~~

(c) Without prejudice to Rule 601.3(b), a Trading Participant shall in relation to the particulars of an instruction by a client to trade in futures contracts and to trade in futures contracts on the holder's own account, maintain a record that set out the following particulars:

(i) in the case of futures contracts that are neither eligible-exchange traded options nor futures options, a description of the futures contracts sufficient to identify the nature of the instruction, including;

(1) in the case of an eligible delivery agreement, a description of the instrument;

(2) in the case of an adjustment agreement, a description of the state of affairs that is the subject of the adjustment agreement; and

(3) the month and year for the performance or settlement of the futures contracts;

(ii) in the case of eligible exchange-traded options or futures options, a description of the options sufficient to identify the nature of the instruction, including;

(1) in the case of an eligible-exchange traded option;

(A) a description of the instrument or state of affairs that is the subject of the option; and

(B) the price or value of the instrument or numerical level of the state of affairs that is the subject of the option at which the buyer of the option may exercise the option;

(2) in the case of a futures option;

(A) a description of the futures contract that is the subject of the option;

(B) the month and year for the performance or settlement of the futures contract that is the subject of the option; and

(C) the price of the futures contract that is the subject of the option at which the buyer of the option may exercise the option; and

(iii) whether the instruction;

(1) is to buy futures contracts;

(2) is to sell futures contracts;

(3) in the case of eligible exchange-traded options or futures options, is to exercise the options; or

(4) consists of a combination of two or more of the acts referred to in subparagraph (1),(2) or (3);

- (iv) the quantity or number of the futures contracts;
- (iv) whether or not the instruction is intended to effect a liquidating trade;
- (v) the conditions on which the instruction is to be carried out, including but not limited to whether an instruction is to be carried out at:
  - (1) the market price; or
  - (1) any particular price; and
  - (3) if the instruction is carried out, the price at which it had been carried out.
- (d) The retention period for the records in respect of the transactions described in this Rule 601.3 shall be for five (5) years, except audio magnetic tapes of client's conversations and conversations pertaining to the Trading Participant's proprietary trading which need only be maintained for a period of not less than two (2) years from the date of the conversation.
- (e) It is the responsibility of each Trading Participant to keep proper books, records and accounting records for the purpose of recording their transactions.
- (f) Without prejudice to the provisions of Rule 601.3 above, the Trading Participant may maintain the internal records in its original form by obtaining or sourcing the same from the relevant trading system provided by the Exchange or otherwise and electronic voice recording machines procured by the Trading Participant to facilitate its trading activities.

**Rule 601.4 Outsourcing of Back Office Functions**

- (a) A Trading Participant may be permitted to outsource its Back Office Functions subject to the prior approval of the Exchange and compliance with the Guiding Principles.
- (b) The Guiding Principles shall be regarded as part of these Rules and consequently any breach by the Trading Participant of the Guiding Principles shall be deemed to be a breach of these Rules.
- (c) The Exchange may issue any directives, rulings and guidelines in relation to the outsourcing of the Back Office Functions of a Trading Participant, in consultation with the Commission, from time to time.
- (d) For the purposes of this Rule 601.4:
  - (i) "Back Office Functions" shall mean the back office functions as envisaged under clause 4 of the Guiding Principles; and
  - (ii) "Guiding Principles" shall mean the Guiding Principles For Outsourcing of Back Office Functions For Capital Market Intermediaries issued by the Securities Commission on 29 June 2005 including subsequent amendments, modifications, variations, supplements or substitutes thereto and any directives or guidelines as may be issued thereunder.

**Rule 601A Trading in Futures Contracts By Universal Brokers, Eligible Non-Universal Brokers, Special Scheme Brokers and Investment Banks**

**Rule 601A.1**

- (a) A Universal Broker, Eligible Non-Universal Broker, Special Scheme Broker or Investment Bank may carry out futures broking activities via its subsidiary or related company (being a subsidiary of the Universal Broker's, Eligible Non-Universal Broker's, Special Scheme Broker's or Investment Bank's holding company, as the case may be) where the subsidiary or related

company is a Trading Participant of the Exchange duly licensed pursuant to the **Futures Industry Capital Markets Services Act**.

- (b) For the purposes of this Rule, the Registered Representatives engaged or employed by that Trading Participant, and Local Participants who clear their trades via that Trading Participant (and/or for whom that Trading Participant is a nominating participant), may be stationed at the principal office and/or any branch office(s) of the Universal Broker, Eligible Non-Universal Broker, Special Scheme Broker or Investment Bank, subject to the Rules herein contained.
- (c) Further to the preceding Rule 601A.1(b), the Universal Broker, Eligible Non-Universal Broker, Special Scheme Broker or Investment Bank shall:-
- (i) ensure that the licences of the Registered Representatives engaged or employed by the Trading Participant and who are stationed in the Universal Broker's, Eligible Non-Universal Broker's, Special Scheme Broker's or Investment Bank's principal office or any of its branch office(s) are varied or cause to be varied, as the case may be, by the Commission to reflect the Universal Broker's, Eligible Non-Universal Broker's, Special Scheme Broker's or Investment Bank's address;
  - (ii) implement measures to ensure that the futures trading activities conducted at the Universal Broker's, Eligible Non-Universal Broker's, Special Scheme Broker's or Investment Bank's principal office and/or any of its branch office(s) shall be segregated from the other activities of the Universal Broker, Eligible Non-Universal Broker, Special Scheme Broker or Investment Bank, as the case may be, which measures shall, without limitation, secure the following:-
    - (1) there shall be no sharing of employees who are common to the Universal Broker, Eligible Non-Universal Broker, Special Scheme Broker or Investment Bank, as the case may be, and the Trading Participant for any purpose except for the purpose of carrying out the back office system and operations in relation to the conduct of futures trading activities at the Universal Broker's, Eligible Non-Universal Broker's, Special Scheme Broker's or Investment Bank's principal office and/or any of its branch office(s);
    - (2) the back office system and operations in relation to the conduct of futures trading activities at the Universal Broker's, Eligible Non-Universal Broker's, Special Scheme Broker's or Investment Bank's principal office and/or any of its branch office(s) shall at all times remain under the auspices and purview of the Trading Participant;
    - (3) maintenance of 'chinese walls' to prevent any flow of information between the Local Participants, Registered Representatives and dealer's representatives of the Universal Brokers, Eligible Non-Universal Brokers, Special Scheme Brokers or Investment Banks;
    - (4) physical segregation of the trading facilities pertaining to futures broking business and the automated trading system of the Universal Broker, Eligible Non-Universal Broker, Special Scheme Broker or Investment Bank; and
    - (5) establishment and implementation of policies and procedures governing restricted access to the trading facilities pertaining to futures broking business and the automated trading system of the Universal Broker, Eligible Non-Universal Broker, Special Scheme Broker or Investment Bank.

#### **Rule 601A.2 Compliance Functions**

- (a) Every Trading Participant shall designate one or more of its Compliance Officers who shall be responsible to ensure that the compliance functions in relation to the futures trading activities are being conducted at the Universal Broker's, Eligible Non-Universal Broker's, Special Scheme Broker's and Investment Bank's principal offices and/or any of its branch office(s). However, the Compliance Officer need not be physically present at the Universal Broker's, Eligible Non-Universal Broker's, Special Scheme Broker's or Investment Bank's principal offices and/or its branch office(s), unless otherwise required by the Exchange and/or Bursa Securities, in consultation with the Commission;

- (b) Notwithstanding the Rule 601A.2(a) and unless otherwise required by the Exchange, Bursa Securities and/or the Commission, the Trading Participant may elect to have the department that is carrying out the compliance functions for the Universal Broker, Eligible Non-Universal Broker, Special Scheme Broker and Investment Bank undertake the supervisory responsibilities envisaged in these Rules, provided that:
- (i) the Universal Broker's, Eligible Non-Universal Broker's, Special Scheme Broker's and Investment Bank's Compliance Officers' roles and responsibilities are not in any way whatsoever compromised or affected; and
  - (ii) the Universal Broker's, Eligible Non-Universal Broker's, Special Scheme Broker's and Investment Bank's Compliance Officer so acting shall have passed the relevant examination approved by the Exchange in consultation with the Commission,
- whereupon the Universal Broker, Eligible Non-Universal Broker, Special Scheme Broker and Investment Bank shall submit all compliance reports pertaining to the futures trading activities to the Trading Participant's Compliance Officer.
- (c) Notwithstanding the provision in Rule 601A.2(b) above, the responsibility for supervisory activities in respect of futures trading activities at the Universal Broker's, Eligible Non-Universal Broker's and Special Scheme Broker's principal office and/or branch office(s) shall at all times remain vested in the Trading Participant and its Compliance Officer.

### **Rule 601A.3**

- (a) The Trading Participant shall furnish a written declaration to the Exchange, Exchange holding company or Bursa Securities, in the form and substance acceptable to the Exchange, Exchange holding company or Bursa Securities, stating the following –
- (i) the particulars of the Registered Representative(s) stationed at the Universal Broker's, Eligible Non-Universal Broker's, Special Scheme Broker's and Investment Bank's principal office and/or any of its branch office(s) and any changes thereto from time to time; and
  - (ii) the respective activities of such Registered Representative(s), whether engaged in proprietary or agency trading.
- (b) The Trading Participant shall further provide to the Exchange, Exchange holding company or Bursa Securities and the Commission prior notification in writing of the respective locations of its Local Participants who are stationed at the Universal Broker's, Eligible Non-Universal Broker's, Special Scheme Broker's and Investment Bank's principal office and/or any of its branch office(s) and such notice shall be given not less than fourteen (14) Business Days before the date of relocation of the Local Participant concerned at the Universal Broker's, Eligible Non-Universal Broker's, Special Scheme Broker's and Investment Bank's premises.

### **Rule 601A.4 Integrated Business**

Where a Universal Broker, Eligible Non-Universal Broker, Special Scheme Broker or Investment Bank intends to merge or amalgamate the futures trading activities being carried out by a Trading Participant with its other businesses as a Universal Broker, Eligible Non-Universal Broker, Special Scheme Broker or Investment Bank, the Universal Broker, Eligible Non-Universal Broker, Special Scheme Broker or Investment Bank shall at all times comply with:-

- (a) the relevant Rules of the Exchange and the Clearing House concerning the transfer of participantship from the Trading Participant to the Universal Broker, Eligible Non-Universal Broker, Special Scheme Broker and Investment Bank;
- (b) the requirements in relation to contribution to the Fidelity Fund to be made by the Universal Broker, Eligible Non-Universal Broker, Special Scheme Broker and Investment Bank; and
- (c) such terms and conditions as may be prescribed by the Exchange, Exchange holding company or Bursa Securities and/or the Commission from time to time.

## **Rule 601B Futures Fund Management by Universal Broker and Investment Bank**

### **Rule 601B.1**

- (a) A Universal Broker and Investment Bank shall be permitted to carry out the business of futures regulated activity of fund management in relation to futures contract ~~albeit without being licensed~~ pursuant to Section ~~16A58~~(1) of the ~~Futures Industry~~ Capital Markets Services Act, subject always to the following conditions:-
- (i) the Universal Broker or Investment Bank, as the case may be, is ~~the holder of a futures broker's Licence under Part III of the Futures Industry Act and a holder of Capital Markets Services Licence who carries on the business of regulated activity of fund management in relation to futures contract;~~
  - (ii) the Universal Broker and Investment Bank respectively employs or engages or has employed or engaged, as the case may be, futures fund manager's representative(s) person(s) on a full-time basis to conduct the futures fund management business ("dedicated futures fund manager's representative(s)");
  - (iii) a dedicated futures fund manager's representative(s) shall be a person who has passed the examination(s) prescribed by the Commission from time to time in respect of futures fund manager's representatives. A dedicated fund manager's representative may be exempted from sitting for the relevant examination(s) in the case where:-
    - (1) he was previously licensed as a futures fund manager's representative; and
    - (2) he is licensed as a dealer's representative of the Bursa Securities, as defined in the Rules of Bursa Securities.

### **Rule 601B.2 Concurrent fund management services**

A Universal Broker and Investment Bank shall be permitted to carry out the following concurrently:-

- (a) the activities of a fund manager; and
- (b) a futures fund management business,

provided always that Rule 601B.1 and the relevant Rules of the Bursa Securities are at all times fulfilled.

## **Rule 602 Minimum Financial Resources Requirements**

### **Rule 602.1**

Subject to Rule 602.1A, each Trading Participant shall at all times, maintain as Adjusted Net Capital of:

- (a) RM500,000; or
- (b) 10% of aggregate Margins required;

whichever is the higher.

It is the responsibility of the Trading Participant to be in compliance with the Minimum Financial Resources Requirements, as stipulated above and must demonstrate such compliance to the satisfaction of the Exchange. Where the Trading Participant is unable to comply with the Minimum Financial Resources Requirements as stipulated above, the Trading Participant shall immediately notify the Exchange and indicate the steps taken by the Trading Participant to comply with such Minimum Financial Resources Requirements.

### **Rule 602.1A**

- (a) The minimum financial resources requirement as stipulated in rule 602.1 and rule 602.2 shall not be applicable to a Trading Participant who is also a Participating Organisation.
- (b) Notwithstanding Rule 602.1A(a), a Trading Participant who is also a Participating Organisation of Bursa Securities shall at all times comply with the Capital Adequacy Requirements as imposed by Bursa Securities on Participating Organisations. In the case of an Investment Bank, it shall at all times comply with the Capital Adequacy Requirements as imposed by Bursa Securities on an Investment Bank.
- (c) For the purposes of this Rule 602.1A, the Capital Adequacy Requirements imposed by Bursa Securities on Participating Organisations and Investment Banks respectively, shall be deemed to be part of these Rules.

**Rule 602.2**

- (a) For the purpose of calculating Adjusted Net Capital:
  - (i) all futures and options contracts must be marked to their current market value;
  - (ii) all unrealised profits and losses on all futures, options, forward and fixed price commitment contracts must be treated as realised profits and losses; and
  - (iii) unless otherwise specifically stated, the value ascribed to all other assets and liabilities must be their current market value.

Adjusted Net Capital is:

Permitted Assets

less

Total Liabilities

less

Additional Deductions

- (b) Permitted assets are cash and other assets which are commonly identified in accordance with generally accepted accounting principles prevailing from time to time as being current assets and are realisable for cash or collectible within ten (10) Business Days from the computation date, but must exclude:
  - (i) all prepaid expenses and deferred charges;
  - (ii) all advances, loans and other receivables which are not secured except:
    - (A) brokerage, fees and commissions which have not been outstanding for longer than ten (10) Business Days from the due date;
    - (B) all dividends which have not been outstanding for longer than ten (10) Business Days from the payable date;
    - (C) receivables from the Clearing House but not including any asset lodged with the Clearing House in respect of contributions to the clearing fund or as security deposits;
    - (D) receivables from the Exchange;
    - (E) receivables due in the ordinary course of business from a financial institution licensed by Bank Negara Malaysia including interest due to be paid on the next Business Day but excluding any other accrued interest;



- (F) receivables, other than fees, commission and brokerage, from other affiliates of the Clearing House;
  - (G) receivables from another clearing house approved by the Exchange;
  - (H) receivables resulting from the sale of inventories commonly associated with the business activities of the Trading Participants, which in the opinion of the Trading Participant's auditors, are good for collection; and
  - (I) such other amounts as may be determined by the Exchange from time to time;
- (iii) any asset the possession, or control over the disposal, of which has been given to a financial institution as security for any credit facility provided by the financial institution to the Trading Participant or as security for an irrevocable letter of credit, bank guarantee or surety or any line of credit provided by that financial institution to the Clearing House, the Exchange, another clearing house or to any other person;
  - (iv) shares held in a related corporation unless otherwise approved by the Exchange;
  - (v) all advances or loans to any director or employee of the Trading Participant or any third party;
  - (vi) all amounts owed to the Trading Participant by its related corporations other than amounts falling within the description in subparagraph (b)(ii)(E);
  - (vii) all intangible assets;
  - (viii) all exchange participations and participations of clearing houses;
  - (ix) all securities except:
    - (A) Malaysian government securities;
    - (B) bills, notes and debentures traded in the money market;
    - (C) medium to long term bills, notes and debentures issued by financial institutions licensed by Bank Negara Malaysia for which there are readily ascertained market prices;
    - (D) securities listed on a stock exchange approved by the Exchange and;
    - (E) such other securities as may be approved by the Exchange from time to time;
  - (x) such other items as may be determined by the Exchange from time to time.
- (c) Total liabilities are those liabilities which are commonly identified in accordance with generally accepted accounting principles prevailing from time to time as being short term and long term liabilities but exclude:
- (i) liabilities under a subordinated loan agreement:
    - (A) which has a remaining term to maturity of not less than one year; and
    - (B) to which the Exchange is a party,
 up to a maximum amount of four times the shareholders' funds of the Trading Participant,
  - (ii) long term liabilities owed to a financial institution under a commercial loan secured by a fixed charge over real property or motor vehicles owned by the Trading Participant and applied for use in normal course of the business of



the Trading Participant, up to an amount equal to the lower of net book value or eighty percent (80%) of the market value of the real property or motor vehicles;

- (iii) such other liabilities as may from time to time be determined by the Exchange.
- (d) The Exchange may prescribe as an additional deduction an amount, in relation to each of the following categories of permitted assets, expressed as percentage of the value of the relevant permitted asset, or in relation to other matters, from which the total value of permitted assets is to be deducted:
- (i) Malaysian government securities;
  - (ii) readily marketable Malaysian securities listed on a stock exchange approved by the Exchange;
  - (iii) such other securities that may be approved by the Exchange from time to time;
  - (iv) *[This sub-Rule has been deleted]*
  - (v) *[This sub-Rule has been deleted]*
  - (vi) amounts due from Clients in respect of margin where such amounts are outstanding for more than three (3) Business Days as at the computation date;
  - (vii) *[This sub-Rule has been deleted]*
  - (viii) the margin requirement on open contracts in the Proprietary Account of a Trading Participant which are not bona fide hedged contracts;
  - (ix) *[This sub-Rule has been deleted]*
  - (x) the net debit balance arising from the marking-to-market or interim settlement of outstanding futures and/or option contracts held by Clients as at the close of business on the computation date;
  - (xi) inventories which are not hedged in any market or association;
  - (xii) inventories which are not hedged by any hedging position in any market or association; and
  - (xiii) such other assets or amounts as may be determined by the Exchange from time to time.
- (e) For the purpose of this Rule, a related corporation is any corporation:
- (i) in which the Trading Participant owns or effectively controls twenty percent (20%) or more of the issued share capital;
  - (ii) which owns or effectively control twenty percent (20%) or more of the issued share capital of the Trading Participant;
  - (iii) which effectively directs or has the ability to direct or indirectly influence the management policies of the Trading Participant;
  - (iv) of which management policies the Trading Participant effectively directs or has the ability to directly or indirectly influence;
  - (v) where one party holds or effectively controls twenty percent (20%) or more of the issued share capital of that corporation and simultaneously holds or effectively controls twenty percent (20%) or more of the issued share capital of the Trading Participant.

- (f) For the purpose of this Rule, except in subparagraph (c)(ii), a loan or other form of receivable is considered to be secured if and only if:
- (i) collateral of the type, approved by the Clearing House and/or the Exchange, has been given to the Trading Participant as security for that loan or receivable and is at least of such value approved by the Clearing House and/or the Exchange;
  - (ii) the collateral is in the possession or control of the Trading Participant; and
  - (iii) the Trading Participant has a legally enforceable written security agreement executed by the debtor in its favour under which the Trading Participant has the power to readily sell or otherwise convert the collateral into cash in the event of the receivable being placed in jeopardy.
- (g) For the purpose of this Rule, the term “securities” means debentures, stocks and shares in a public company or corporation, or bonds of any government or of any body, corporate or unincorporate, and includes any option in respect thereof and any interesting unit trust schemes.
- (h) For the purpose of this Rule, the term “unit trust scheme” means any arrangement made for the purpose, or having the effect, of providing facilities for the participation by persons as beneficiaries under a trust in profits or income arising from the acquisition, holding, management or disposal of securities or any other property.
- (i) For the purpose of this Rule, the term “computation date” means any day on which the Adjusted Net Capital of a Trading Participant is computed.

#### **Rule 602.3**

It is the responsibility of each Trading Participant to submit to the Exchange the following statements:

- (a) a statement of Adjusted Net Capital within the stipulated reporting interval as determined by the Exchange. In the case of a Trading Participant who is a Universal Broker, Eligible Non-Universal Broker and Special Scheme Broker, the Adjusted Net Capital herein is substituted with a statement of its Capital Adequacy Ratio which is to be reported within the timeframe as stipulated in the Rules of Bursa Securities. In the case of an Investment Bank, the Adjusted Net Capital herein is substituted with a statement of its Risk Weighted Capital Ratio which is to be reported within the timeframe as stipulated in the Rules of Bursa Securities;
- (b) a statement of financial condition on a monthly basis, i.e. not later than fifteen (15) calendar days after the end of each month.
- (c) a statement of income/(loss) on a monthly basis, i.e. not later than fifteen (15) calendar days after the end of each month; and
- (d) signed audited annual financial accounts within three (3) months after the end of each financial year. The signed audited annual financial accounts shall be submitted together with an auditor’s report.

Provided always that the Exchange, at its discretion, may from time to time prescribe a different reporting interval for any particular Trading Participant as it deems fit and appropriate.

#### **Rule 602.4**

A Trading Participant who fails to submit the statements as stipulated in Rule 602.3(i) to the Exchange by the stipulated reporting interval shall be liable to a maximum fine of RM10,000 and any other action deemed appropriate by the Exchange.

**Rule 603 Dealings with Clients**

**Rule 603.1 Opening a Client Account**

Without prejudice to the generality of Rule 601, a Trading Participant shall, in relation to its dealings with Clients, be responsible:

- (a) before commencing to trade in Contracts for or on behalf of any Clients, to ensure that the Client Account is approved in accordance with the following procedures:
  - (i) the Trading Participant shall exercise due diligence in learning the essential facts as to the Client and its or his investment objectives and financial situation and shall make and retain a record of such information. Based upon such information, a Compliance Officer or such other persons appointed by the Trading Participant shall approve in writing the Client's account for trading; provided, that if the person approving is not a Compliance Officer, his approval shall be subject to review by a Compliance Officer;
  - (ii) the background and financial information shall be sent to the Client for verification within fifteen (15) calendar days after the Client's account has been approved for trading;
  - (iii) the Trading Participant shall obtain from the Client a signed written client agreement that the account shall be handled in accordance with the Rules and such Client, acting alone or in concert with others, will not violate the position or exercise limits that are set by the Exchange from time to time;
  - (iv) the Trading Participant shall:
    - (A) give to the prospective Client a document which contains, at the minimum, the following:
      - (1) an explanation of the nature of Contracts;
      - (2) an explanation of the nature of the obligations assumed by a Client who instructs a Trading Participant to enter into a Contract;
      - (3) a Risk Disclosure Document as prescribed by the Exchange; and
      - (4) the specifications and details of the essential terms of each kind of Contract in which the Trading Participant trades for the Client.
    - (B) obtain a written acknowledgement, signed by the prospective Client, that the Client has received the document referred to in paragraph (A). Similarly, the Client must sign the Risk Disclosure Document that is furnished by the Trading Participant, prior to the Client's account being approved;
- (b) to obtain proper authorisation from the Client in relation to accepting instructions from any person or persons on behalf of a Client; and
- (c) to account in a separate Clients' Segregated Account, designated or evidenced as such, for all monies, securities or documents of title received from its Clients and not to use, or permit or suffer to be used, any of such monies, securities or documents of title otherwise than as may be permitted by the ~~Futures Industry~~ Capital Markets Services Act.

**Rule 603.1A**

Without prejudice to the generality of Rule 601, a Trading Participant ("the first-mentioned Trading Participant") shall be permitted to execute orders on behalf of a Client for the

purpose of giving up Contracts resulting from such orders to another Trading Participant ("the second-mentioned Trading Participant") who is also a Clearing Participant. The second-mentioned Trading Participant will clear these Contracts and maintain them in its Clients' Account:

- (a) for the purpose of Rule 603.1A and wherever the Rule is referred to herein, the first-mentioned Trading Participant shall be known as the Executing Broker and the second-mentioned Trading Participant shall be known as the Clearing Broker;
- (b) before any Client's orders are executed for give up as provided for under Rule 603.1A above, the following must be complied with:-
  - (i) the Executing Broker shall comply with the provisions for obtaining proper authorisation from the Client when accepting instructions, suitability of recommendation and order taking as set out in Rules 603.1(b), 603.2 and 603.3 respectively;
  - (ii) the Clearing Broker shall comply with the provisions set out in Rules 603 in its entirety with the exception of Rules 603.1(b), 603.2 and 603.3; and
  - (iii) unless otherwise determined by the Exchange, a tripartite Brokerage Execution Services Agreement (containing at a minimum the terms prescribed in Schedule 1A) shall be executed between the Client, Executing Broker and Clearing Broker.
  - (iv) the Clearing Broker shall have in place adequate internal controls and monitoring mechanism to ensure that Contracts given up by the Executing Broker to it are cleared pursuant to the rules of the Clearing House.

**Rule 603.2**

Every Trading Participant shall ensure that any of its Registered Representatives who make recommendations to a Client for the purchase or sale of Contracts must have reasonable grounds for believing:

- (a) that the recommendation is suitable for the Client on the basis of the information furnished by the Client as to his investment objectives, financial situation and other known information;
- (b) that the Client has such knowledge and experience in financial matters that he may be capable of evaluating the risks of the recommended transaction; and
- (c) that the Client is financially able to bear the risk of the recommended position(s) in the Contract.

**Rule 603.3 Client's Order**

- (a) A Registered Representative, on receiving a Client's order shall immediately thereafter enter the order in the market by entering it into the trading system provided always that such Client's order was relayed through a telecommunication device equipped with a voice logger or such other features that would enable details of the order to be audibly captured on an electronic storage media. In the event of temporary unavailability or such a feature which automatically captures the order details on an electronic storage media, the Trading Participant shall require the Registered Representative to (and the Registered Representative shall) complete an order form in the accordance with these Rules and time stamp the same prior to entering of the order in the market. On execution of the Client's order, the Registered Representative shall check the particulars of the Contract and confirm to the Client that the Contract is done. The Trading Participant shall give priority to a Client's orders. It shall be a major offence for a Trading Participant to buy on its Proprietary Account or for an account in which it has an interest, any Contract, when it has an unexecuted Client's order to buy that Contract, at the market or at the same price. Similarly, the Trading Participant shall not sell for its Proprietary Account or for an account in which it has an interest any Contract when it has an unexecuted Client's order to sell that Contract, at the market or at the same price. All Client's orders must be executed in the chronological order in which they are received.
- (b) The minimum information required in an order form recording the order of a Client is:
  - (i) Client name and account number;
  - (ii) Contract details;
  - (iii) whether it is an opening or closing transaction;
  - (iv) whether it is to buy or sell;
  - (v) number of lots;
  - (vi) instructions with respect to premium/price;
  - (vii) type of order; and
  - (viii) any other information as may be prescribed by the ~~Futures Industry Capital Markets Services~~ Act.

#### Rule 603.4 Client Statements

(a) Contract Notes

The Trading Participant shall, in relation to its dealings with Clients, ~~be responsible to dispatch or post to each Client a contract note as written confirmation of each Contract done for that Client not later than the next Business Day after the date of execution of the Contract~~ give a contract note to each Client for each Contract done for that Client not later than the next Business Day, showing:

- (i) the name of the Trading Participant;
- (ii) the name and address of the Client for whom or on whose behalf the Trading Participant effected the transactions;
- (iii) the name of the exchange on which market the transaction was effected;
- (iv) the date of the transaction;
- (v) description of the Contract entered into, including the underlying Instrument, price, month and year;
- (vi) the number of lots;
- (vii) the total amount of commission, trading, clearing and other fees charged;
- (viii) whether the transaction is to buy, sell and/or exercise;
- (ix) in the case of an Option, the Exercise Price and the date by or on which the Holder of the Option, in order to exercise the Option, must declare an intention to exercise the Option;
- (x) in the case of a liquidating order for Futures Contract, details of that order together with the opening Contract and for Options, details of the liquidating Contract; and
- (xi) any other information as may be prescribed by the Futures Industry Capital Markets and Services Regulations Act 2007.

(b) Monthly Statements

The Trading Participant shall ~~be responsible to~~ provide to each Client ~~with a written~~ monthly statement, within seven (7) days after the end of each calendar month showing:

- (i) the name of the Trading Participant and the address of the principal place of business at which the Trading Participant carries on its business as a Trading Participant;
- (ii) the amount of cash and securities (indicating each separately) held for the credit of that Client;
- (iii) the opening cash balance for that month in the Client's account;
- (iv) all deposits, credits, withdrawals and debits affecting the Client's account during that month;
- (v) the cash balance in the Client's account at the end of that month;
- (vi) particulars of each Contract that the Trading Participant has, before or during that month, acquired on behalf of the Client and that, as at the end of that month has not been disposed of showing in the case of each Contract the net unrealised profits or losses calculated on a mark-to-market basis;

- (vii) details of all Contracts of the Client, which have been Closed Out in that month, and for Futures Contracts, accounting of all realised profits and losses of the Client;
- (viii) details of outstanding Margin Call in respect of a Contract that the Trading Participant has acquired on behalf of the Client; and
- (ix) any other information as may be prescribed by the Futures Industry Capital Markets Services Act.

#### **Rule 603.5 Advertisement and Unsolicited Business Communication**

- (a) Advertisements, sales literature, educational materials, market letters and similar information issued by Trading Participants shall observe truth, avoid misrepresentation and make no promise with respect to profits, and always indicate the possibility of loss if profit is mentioned. All such information shall not contain any hedge clauses or disclaimers which are illegible, or attempt to disclaim responsibility for the contents of such literature or opinions expressed therein, or which are otherwise inconsistent with such communications. Exchange approval shall be obtained prior to the release of these information (excluding research papers, performance reports, projections or recommendations with respect to Contracts). Failure to abide by any directive in accordance with this Rule shall constitute a major offence.
- (b) It is the responsibility of each Trading Participant not to issue or disseminate, or permit the issue or dissemination of, any advertisement, educational materials, sales literature and other communications or unsolicited business communication in writing, in respect of its business in Contracts, which is false or which may be misleading or prejudicial to the goodwill or public image of the Exchange and its Participants or which has been disapproved, or is of a class that has been disapproved by the Exchange by notice in writing to the Trading Participant concerned or to Participants generally.
- (c) All advertisement, sales literature and educational materials issued by Trading Participant pertaining to Contracts shall be approved in advance by a Compliance Officer. Copies thereof, together with the names of persons who prepared the material, the names of persons who approved the material and, in the case of sales literature, the source of any recommendation contained therein, shall be retained by the Trading Participant for easy access for examination by the Exchange.

#### **Rule 603.6 Addressing of Communications to Clients**

No Trading Participant shall address any communications to a Client in care of any other person unless the Client has instructed the Trading Participant in writing to send communications in care of such other person or duplicate copies are sent to the Client at some other address designated by the Client in writing.

#### **Rule 604 Failure to Comply**

##### **Rule 604.1**

Failure by a Trading Participant to comply with the provisions of this Rule 600, or otherwise to observe, comply with and act consistently with these Rules or the decisions of the Exchange or its committees, or failure to pay its debts as they fall due, shall be deemed to be a major offence.

##### **Rule 604.2**

The Exchange may upon written application by a Trading Participant and subject to the provisions of the Futures Industry Capital Markets Services Act dispense with, or temporarily postpone, observance by the Trading Participant of any of the provisions of this Rule 600 upon such conditions (if any) as the Exchange may think fit.

### **Rule 604.3**

A Trading Participant who fails to comply with the Minimum Financial Resources Requirements contained in Rule 602 shall forthwith notify the Exchange of the same and the Exchange may thereupon take action as it deems fit. A failure to notify or comply with the directions of the Exchange as required by this Rule shall be a major offence.

### **Rule 605      Local Participant - Conduct**

For the purposes of this Rule 605, all references to Local Participants shall include Associate Participants.

#### **Rule 605.1      General Compliance**

A Local Participant shall at all times act in a manner consistent with the promotion and protection of the goodwill and public image of the Exchange and its Participants, and in particular it shall be the responsibility of each Local Participant:

- (a) to observe, comply with and act consistently with these Rules and with decisions of the Exchange and its committees, and to settle any disputes in the manner provided by these Rules;
- (b) to co-operate with the Exchange and any committee of the Exchange in the performance by the Exchange and that committee of its duties, and in particular, to assist in every way in any investigation and to make available to the Exchange and that committee its accounting and other records;
- (c) to observe, comply with and act consistently with the rules of the Clearing House (so far as is applicable to the Associate Participant) and with decisions of the Clearing House and its committees;
- (d) not to act in any way which would adversely affect the goodwill or public image of the Exchange and its Participants;
- (e) to notify the Exchange in writing immediately upon the happening of any of the following:
  - (i) the bankruptcy of the Local Participant or any of the directors of the Associate Participant;
  - (ii) the appointment to the Associate Participant of a receiver, statutory manager, provisional liquidator or liquidator or upon any petition being presented for the winding up or dissolution or upon any resolution being passed or order being made for the winding up or dissolution of the Associate Participant;
  - (iii) where the Local Participant or any of the directors of the Associate Participant is convicted of a seizable offence or an offence involving a finding of fraud; and
  - (iv) where the Local Participant or any of the directors of the Associate Participant is engaged in acts or practices inconsistent with just and equitable principles of trade;
- (f) to comply with all Rules and laws for the time being in force relating to trading in Contracts;
- (g) except for Associate Participants who are Clearing Participants, to ensure that all its Contracts are registered with the Clearing House in the name of its Nominating Participant as a client of the Nominating Participant for the purposes of clearing Contracts so registered and to meet all Margin Calls;



- (h) to maintain such accounting records as correctly recorded and explain the transactions of the Local Participant and the financial position of the Local Participant, and in addition, as will enable compliance with these Rules to be conveniently ascertained by the Exchange and otherwise conveniently and properly maintained; and
- (i) not to sell or otherwise trade in Contracts for any person other than for the Local Participant himself.

#### **Rule 605.2**

Failure by a Local Participant to comply with the provisions of Rule 605.1 or otherwise to observe, comply with and act consistently with these Rules or the decisions of the Exchange or its committees, or failure to pay his debts as they fall due, shall be deemed to be an offence by the Local Participant.

#### **Rule 605.3**

The Exchange may upon written application by a Local Participant dispense with, or temporarily postpone, observance by the Local Participant of any of the provisions of this Rule 600 upon such conditions (if any) as the Exchange may think fit.

#### **Rule 606      Client Agreement**

##### **Rule 606.1**

All agreements between the Trading Participant and its Client for trading in Contracts shall be in writing and shall contain at a minimum, the terms to the effect of that prescribed in the standard client agreement in Schedule 1 and shall not contain any term inconsistent with any provision in these Rules. No Trading Participant shall enter into any agreement with a person nor give effect to any term of an agreement, if the effect or purported effect of such term is to exclude or limit the liability of that Trading Participant, its employees, or its agents, to the person for negligence, fraud or dishonesty, in relation to the Trading Participant's activities as a futures broker. A Trading Participant shall submit a copy of its standard client agreement and any amendment thereto for the approval of the Exchange prior to circulating or distributing the said agreement to its Clients provided always that deviations from such approved standard client agreement made at the request of a Client which is not inconsistent with the requirements of a client agreement contained in these Rules need not be approved by the Exchange.

##### **Rule 606.2**

All agreements shall also include an appointment by the Client of the Chief Executive Officer of the Clearing House as the Client's attorney and/or agent to do all things necessary to transfer any Open Position held by the Trading Participant on the Client's behalf to another Trading Participant where the participation of the Trading Participant has been suspended or terminated.

#### **Rule 607      Segregation of Proprietary Account and Client Account**

The Trading Participant must maintain its Proprietary Account and its Client Account segregated at all times. The Open Positions in the Proprietary Account may not (unless permitted by these Rules) be used to offset the Open Positions of any Client Account.

#### **Rule 608      Clients' Segregated Account**

##### **Rule 608.1**

If any money or property is deposited with, or are received by, a Trading Participant by a Client of that Trading Participant or is received by the Trading Participant for or on behalf of a Client of the Trading Participant in connection with –

- (a) trading in Contracts effected or proposed to be effected, whether in Malaysia or elsewhere, by a Trading Participant on behalf of that Client of the Trading Participant; or
- (b) instructions by that Client of a Trading Participant to trade in Contracts, whether in Malaysia or elsewhere, the Trading Participant shall –
  - (i) in respect of moneyies, deposit the moneyies in an account or accounts of the Trading Participant designated as Clients’ Segregated Account kept and maintained within Malaysia or in the place where the moneyies was deposited with or received by the Trading Participant; or
  - (ii) in respect of property, deposit the property in safe custody within Malaysia or in the place where the property was deposited with or received by the Trading Participant, in such a manner that the property is segregated from property other than property deposited by the Trading Participant in safe custody under this Rule,

no later than the next bank business day or such other day that may be specified by the Commission after the moneyies or property is deposited with or received by the Trading Participant that is a day on which the amount or property can be deposited as first mentioned in Rule 608.1(i) or (ii), as the case may be. For avoidance of doubt, all monies received by a Trading Participant under Rule 608.1(i) are to be deposited in a Clients’ Segregated Account by the next bank business day or such other day that may be specified by the Commission and all properties received by a Trading Participant under Rule 608.1(ii) shall where applicable be deposited in safe custody of any competent authority by clearly designating and evidencing the account as “Clients’ Account” by the next bank business day or such other day that may be specified by the Commission of the competent authority.

#### **Rule 608.2**

Without prejudice to the generality of Rule 608.1, if in connection with trading in Contracts effected, whether within or outside Malaysia ~~or elsewhere~~, by a Trading Participant, the Trading Participant receives from a person an amount of moneyies, some or all of which is attributable to trading in Contracts so effected, whether within or outside Malaysia ~~or elsewhere~~, on behalf of the Clients of the Trading Participant, the Trading Participant shall, no later than the next bank business day or such other day that may be specified by the Commission on which the amount can be so deposited, deposit the amount in a Clients’ Segregated Account of the Trading Participant kept and maintained in Malaysia or in the place where the Trading Participant receives the amount.

#### **Rule 608.3**

If, under this Rule, a Trading Participant deposits money in respect of a Client in a Clients’ Segregated Account, the Trading Participant shall not withdraw any of the money except for the purpose of –

- (a) making a payment to or in accordance with the written direction of, a person entitled to the moneyies;
- (b) making a payment for or in connection with, the entering into, margining, guaranteeing, securing, transferring, adjusting or settling of trading in Contracts effected by the Trading Participant on behalf of the Client;
- (c) defraying brokerage and other proper charges incurred in respect of trading in Contracts effected by the Trading Participant on behalf of the Client;
- (d) investing it –
  - (i) on deposit at interest with a licensed Bbank as defined in the Futures Industry Act;
  - (ii) on deposit with a Clearing House; or
  - (iii) in any other prescribed manner;
- (e) making a payment that is otherwise authorised by law or by these Rules or by the business rules of the Clearing House,

- (f) or as permitted by Rule 608.6.

**Rule 608.4**

A Trading Participant shall not deal with property deposited by the Trading Participant in safe custody under Rules 608.1 except in accordance with the terms and conditions on which the property was deposited with or received by the Trading Participant.

**Rule 608.5**

A Trading Participant shall not invest an amount under Rule 608.3(d) by depositing it with a person for that person to invest unless the Trading Participant –

- (a) has told the person that the amount has been withdrawn from a Clients' Segregated Account of the Trading Participant and is money to which the Clients of the Trading Participant are entitled; and
- (b) has obtained from the person a written statement that is signed by the person, setting out the amount and acknowledging that the Trading Participant has informed the person as required under Rule 608.5(a).

**Rule 608.6**

If, at any particular time, the total amount of the relevant liabilities of a Client of a Trading Participant exceeds the relevant credit balance of the Client, the Trading Participant shall in respect of the Client, deposit in a Clients' Segregated Account of the Trading Participant an amount of money not greater than the amount of the excess, and the amount so deposited is to be taken, subject to Rule 608.7, to be money to which the Client is entitled.

**Rule 608.7**

If –

- (a) a Trading Participant has, in respect of a Client of the Trading Participant, deposited an amount under Rule 608.6 in a Clients' Segregated Account of the Trading Participant; and
- (b) the relevant credit balance of the Client exceeds the total amount of the relevant liabilities of the Client,

the Trading Participant may withdraw from the account so much of the amount referred to in Rule 608.7(a) as does not exceed the amount of the excess referred to in Rule 608.7(b).

**Rule 608.8**

A Trading Participant shall keep, in relation to the Clients' Segregated Account or Clients' Segregated Accounts of the Trading Participant, accounting records that -

- (a) are separate from any other accounting records of the Trading Participant;
- (b) record separately in respect of each Client of the Trading Participant particulars of the amounts deposited in and the amounts withdrawn from the account or accounts in respect of the Client; and
- (c) record, separately from the particulars referred to in Rule 608(b):
  - (i) particulars (including particulars of withdrawals) of so much of the amounts deposited in accordance with Rule 608.2 in the account or accounts as was not attributable to trading in Contracts effected by the Trading Participant on behalf of Clients of the Trading Participant;

- (ii) particulars of all amounts deposited in the account or accounts under Rule 608.6; and
  - (iii) particulars of all amounts withdrawn from the account or accounts under Rule 608.7.
- (d) A Trading Participant shall keep records that –
- (i) relate to the deposits of property in safe custody by the Trading Participant under Rule 608.1; and
  - (ii) record separately in respect of each Client of the Trading Participant particulars of the property deposited in respect of the Client. For the purpose of this sub-Rule, the minimum information that must be kept are:
    - (A) the date the property or document of title to the property is received;
    - (B) the date the property or document of title to the property is deposited in safe custody;
    - (C) the particulars of the property or document of title so deposited; and
    - (D) the place where the property has been deposited.

#### **Rule 608.9**

Trading Participants are required to keep accounting records and any other records that are required by Rule 608.8 to be kept by the Trading Participant in accordance with the provisions of section ~~36108~~ of the ~~Futures Industry Capital Markets Services~~ Act. Section ~~36108~~ of the ~~Futures Industry Capital Markets Services~~ Act shall apply as if those accounting records and other records were accounting records required by that section to be kept by the Trading Participant.

#### **Rule 608.10**

It shall be the responsibility of a Trading Participant to:-

- (a) provide the Exchange with a statement of segregation of all Clients' money or property in a form as may be prescribed by the Exchange from time to time. This statement of segregation is required to be submitted to the Exchange on a monthly basis, i.e. no later than fifteen (15) calendar days after the end of each month, provided always that the Exchange, at its discretion, may from time to time prescribe a different reporting interval for any particular Trading Participant as it deems fit and appropriate; and
- (b) immediately inform the Exchange if there is a shortfall in the Clients' Segregated Account, and to immediately rectify such shortfall.

#### **Rule 608.11**

For the purposes of this Rule 608, "Client" shall include any Trading Participant, Associate Participant, Local Participant and "relevant liabilities" and "relevant credit balance" shall have the meaning ascribed to it in Section 52 of the ~~Futures Industry Capital Markets Services~~ Act.

The term "property" shall have the meaning ascribed to it in Section 2 of the ~~Futures Industry Capital Markets Services~~ Act.

#### **Rule 609 Discretionary Account**

- (a) A Trading Participant must not operate a discretionary account on behalf of a Client unless written authorisation of the Client has been obtained, and the account has been approved in writing by a person appointed by the Trading Participant to approve such accounts. Where a Trading Participant is properly authorised in

writing by a Client to operate a discretionary account on behalf of that Client, it shall:

- (i) maintain full and complete records of each exercise of that discretionary authority showing the name of the Client, the details of the Contract and the date and time the transaction is effected and the name of the Registered Representative executing the order;
  - (ii) ensure that in the exercise of the discretion no trading is entered into which is excessive having regard to the financial resources of that Client; and
  - (iii) ensure that in the exercise of the discretion, no conflict of interest arises.
- (b) When the Trading Participant is duly authorised in writing by a Client to operate a discretionary account on behalf of a Client, it shall provide to the Client:
- (i) a contract note as ~~written~~ confirmation of each Contract done on behalf of its Client not later than the next Business Day after the day of execution of the Contract and the contract note shall contain the relevant information as stipulated in Rule 603.4(a); and
  - [ii] a monthly statement, within seven (7) days after the end of each calendar month, showing the relevant information as stipulated in Rule 603.4(b), including:
    - [A] the buying or selling of futures contract of which was an operation by the Trading Participant on the discretionary account;
    - [B] particulars of futures contract;
    - [C] a statement stating that the transaction in the contract note issued shall be subject to the rules of the relevant futures exchange;
    - [D] in the case of an Option, the Exercise Price and the date by or on which the Holder of the Option, in order to exercise the Option, must declare an intention to exercise the Option;
    - [E] the details of each outstanding call for a deposit or margin in respect of a futures contract that the holder had bought or sold on behalf of the client and the buying or selling of which was on operation by the Trading Participant on the discretionary account;
    - [F] Client's ledger balances;
    - [G] the net realised profits or losses on Futures Contracts closed since the date of the previous statement;
    - [H] all financial charges and credits to the Client's account since the previous statement; and
    - [I] other transactions to explain the exact position in the Client's account and the net unrealised profit or loss on all Open Positions on the Market..
- (c) No Trading Participant shall in relation to a discretionary account execute any orders for the sale and/or purchase of Contracts which are excessive in size or frequency in view of the financial resources and nature of such account.
- (d) A Compliance Officer shall review the acceptance of each discretionary account to determine that the person appointed by the Trading Participant to accept the account had a reasonable basis for believing that the Client is able to understand and bear the risks of the strategies or transactions proposed, and he shall maintain a record of the basis for his determination.
- (e) Each discretionary order shall be approved and initialed on the day transacted by a Compliance Officer or by a person appointed by the Trading Participant to approve the order and shall be identified as discretionary order at time of entry.

Discretionary orders shall receive appropriate supervisory review by a Compliance Officer.

## **Rule 610 Supervision Within Trading Participant**

### **Rule 610.1 Supervisory System**

- (a) Each Trading Participant shall establish and maintain a proper system to supervise the activities of each Registered Representative, agents and other personnel and that is reasonably designed to achieve compliance with the Rules and the Futures Industry Capital Markets Services Act. The final responsibility for proper supervision shall rest with the Trading Participant and its Board of Directors.
- (b) Each Trading Participant shall designate and register with the Exchange one or more Compliance Officer(s) who have passed an examination approved by the Exchange. A copy of such registration shall be lodged with the Commission.
- (c) The person acting in the capacity of a Compliance Officer shall not be allowed to solicit or execute any orders on behalf of a Client and shall be responsible to ensure that the supervisory responsibilities in relation to compliance with these Rules are carried out and to report directly to the Board of Directors and audit committee of the Trading Participant.
- (d) A Compliance Officer shall be a person equipped with authority to carry out the above responsibilities and senior enough to act independently and to effect decisions.

### **Rule 610.1A Compliance Functions at Group Level**

- (a) Notwithstanding Rule 610.1, a Trading Participant may be permitted to have its compliance functions as envisaged under Rule 610.1 at its Group level provided it obtains the prior written approval of the Exchange pursuant to the Guidelines on Supervisory Functions and provided further that it is in compliance with, on a continuing basis, the Guidelines on Supervisory Functions in relation to the compliance functions mentioned therein and all rules, directives, rulings and guidelines issued by the Exchange pertaining to the same.
- (b) The Guidelines on Supervisory Functions in relation to the compliance functions mentioned therein shall be regarded as part of the Rules and consequently any breach by the Trading Participant of the Guidelines on Supervisory Functions in relation to the compliance functions mentioned therein shall be deemed to be a breach of these Rules.
- (c) The Exchange may issue any rules, directives, rulings and guidelines in relation to the performance of compliance functions at a Trading Participant's Group level, as it deems fit, from time to time.
- (d) The Trading Participant shall ensure that:-
  - (i) the company within the Entity where the compliance functions are undertaken on behalf of the Trading Participant designates at least on (1) dedicated Compliance Officer who shall be responsible to ensure that the compliance functions of the Trading Participants as envisaged under Rule 610.1 are carried out;
  - (ii) the dedicated Compliance Officer is registered with the Exchange in accordance with these Rules, the provisions of which shall mutatis mutandis apply to the dedicated Compliance Officer in all respects unless expressly provided to the contrary; and
- (e) The provisions in this Rule are not applicable to an Investment Bank and are substituted with the provisions in the Guidelines on Investment Bank and the requirements of Central Bank Negara Malaysia relating to the performance of the Supervisory Functions of an Investment Bank by an entity other than the Investment

Bank ("the Relevant Guidelines and Requirements"). The Relevant Guidelines and Requirements are deemed to be part of these Rules.

#### **Rule 610.1B Duties of Compliance Officer**

##### (1) Monthly Compliance Reports

- (a) In amplification of Rule 610.1(3) above, the Compliance Officer shall submit monthly written reports to the board of directors of the Trading Participant on all matters pertaining to compliance of the Trading Participant with the Securities laws, these Rules, directives, rulings and guidelines issued by the Exchange.
- (b) The board of directors of the Trading Participant shall deliberate matters reported to it by the Compliance Officer at its proper meeting so that appropriate action or decision can be taken. Proper records of such deliberations shall be maintained by the Trading Participant.
- (c) The Compliance Officer shall report to the Exchange on a monthly basis, not later than the last day of the following month or such other period as may be prescribed by the Exchange from time to time, on all matters pertaining to compliance of the Trading Participant.

##### (2) Report of Breach/Non-Compliance

In addition to the reporting requirements provided in Rule 610.1B(1) above, the Compliance Officer shall immediately report to:-

- (a) the board of directors of the Trading Participant in the event he becomes aware of:-
  - (i) any matter which, in his opinion may:-
    - (aa) constitute a breach of any provisions of the Securities Laws, these Rules, directives, rulings and guidelines issued by the exchange; and/or
    - (bb) involve the potential default of the Trading Participant against the Clearing House or other counterparty; and/or
  - (ii) any irregularity which may:-
    - (aa) have a material effect upon the accounts of the Trading Participant and/or the minimum financial requirements prescribed by the Securities Laws, these Rules, directives, rulings and/or guidelines issued by the Exchange; and/or
    - (bb) jeopardise the funds or property of the clients held by the Trading Participant;
- (b) the Exchange upon him becoming aware of any matter, which in his opinion, may:-
  - (i) involve the potential default of the Trading Participant against the Clearing House or other counterparty; and/or
  - (ii) significantly affect the risk position and financial integrity of the Trading Participant; and
- (c) the Commission upon him becoming aware of any matter, which in his opinion, may constitute a breach of any provision of the Securities Laws.

##### (3) Report of Rectification of Breach

For all other matters reported to the Trading Participant's board of directors in the manner envisaged in Rule 610.1B(2)(a) above, keep the Exchange informed of the decisions of the Trading Participant's board of directors and particulars of any corrective measures and



decided course of actions taken or to be taken, as the case may be, in remedying such breach or irregularity within thirty (30) days of his reporting thereof to the board of directors.

#### **Rule 610.2 Written Procedures**

Each Trading Participant shall establish, maintain and enforce written procedures to supervise the type of business in which it engages and to supervise the activities of its Registered Representatives and that are reasonably designed to achieve compliance with the Rules and the ~~Futures Industry Capital Markets Services~~ Act. The Trading Participant's written procedures shall set forth the supervisory system established by the Trading Participant pursuant to the above.

The Trading Participant shall maintain an internal record of the names of all persons who are designated as supervisory personnel and those delegated with supervisory functions and the dates for which such designation is or was effective. A copy of the Trading Participant's written supervisory procedures shall be kept and maintained in the Trading Participant's office.

Each Trading Participant shall amend its written supervisory procedures as appropriate within a reasonable time after changes occur in these Rules or the ~~Futures Industry Capital Markets Services~~ Act, and as changes occur in its supervisory system, each Trading Participant shall be responsible for communicating amendments through its organisation.

#### **Rule 610.3 Internal Inspection/Audit**

Each Trading Participant shall conduct a review, at least of the business in which it engages, which review shall be reasonably designed to assist in detecting and preventing violations of and achieving compliance with the Rules and the ~~Futures Industry Capital Markets Services~~ Act. Each Trading Participant shall undertake a periodic examination and at least an annual examination of its office. Each Trading Participant shall retain a written record of the dates when each review and examination is conducted.

#### **Rule 610.4 Written Approval**

Each Trading Participant shall establish procedures for the review and endorsement by a Compliance Officer in writing, on an internal record, of all transactions and all correspondence of its Registered Representatives pertaining to the solicitation or execution of any transaction.

#### **Rule 610.5 Qualification Investigated**

Each Trading Participant shall have the responsibility and duty to ascertain by investigation the good character, business repute, qualifications and experience of any person prior to making a certification/sponsoring of such person for registration with the Exchange.

#### **Rule 611**

*[This Rule has been deleted]*

#### **Rule 612 Commission and Fees**

Commissions and fees chargeable to Clients by Trading Participants on account of trading in Contracts shall be as prescribed by the Exchange from time to time.

#### **Rule 613 Position and Exercise Limits**



**Rule 613.1**

- (a) The Exchange shall determine from time to time the limits on the Open Positions which may be held or controlled by any Client or a Participant in any Contract (“position limits”) and the number of Options that can be exercised by any Client or a Participant (“exercise limits”).
- (b) A Participant shall ensure that the position limits and/or exercise limits, as the case may be, applicable to any Client or Participant are adhered to at all times.
- (c) The Exchange may, in circumstances it deems fit, grant such exemption, modification and/or variation in relation to the position limits or exercise limits, as the case may be, subject to such terms and conditions prescribed by the Exchange.

**Rule 613.2**

The Exchange may establish reporting levels on the Open Positions held, by any Client or a Participant and may require daily (or other periodic) reports from Trading Participants or Associate Participants on the amount of Open Positions held, by any Client or any Participant. The Exchange shall be entitled to require reports even if the amount of Open Positions held, is below the reporting levels currently prescribed by the Exchange.

**Rule 613.3**

A Trading Participant or Associate Participant shall report promptly to the Exchange any instance in which the Trading Participant or Associate Participant has reason to believe that it has exceeded or a Client or another Participant, acting alone or in concert with others, has exceeded or is attempting to exceed any limits established pursuant to Rule 613.1.

**Rule 613.4**

It shall be the responsibility of each Trading Participant or Associate Participant accepting orders for opening transactions to inform Clients of the applicable limits and not to accept orders from any Client if the Trading Participant or Associate Participant has reason to believe that the Client, acting alone or in concert with others, has exceeded or is attempting to exceed such limits.

**Rule 614      Clients’ Margins and Margin Payment****Rule 614.1**

- (a) Every Trading Participant or Associate Participant shall obtain from its Clients a minimum initial margin and maintain the amount of minimum margins on all Open Positions and these margins shall be at least equivalent to the amount of margins required by the Clearing House. Trading Participants or Associate Participants shall be responsible to the Clearing House for all margin requirements of their Clients. A Trading Participant or Associate Participant may request, at its absolute discretion, from its Clients, margins above the minimum required by the Clearing House.
- (b) A Trading Participant or Associate Participant shall not accept orders for new Contracts from a Client unless the minimum initial margin for the Contracts is on deposit or is forthcoming within such period as may be prescribed by the Exchange from time to time after a call for initial margin has been made by the Trading Participant or Associate Participant and that Client’s pre-existing Open Positions comply with the margin requirements established by the Trading Participant or Associate Participant.
- (c) Each Client’s Open Positions must be marked to market daily and additional call for margins must be made if necessary.
- (d) A Trading Participant or Associate Participant may Close Out all or any Open Position of a Client where the Client fails to comply with a demand for margin within a reasonable time after a Margin Call has been made by the Trading Participant or Associate Participant, provided that in no case shall such time be less than one (1) hour from the time of demand.

## **Rule 614.2 Forms of Margin Payment**

Trading Participants may accept from their Clients as margin cash, letters of credit, bank guarantees and any other approved securities and other forms of margins in the manner and subject to conditions as the Exchange may from time to time prescribe in these Rules or otherwise in consultation with the Commission.

## **Rule 614.3 Accepting Securities as Margin Payment**

- (a) Trading Participants are allowed to accept securities from Clients as margin payment subject to the following conditions:
- (i) that the securities accepted as margin payment are Approved Securities. For the purpose of this rule Approved Securities means securities prescribed by the Clearing House as eligible to be deposited with the Clearing House by the Trading Participants for the purpose of the Trading participants' margin payment to the Clearing House;
  - (ii) that the securities obtained from Clients of the Trading Participant are for the purpose of margin payment on all or any Open Positions of the Clients in accordance with Rule 614.1; and
  - (iii) that the Trading Participant and each Client shall execute a memorandum of deposit the minimum contents of which are prescribed by the Exchange in Schedule 1B of the Rules ("Memorandum of Deposit"). The Trading Participant and the Clients shall not be allowed to amend, vary, add or substitute etc. any of the terms of the Memorandum of Deposit or enter into additional agreements or any form of arrangement or understanding howsoever described which has the effect of altering, limiting or waiving the meaning, substance, application and the operation of the terms prescribed in the Memorandum of Deposit.
- (b) Where the Trading Participant accepts securities as margin payment from its Clients in accordance with Rule 614.3(a), the Trading Participant may deposit the same with the Clearing House for the purpose of the Trading Participant's margin payment to the Clearing House. For the avoidance of doubt, this Rule shall not be construed so as to authorise the Trading Participant to deposit Clients' securities with the Clearing House for the purpose of the Trading Participant's margin payment to the Clearing House where the Memorandum of Deposit has not been executed by the Clients.
- (c) Local Participants may lodge Approved Securities as a margin payment with a Trading Participant in order for the Trading Participant to clear with the Clearing House, trades that are executed by the Local Participant on the Exchange. In this respect, all provisions in Rule 614.3(a) and 614.3(b) shall equally apply and the word "Client(s)" wherever mentioned therein shall read as the Local Participant.

## **Rule 615 Complaints by Clients**

### **Rule 615.1**

Every Trading Participant and Associate Participant shall make and keep current a separate central log, index or other file for all complaints, so that such complaints can easily be identified and retrieved. At a minimum, the log, index or file shall include:

- (a) identity of complainant;
- (b) date complaint was received;
- (c) identity of the Registered Representative servicing the account;
- (d) a general description of the matter complained of; and

- (e) a record of what action, if any, has been taken by the Trading Participant or Associate Participant with respect to the complaint.

**Rule 615.2**

Every Trading Participant and Associate Participant shall maintain all records of any complaints by Clients and the Trading Participant and Associate Participant's response thereto for at least seven (7) years and, if a Trading Participant or Associate Participant receives more than ten (10) complaints in any month, it shall forthwith report that fact to the Exchange.

**Rule 615.3**

Every Trading Participant and Associate Participant shall deal with all Client's complaints promptly and in appropriate detail.

**Rule 616 Indemnity by Exchange**

Each Participant shall indemnify and hold the Exchange harmless for the full amount of any judgement or settlement paid by the Exchange in respect of any legal proceedings brought against the Exchange as a result of an alleged violation of any laws or these Rules by such Participant or as a result of an alleged failure of the Exchange to detect, prevent or otherwise act against such alleged violations.

*(End of Business Rule 600)*

**Rule 701      Trading on the Market**

**Rule 701.1A      Definition**

For the purposes of Rule 700, except where the context otherwise requires:-

“ATS” means the Exchange’s automated and computerised trading system established by the Exchange.

“Buyer” means a party who assumes a Long Position under a Futures Contract.

“Seller” means a party who assumes a Short Position under a Futures Contract.

“Trading Procedures” means the procedures, processes and all other matters issued, in whatsoever form and manner by the Exchange, in relation to the trading of Contracts on the Market and include any amendments and modifications made thereto.

**Rule 701.1**

- (a) All trading by Participants in Contracts shall be effected through the ATS in the manner stipulated in these Rules, the Trading Procedures or any other directives issued by the Exchange from time to time.
- (b) All Participants shall be familiar with the use of ATS for the purpose of effecting any trades of Contracts on the Market, unless determined otherwise by the Exchange.
- (c) It shall be the duty of every Participant to take all reasonable security measures to prevent unauthorised access to the ATS, which include but are not limited to, establishing and maintaining such procedures for the administration and monitoring of access to the ATS.

**Rule 701.2**

- (a) All trading on the Market by Participants shall be deemed to be as principals and neither the Exchange nor the Clearing House shall recognise the interest of any third party.
- (b) Nothing in Rule 701.2(a) shall affect the rights of a Client to take any action or commence any proceedings against a Trading Participant.

**Rule 701.3**

- (a) All orders entered into ATS and matched in accordance with the provisions stipulated in Rule 700 shall be deemed executed except in the following circumstances:-
  - (i) where the matching of the orders results in a breach of the price limits referred to in Rule 707.1; and
  - (ii) in any other circumstances prescribed by the Exchange in any directives, notices or circulars issued from time to time.
- (b) When an order is executed in accordance with Rule 701.3(a), a contract (“original contract”) will come into existence and the parties shall be bound as principals. No third party interest shall be recognised notwithstanding that any one or both of them may be entering into the original contract on the instructions of a third party.
- (c) If the Buyer under an original contract is a Non-Clearing Participant and the Seller under that original contract is a Clearing Participant:

- (i) a new contract (“new contract”) will come into existence between the Non-Clearing Participant’s Nominating Participant as a Buyer to that original contract upon terms identical to those of the original contract and the other Clearing Participant will be Seller under that new contract; and
  - (ii) the original contract will be extinguished.
- (d) If the Seller under an original contract is a Non-Clearing Participant and the Buyer under that original contract is a Clearing Participant:
- (i) a new contract (“new contract”) will come into existence between the Non-Clearing Participant’s Nominating Participant as Seller to that new contract upon terms identical to those of the original contract and the other Clearing Participant will be Buyer under that new contract; and
  - (ii) the original contract will be extinguished.
- (e) If the Buyer under an original contract is a Non-Clearing Participant (“first Non-Clearing Participant”) and the Seller under that original contract is also a Non-Clearing Participant (“second Non-Clearing Participant”):
- (i) a new contract (“new contract”) will come into existence between the first Non-Clearing Participant’s Nominating Participant as Buyer to that original contract upon terms identical to those of the original contract and the second Non-Clearing Participant’s Nominating Participant will be Seller under that new contract; and
  - (ii) the original contract will be extinguished.

**Rule 701.3A**

The original contract or new contract (as the case may be) shall be presented to the Clearing House for registration in accordance with the Clearing House Rules, by way of an electronic data transmission or any other mode determined by the Exchange.

**Rule 701.4**

If existing Contracts are transferred to another Trading Participant in accordance with these Rules, then any related Client contract shall automatically be transferred to the same Trading Participant and the transferor Trading Participant shall pay to the transferee Trading Participant any margin or cover held in respect of that Client contract. All closing transactions shall be made through the same Trading Participant with whom the opening position is held. All Exercise Notices shall be lodged with the same Trading Participant with whom the opening position is held.

**Rule 702 Trading Days, Trading Sessions and Trading Hours**

**Rule 702.1**

- (a) Trading in Contracts shall be carried out in two (2) sessions everyday from Mondays to Fridays (except on any day that has been gazetted as a public holiday or any other day on which the Market is officially closed by the Exchange) or such other day(s) as may be determined by the Exchange.
- (b) The trading hours of each of the trading sessions and the trading phases stipulated in Rule 702A shall be determined by the Exchange and the same may be prescribed in the schedules, the Trading Procedures or in any other form deemed fit by the Exchange.

**Rule 702.2**

Notwithstanding any provisions in these Rules, the Exchange shall from time to time give or cause to be given to Participants directions as to the manner in which the Market is to be opened for trading by Participants.

### **Rule 702.3**

If there arise circumstances where in the opinion of the Exchange, the commencement of trading on any day is to be temporarily delayed, or trading should be temporarily suspended, in order to preserve an orderly market in accordance with the powers conferred to the Exchange under these Rules and the ~~Futures Industry~~ Capital Markets Services Act, the Exchange shall have the power to withhold from the Participants the facilities for trading or to suspend trading for the period of any such delay or suspension.

### **Rule 702A Manner of Trading**

#### **Rule 702A.1 Trading Phases**

- (a) Subject to the provisions of these Rules, all trading in Contracts shall be carried out in the phases stipulated in Rule 702A. The sequence of the trading phases shall be in the order set out hereinafter.
- (b) Notwithstanding Rule 702A.1(a), the Exchange may, at any time and from time to time as it deems fit, change the trading phases and the sequence of the trading phases.

#### **Rule 702A.2 Pre-Opening Phase**

- (a) The pre-opening phase is an order accumulation period during which orders may be entered by Participants into the ATS. However, there shall be no matching of orders during this phase.
- (b) Without prejudice to the rights of the Exchange under Rule 703.1A(c), Participants may modify or cancel any orders entered during this phase.
- (c) The ATS shall calculate the theoretical opening price ("TOP") based on such algorithm as may be prescribed by the Exchange in the Trading Procedures. The TOP shall be continuously updated and disseminated to Participants and any other parties as determined by the Exchange.

#### **Rule 702A.3 Opening Auction**

- (a) The opening auction is an order-matching phase during which orders maintained in the ATS are matched. During the opening auction, no new orders shall be entered and existing orders in the ATS shall not be modified or cancelled.
- (b) The opening price is the last TOP calculated at the pre-opening phase. Subject to Rule 703, orders maintained in the ATS at the opening auction are matched at the opening price in accordance with the principles for matching of orders as set out in Rule 704.
- (c) Where no TOP is or can be computed for any reason whatsoever, the price of the first order matched at the main trading phase shall be designated as the opening price.

#### **Rule 702A.4 Main Trading Phase**

- (a) During the main trading phase, Participants may enter new orders as well as modify or cancel orders entered, subject to the rights of the Exchange under Rule 703.1A(c).
- (b) All orders entered or maintained in the ATS at this phase shall be matched on a continuous basis in accordance with the principles for matching of orders as set out in Rule 704. For the purpose of this Rule, "continuous basis" means that orders shall be immediately considered for matching upon entry into the ATS, in accordance with the principles for matching of orders as set out in Rule 704.

- (c) All orders which are not matched immediately upon the entry of the orders into the ATS shall, subject to Rule 703, be maintained in the ATS for possible matching in accordance with the principles for matching of orders as set out in Rule 704.

#### **Rule 702A.5 Pre-Closing Phase**

- (a) The pre-closing phase is an order accumulation period during which orders may be entered by Participants into the ATS. However, there shall be no matching of orders during this phase.
- (b) Without prejudice to the rights of the Exchange under Rule 703.1A(c), Participants may modify or cancel any orders entered during this phase.
- (c) The ATS shall calculate the theoretical closing price (“TCP”) based on such algorithm as may be prescribed by the Exchange in the Trading Procedures. The TCP shall be continuously updated and disseminated to Participants and any other parties as determined by the Exchange.

#### **Rule 702A.6 Closing Auction**

- (a) The closing auction is an order-matching phase during which orders maintained in the ATS are matched. During the closing auction, no new orders shall be entered and existing orders in the ATS shall not be modified or cancelled.
- (b) The closing price is the last TCP calculated at the pre-closing phase. Subject to Rule 703, orders maintained in the ATS at the closing auction are matched at the closing price in accordance with the principles for matching of orders as set out in Rule 704.

#### **Rule 702A.7 Trading Procedures**

The Exchange may, at any time and from time to time issue Trading Procedures. All Participants shall be bound to comply with the Trading Procedures.

#### **Rule 702A.8 Trading Fees**

- (a) The Exchange shall be entitled to impose fees (“Trading Fees”) for each Contract bought or sold, whether the same results in an Open Position or a Closed Out trade.
- (b) The Trading Fees for the respective categories of Participants in relation to Contracts and each of the classes of Contracts, as the case may be, are as stipulated in Guideline 3.2, which may be varied from time to time by the Exchange.
- (c) The Exchange may impose other fees in addition to that stipulated in Guideline 3.2.
- (d) All Participants shall be bound to pay the Trading Fees or any other fees imposed by the Exchange pursuant to Rule 702A.8(c), in the manner determined by the Exchange.

#### **Rule 702B Trading Status**

##### **Rule 702B.1 Information on the Trading Status**

The Exchange may, in the manner stipulated in Rules 702B.2 and 702B.3, provide in the ATS, information as to whether orders in respect of a Contract or Contracts categorised within a group (“Contract Group”) as prescribed in the Trading Procedures, may be entered, modified, cancelled, matched and executed (“the Trading Status”). Participants shall be bound to give effect to the Trading Status.

##### **Rule 702B.2 Trading Status of a Contract Group**

- (a) Pursuant to Rule 702B.1, the Trading Status of a Contract Group shall be specified by the Exchange in any one of the following manner:

- (i) Authorised

When a Contract Group is specified as 'authorised', orders in relation to the Contract Group may be entered, modified, cancelled and matched.

- (ii) Interrupted

When a Contract Group is specified as "interrupted", orders in relation to the Contract Group may be entered, modified and cancelled but shall not be matched.

- (iii) Forbidden

When a Contract Group is specified as 'forbidden', orders in relation to the Contract Group shall not be entered, modified, cancelled and matched.

- (b) The circumstances in which a Contract Group shall be specified with any one of the Trading Status stipulated in Rule 702B.2(a), are prescribed in the Trading Procedures.

### **Rule 702B.3 Trading Status of a Contract**

- (a) Pursuant to Rule 702B.1, the Trading Status of a Contract shall comprise the following:

- (i) the general trading status of a Contract ("the General Trading Status"); and/or
- (ii) the current trading status of a Contract ("the Current Trading Status").

- (b) The General Trading Status of a Contract shall be specified by the Exchange in any one of the following manner:

- (i) Authorised  
When a Contract is specified as 'authorised', orders in respect of the Contract may be entered, modified, cancelled and matched.
- (ii) Forbidden

When a Contract is specified as 'forbidden', orders in respect of the Contract shall not be entered, modified and cancelled. All orders already entered shall not be matched or executed.

- (c) The Current Trading Status of a Contract shall be specified by the Exchange in any one of the following manner:

- (i) Open  
When a Contract is specified as 'open', orders in respect of the Contract may be entered, modified, cancelled and matched.
- (ii) Reserved  
When a Contract is specified as 'reserved', orders in respect of the Contract may be entered, modified and cancelled but not matched.
- (iii) Suspended  
When a Contract is specified as 'suspended', orders in respect of the Contract shall not be entered, modified, cancelled and matched.
- (iv) Frozen  
When a Contract is specified as 'frozen', orders in respect of the Contract shall not be entered, modified, cancelled and matched.

- (d) The circumstances in which a Contract shall be specified with any one of the Trading Status stipulated in Rules 702B.3(b) and 702B.3(c), are prescribed in the Trading Procedures.



## **Rule 703      Orders**

### **Rule 703.1A    General Terms and Conditions**

#### **Order Particulars**

- (a) All orders entered into the ATS shall contain such particulars or information as may be prescribed by the Exchange.

#### **Order Size**

- (b) All order sizes of Contracts entered into the ATS shall be as prescribed by the Exchange.

#### **Modification and Cancellation**

- (c) Any order entered into the ATS may be modified or cancelled by the Participant prior to the matching of the order, subject always to the rights of the Exchange not to allow for such modification or cancellation in circumstances it deems fit. The Exchange may in circumstances prescribed in these Rules or the Trading Procedures, cancel any order entered notwithstanding that the order has been matched or executed.

#### **Simultaneous Buying and Selling**

- (d) A Participant shall not simultaneously enter orders to buy and sell a same Contract, at the same price, for and on behalf of the same Client.

#### **Pre-Arranged Orders**

- (e) Unless determined otherwise by the Exchange, no Participants shall enter into the ATS orders, pursuant to a pre-arrangement where the orders of a particular Buyer are to be matched with the orders of a particular Seller when entered into the ATS, whether the Buyer or the Seller is the Participant itself or a Client of the Participant.

### **Rule 703.1    Types of Orders**

The following orders may be entered by Participants into the ATS:

- (a) Market Orders;
- (b) Limit Orders;
- (c) Stop Orders;
- (d) Market-on-Opening Orders;
- (e) Market-on-Closing Orders;
- (f) Market-to-Limit Orders; and
- (g) such other types of orders as may be introduced by the Exchange at any time and from time to time.

### **Rule 703.2    Market Orders**

- (a) A market order shall be matched at the best available prices to the fullest extent possible of the quantity of the market order entered immediately upon its entry into the ATS. Any remaining unexecuted quantity of the market order shall be cancelled. A market order which cannot be executed immediately upon its entry into the ATS shall also be cancelled.
- (b) Participants may enter market orders during the pre-opening, pre-closing and the main trading phases.

### **Rule 703.3 Limit Orders**

- (a) A limit order is an order which stipulates a maximum buy price or minimum sell price (“the Stipulated Price”). Limit orders shall be matched at the Stipulated Price or at a price better than the Stipulated Price.
- (b) Participants may enter limit orders during the pre-opening, pre-closing and the main trading phases.

### **Rule 703.4 Stop Orders**

- (a) A stop order is a buy or sell order that specifies a trigger price. The following are the types of stop orders:
  - (i) Stop-loss order; and
  - (ii) Stop-limit order.

For the purposes of this Rule, “trigger price” means the traded price at which the stop order shall be converted into a market order or a limit order, as the case may be.

- (b) During the main trading phase, where the trigger price specified in the stop order is reached, the following shall apply:
  - (i) In a stop-loss order, the stop-loss order shall be converted into a market order in the chronological order of time of the placement of the stop-loss order. The market order shall then be considered for matching in accordance with the principles for matching of orders as stipulated under Rule 704.
  - (ii) In a stop-limit order, the stop-limit order shall be converted into a limit order in the chronological order of time of the placement of the stop-limit order. The limit order shall then be considered for matching in accordance with the principles for matching of orders as stipulated under Rule 704.
- (c) Participants may enter stop orders during the pre-opening, pre-closing and the main trading phases.

### **Rule 703.5 Market-On-Opening Orders/Market-On-Closing Orders**

- (a) A market-on-opening order and market-on-closing order is an order with no price stipulation and may be entered into the ATS during the pre-opening and pre-closing phases respectively.
- (b) A market-on-opening order shall be matched at the opening price at the opening auction and a market-on-closing order shall be matched at the closing price at the closing auction. The remaining unexecuted quantity of the market-on-opening order and market-on-closing order, if any, shall be converted into a limit order at the opening and closing price respectively, of the particular Contract.

### **Rule 703.6 Market-To-Limit Orders**

- (a) A market-to-limit order is an order with no price stipulation. A buy market-to-limit order shall be matched immediately at the lowest sell price and a sell market-to-limit order shall be matched immediately at the highest buy price. Thereafter, any remaining unexecuted quantity of the market-to-limit order shall be converted into a limit order at the matched price.
- (b) A market-to-limit order which cannot be matched immediately upon its entry into the ATS, whether in part or in full, shall be cancelled by the ATS.
- (c) Participants may enter market-to-limit orders during the main trading phase only.

## **Rule 703.7     Validity Condition and Execution Condition**

### **Validity Condition**

- (a) Subject to the provisions of these Rules, any order entered into the ATS shall be maintained in the ATS for a duration (“validity condition”) specified by the Participant in accordance with Rule 703.7(b), which duration in any event shall not exceed 365 days.
- (b) A Participant may specify any one of the following validity conditions when entering an order into the ATS:
- (i) Good-for-session  

A good-for-session order is an order that is valid only up to the end of a particular trading session on any given Business Day.
  - (ii) Good-for-day  

A good-for-day order is an order that remains valid only up to the end of the Business Day.
  - (iii) Good-till-cancelled  

A good-till-cancelled order is an order that remains valid until the order is executed, cancelled or on the expiry of the delivery month(s) of the Contract to which the order relates.
  - (iv) Good-till-date  

A good-till date order is valid for a specific period and shall automatically lapse on the date specified or on the expiry of the delivery month(s) of the Contract to which the order relates, unless there is prior cancellation of the order.
- (c) Where a validity condition is not specified for an order entered into the ATS, the order shall be deemed to be a good-for-day order.

### **Execution Condition**

- (d) Subject to Rules 703.7(e) and 703.7(f), a Participant may specify any one of the following execution conditions when entering an order into the ATS:
- (i) Fill-and-kill  

An order specified with a fill-and-kill execution condition is an order which shall be executed to the fullest extent possible of the quantity of the order, immediately upon the entry of the order into the ATS. Any remaining unexecuted quantity of the order shall be cancelled. A fill-and-kill order which cannot be executed immediately upon the entry of the order into the ATS as stipulated above shall be cancelled. The fill-and-kill execution condition may be specified for all types of orders, save and except for stop-loss orders. Where a fill-and-kill execution condition is specified for a stop-limit order, the fill-and-kill execution condition shall only be activated when the trigger price of the stop-limit order is reached.
  - (ii) Minimum-quantity  

An order specified with a minimum-quantity execution condition is an order where a specified minimum quantity of the order shall be executed immediately upon entry of the order into the ATS, failing which the whole quantity of the order shall be cancelled. The minimum-quantity execution condition may be specified for market orders, limit orders and market-to-limit orders only. For limit orders and market-to-limit orders, in the event the specified minimum quantity of the order is executed, the remaining unexecuted quantity of the order shall be maintained in the ATS for

possible matching. As for market orders, in the event the specified minimum quantity of the order is executed, the remaining unexecuted quantity of the order shall be cancelled.

- (e) The minimum-quantity execution condition shall only be specified for orders entered during the main trading phase.
- (f) The fill-and-kill execution condition may be specified for orders entered during the pre-opening, main trading and pre-closing phase. Where the fill-and-kill execution condition is specified for orders entered during the pre-opening or pre-closing phase, such order shall be matched at the opening price or closing price, as the case may be.

#### **Rule 703.8 Strategy**

- (a) A strategy is a combination of a number of buy and/or sell orders of similar or different Contracts created within the framework of a single order.
- (b) The Exchange may prescribe in the Trading Procedures the criteria for defining a strategy, including but not limited to, the description of the type of strategy and the minimum and maximum number of the buy and/or sell orders of Contracts allowed to be combined within the framework of a single order, for the respective types of strategy.
- (c) Upon execution of a strategy, each of the buy and/or sell executed orders comprising the strategy and not the strategy itself shall be registered with the Clearing House in accordance with the Rules of the Clearing House.

#### **Rule 704 Order Matching**

##### **Rule 704.1**

- (a) Subject to the provisions in Rule 702A, each order entered into ATS during the trading hours as prescribed under Rule 702.1 shall be immediately considered for a possible match. The provisions of Rule 705 shall apply to all orders matched and executed in the ATS, notwithstanding that the matching and execution of the orders take place after trading hours.
- (b) Orders are matched in priority of price and then time. Market orders shall be given priority over other types of orders.
- (c) Price/Time priority:
  - (i) best price: A buy order at the highest price and a sell order at the lowest price has priority over other orders entered for the same Contract; and
  - (ii) earliest time-stamp: Each order receives a time stamp upon entry into the ATS. In the event that there are competing orders, or identical prices entered for the orders, the orders are matched in the order of time in which the orders are entered into the ATS. The time stamp given to an order entered into the ATS shall be changed in any of the following circumstances:
    - (aa) where the quantity of the order is increased;
    - (bb) where a change is made to the price of the order; or
    - (cc) where a change is made to the trigger price of the stop order.

#### **Rule 705 Inviolability of Contracts**

Without prejudice to the powers of the Exchange under Rules 703.1A(c) and 707, all orders executed through the ATS shall not be subject to any cancellation and shall be binding on Participants.

## **Rule 706 Trade Confirmation**

When an order is executed, a trade confirmation shall be generated in the ATS. It is the responsibility of the Participants to check the details of the Contract concluded and to advise the Exchange if an error has occurred by the start of trading on the Business Day after the transaction (T+1).

## **Rule 707 Trading Safeguards**

### **Rule 707.1 Price Limits**

- (a) The Exchange may stipulate in these Rules and/or in the Trading Procedures the maximum price ("upper limit") and the minimum price ("lower limit") at which an order in respect of a Contract may be entered.
- (b) No order of a Contract shall be entered above the upper limit or below the lower limit.
- (c) In the event a matching of an order in the ATS results in a breach of the upper limit or lower limit, the Exchange shall specify the Contract in respect of the order as 'frozen' in accordance with Rule 702B.3(c)(iv). The Exchange may thereafter take any action it deems appropriate, which may include but is not limited to, the cancellation of the relevant order.
- (d) The Exchange may from time to time change the upper limit and the lower limit of a Contract.

### **Rule 707.2 Cancellation of a Trade**

The Exchange may cancel any trade executed on the Market in the following circumstances:

- (a) where in the opinion of the Exchange, the trade executed in the ATS is in violation of the Rules and the Securities Laws;
- (b) where the Exchange is of the opinion, upon an application being made to the Exchange by a Participant, that there is a manifest material error in the trade executed by the Participant on the Market, provided always that both the Buyer and Seller consent to the cancellation of the trade executed and the relevant parties comply with all other requirements that may be imposed by the Exchange for the cancellation of the trade; or
- (c) where system failure or malfunction in the ATS has caused erroneous execution of trades in the ATS.

### **Rule 707.3 Cancellation of a Traded Price**

The Exchange may upon notification to the Commission, in the circumstances prescribed in any directives, notices or circulars issued by the Exchange, cancel a traded price, which has the effect of cancelling all trades at that price in the specified time interval.

### **Rule 707.4 Emergency Rules**

- (a) The Exchange may exercise its emergency powers in the event that there is reasonable cause to believe that any of the following ~~listed~~ circumstances or circumstances similar to the following exist:
  - (i) a situation exists which threatens the integrity, liquidity or orderly liquidation of any Contract;
  - (ii) a situation exists which threatens the financial integrity of the Market or its Participants;
  - (iii) a manipulation, manipulative activity, attempted manipulation, corner or squeeze is occurring or threatened;

- (iv) the liquidity of a Contract or its orderly liquidation is threatened by the concentration of positions in the hands of individuals who are or appear to be unable or unwilling to make or take delivery in the ordinary course; or
  - (v) an action of the Malaysian or any foreign government or authority is likely to have a direct and adverse impact on the integrity, liquidity and orderly liquidation of any Contract.
- (b) Upon determination by the Exchange under Rule 707.4(a) that an emergency has arisen or exists, the Exchange may, without prejudice to the generality of such powers, order that all or any of the following actions be taken or take any other action that may be appropriate to remedy the situation:
- (i) suspend trading on the Market;
  - (ii) suspend trading in a Contract;
  - (iii) limit trading to liquidation of Contracts;
  - (iv) order a Participant to transfer positions and associated collateral/ cash to another Participant;
  - (v) order liquidation of all or a portion of a Participant's Open Positions and/or those of his Clients;
  - (vi) confine trading in a Contract to a specified price range;
  - (vii) modify Business Day or trading hours;
  - (viii) alter terms and conditions of settlement including the power to order cash settlement in the case of deliverable Contracts;
  - (ix) impose higher financial requirements on a Participant;
  - (x) recommend to the Exchange the emergency settlement price for a Contract;
  - (xi) recommend to the Clearing House the transfer of any Participant's Open Positions;
  - (xii) suspend Participant's trading rights; and
  - (xiii) any other action deemed appropriate.
- (c) The Exchange shall, in the exercise of the powers under Rules 707.4(a) and 707.4(b), duly notify the Commission of any actions or decisions taken, including the justifications for such actions or decisions taken, as soon as reasonably possible.

**Rule 707.5 Physical Emergency**

- (a) In the event that the operations of the Market are, or are likely to be severely and adversely affected by a physical emergency, including but not limited to fire or transportation breakdowns, computer malfunctions, or other hazard, power failure, communication or similar disruptive events, the Exchange shall take any action necessary to deal with the emergency, including but not limited to, a suspension of trading.
- (b) When the physical emergency has abated sufficiently to permit the orderly functioning of the Market, the Exchange shall order trading to be restored or remove any restrictions, which were previously imposed.
- (c) Further, the Exchange may at its discretion order an extension of trading hours following a period of suspension made pursuant to Rule 707.5(a) above.
- (d) If the Exchange is of the opinion that non-immediate emergency action may be necessary, a meeting of the relevant committee of the Exchange shall be called to consider the emergency and take any action that the Exchange deems fit.

**Rule 707.6 Force Majeure**

If delivery or acceptance of an Instrument underlying a Contract or any precondition or requirement thereto is prevented by strike, fire, accident, act of Government of any nation, state, or territory, or any institution thereof, act of God, or other emergency, the seller or buyer or the Participant acting on their behalf, shall immediately notify the Exchange.

**Rule 707.7 Suspension of Trading in a Contract**

- (a) Trading of any Contract on the Market shall be halted or suspended whenever the Exchange deems such action appropriate in the interests of maintaining a fair and orderly market to protect investors. Among the factors that may be considered by the Exchange are that:
- (i) trading in the Instrument underlying the Contract has been halted or suspended in the Underlying Market;
  - (ii) the opening of trading in the Instrument in the Underlying Market has been delayed because of unusual circumstances; or
  - (iii) the Exchange has been advised that the issuer of the underlying Instrument is about to make an important announcement affecting such issuer.
- (b) Trading in any Contract that has been the subject of a suspension under Rule 707.7(a)(i) hereof may be resumed upon a determination of the Exchange that the conditions, which led to the suspension, are no longer present, or that the interests of maintaining a fair and orderly market are best served by a resumption of trading.

**Rule 707.8 Trading Participant Suspension etc.**

Where the trading rights of a Trading Participant or Associate Participant have been suspended or the Trading Participant or Associate Participant has been ordered not to trade in a particular Contract or in a specific class or classes of Contract, or the Trading Participant or Associate Participant has resigned, or the participation of the Trading Participant or Associate Participant has been suspended or terminated, or any other circumstances that the Exchange considers that such action is necessary:

- (a) the Exchange may direct, with the approval of the Clearing House:-
- (i) that all or any of the existing Contracts and/or Open Positions held by the Trading Participant's or Associate Participant's Proprietary Account and on behalf of its Clients be transferred to another Trading Participant, who shall be entitled to commission on any of those Open Positions. The Exchange may take all action in the name of the first-named Trading Participant or Associate Participant and to execute all documents and do all things necessary to give effect to such transfer; and/or
  - (ii) that all or any of the existing Contracts and/or Open Positions held by the Trading Participant's or Associate Participant's Proprietary Account be closed. The Exchange may take such action in the name of the Trading Participant or Associate Participant and to execute all documents and do all things necessary to give effect to such closing of the existing Contracts or Open Positions of the Trading Participant or Associate Participant; and/or
  - (iii) the liquidation of all or a portion of the existing Contracts and/or Open Positions held by the Trading Participant or Associate Participant on its Proprietary Account and/or on behalf of its Clients; and/or
  - (iv) that another Trading Participant trades at the instruction of the Exchange on behalf of the first-named Trading Participant or Associate Participant and such other Trading Participant shall accept and act on such request unless it shall have satisfied the Exchange that it has reasonable grounds for

declining to do so. All such business shall be transacted at such rate or rates of commission that is determined by the Exchange; and/or

- (v) that the Trading Participant or Associate Participant trades for liquidation purposes only.
- (b) The Exchange shall cause an appropriate announcement to be made to other Participants and to the public.

#### **Rule 707.9 Non-compliance**

A Participant who contravenes or fails to observe a decision of the Exchange under this Rule 707 shall be liable to disciplinary action as laid down in these Rules.

#### **Rule 708 Performance Rendered Impossible**

If the Clearing House in consultation with the Exchange determines that the performance under a Contract or delivery of Instruments shall become impossible through the suspension of trading in the Instrument on the Underlying Market or for any reason that may be deemed appropriate by the Clearing House in consultation with the Exchange, the Contract may be cash settled according to a settlement price which shall be determined according to the procedures agreed upon by both the Exchange and the Clearing House. The Exchange shall calculate the average of the transactions taken above, after disregarding the highest and lowest prices transacted. The average of the remaining prices rounded to the nearest whole sen shall be the settlement price. When the weighted average ends in 0.5, it shall be rounded upwards to the next whole sen.

#### **Rule 709 Duty to Report Unusual Activities**

- (a) Where, in the opinion of a Participant, there is unusual activity, transaction, or price change or there are other unusual market conditions or circumstances which are, with respect to any Contract, detrimental to the maintenance of a fair and orderly market, the Participant shall promptly make a report to the Exchange.
- (b) The Exchange shall in receiving such a report, duly notify the Commission of the same, as soon as reasonably possible.

#### **Rule 710 Non-liability of the Exchange**

##### **Rule 710.1**

The Exchange shall not be liable for any losses incurred due to interruption of its operations as a consequence of force majeure, riot, acts of war or natural disasters or other events for which the Exchange is not responsible or that may result from actions by governmental authorities locally or abroad. The same shall apply with respect to any loss or damage suffered by a Participant as a consequence of any act or omission on the part of the Exchange, in connection with the discharge or performance or purported discharge or performance of any duties under these Rules or any applicable law, including technical problems or of the full or partial unavailability of the Exchange's ATS, provided that such act or omission was done in good faith. ~~except if the damage was due to the Exchange's intentional conduct or gross negligence.~~

##### **Rule 710.2**

The Exchange shall not be liable for the accuracy and completeness of any information received and disseminated by it on the prices of underlying Instruments and other data received by it from third parties.



## **Rule 711 Trading on other Exchanges**

### **Rule 711.1**

- (a) Subject to Rule 711.2, a Participant shall not trade in contracts on another exchange, whether through a broker or participant of that other exchange, or otherwise, unless:
- (i) the other exchange has been approved to operate a futures market in accordance with the ~~Futures Industry Capital Markets Services~~ Act ("Other Exchange");
  - (ii) the other exchange has been prescribed as a ~~s~~Specified Exchange by the ~~Minister~~Exchange in relation to any or all of the approved classes of futures contracts in Appendix C in accordance with the Futures Industry Act ("Specified Exchange"); or
  - (iii) the Participant is a participant of the Other Exchange and/or Specified Exchange,
- and a prior notification in writing has been given to the Exchange.
- (b) A Trading Participant shall comply with the following terms and/or conditions when trading in contracts on the Other Exchange or Specified Exchange:
- (i) An Equity Financial Participant shall only trade in equity financial contracts on the Other Exchange or Specified Exchange;
  - (ii) A Non-Equity Financial Participant shall only trade in non-equity financial contracts on the Other Exchange or Specified Exchange;
  - (iii) A Commodity Participant shall only trade in commodity contracts on the Other Exchange or Specified Exchange; and
  - (iv) such other terms and/or conditions as may be prescribed by the Exchange from time to time.

### **Rule 711.2**

Where after a notification in writing has been given to the Exchange pursuant to Rule 711.1(a) and subject to compliance with any terms and condition as may be imposed by the Exchange, a Participant trades or proposes to trade in contracts on the Other Exchange or Specified Exchange whether in consequence of an order received from a Client or otherwise, the Participant shall:

- (a) if the Participant is also a participant of the Other Exchange or Specified Exchange, comply with the business rules of that Other Exchange or Specified Exchange in relation to such transactions; or
- (b) if the Participant is not a participant of the Other Exchange or Specified Exchange, transmit orders relating to such transactions to a participant of that Other Exchange or Specified Exchange for execution in accordance with the business rules of that Other Exchange or Specified Exchange.

### **Rule 711.3**

The Participant shall nevertheless call for margins in accordance with the rules of the clearing house of that exchange or as close to the principles of such rules as the circumstances require.

### **Rule 711.4**

For the purpose of this Rule, “contracts” means “futures contracts” as defined in the Futures Industry Capital Markets Services Act.

*(End of Business Rule 700)*

**SCHEDULE 1**  
**CLIENT AGREEMENT**

A Client Agreement shall contain provisions to the effect of such of the following clauses are as prescribed below. This schedule is to be used as the basis of establishing minimum agreements with Clients.

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**CLIENT AGREEMENT**

**AN AGREEMENT** made this

**BETWEEN**

\_\_\_\_\_ (“the Broker”)

**AND** the party whose name and address for service appears in Item 1 of Appendix 1 (“the Client”).

**WHEREAS**

- A. The Broker is a ~~licensed futures broker~~holder of Capital Markets Services Licence who carries on the business of regulated activity of trading in futures contracts under the ~~Futures Industry Capital Markets Services -Act 19932007~~ (“the Act”) and a Trading Participant of Bursa Malaysia Derivatives ~~Exchange~~ Berhad (“the Exchange”).
- B. The Client is desirous of maintaining an account with the Broker for the purposes of trading in futures contracts (as defined in the Act).
- C. Trades in futures contracts will be cleared through a clearing house appointed by the Exchange (“the Clearing House”).

**NOW THIS AGREEMENT witnesses as follows:-**

1. The Client appoints the Broker and the Broker accepts the appointment, upon the terms and conditions of this Agreement, as the Client’s broker in relation to trading in futures contracts and to maintain and operate accounts with the Broker in relation to trading in futures contracts.
2. *(The following provision is only to be inserted if the account is an absolute discretionary account)*  
  
*Subject to the terms of this Agreement, the Client hereby authorises the Broker to trade in futures contracts on behalf of the Client at the absolute discretion of the Broker and without further reference or approval by the Client.*
3. *(This provision is only to be inserted if the account is a limited discretionary account)*  
  
*Subject to the terms of this Agreement and any limitations contained in Appendix 2, the Client hereby authorises the Broker to trade in futures contracts on behalf of the Client at the Broker’s discretion. The Client may at any time by written notice instruct the Broker to change any of the limitations contained in Appendix 2 or transfer any open position to a non-discretionary account of the Client held with the Broker and acknowledges that any such instruction may result in losses to the Client.*
4. The Client shall pay commission and fees at such rates as is determined from time to time by the Exchange, or in the absence of such determination, at the rates as notified by the Broker to the Client in writing from time to time. All stamp duty, costs and expenses incurred for, or to be incurred on behalf of, the Client shall be paid by the Client as invoiced by the Broker.

5. The Client shall maintain with the Broker a deposit in the account as stated in item 2 of the Appendix 1 and pay such margins or lodge such securities (acceptable to the Broker) as may be required by the Broker from time to time in connection with the trading by the Client in futures contracts. The Client agrees and acknowledges :
- (a) that the Client's liability in respect of margin calls is not limited to the amount of the deposit;
  - (b) that the Broker may call for payment of a further deposit or margin (by whatever terms those obligations are described) or call for the lodgement of securities (acceptable to the Broker) as the Broker, in its absolute discretion feels is necessary to protect itself from the personal obligation incurred by dealing in futures contracts on behalf of the Client;
  - (c) that the time for payment of margins is of the essence and if no time is stipulated by the Broker prior to calling a margin then the Client is required to comply before the start of trading on the following day;
  - (d) that the liability to pay margin accrues at the time the margin requirement comes into existence regardless of when a call is made;
  - (e) that in respect of trading in options, the liability to pay the premium accrues at the time the trade is executed regardless of when a demand for payment of the same is made;
  - (f) that the Broker may (in accordance with the business rules of the Exchange) deem one hour a reasonable time to comply with a demand for payment of margins; and
  - (g) in relation to trades conducted on the Exchange and registered with the Clearing House on the Client's behalf, that the Client has no rights whether by way of subrogation or otherwise against any person or corporation other than the Broker.
6. The Client further agrees and acknowledges:
- (a) that the Client and Broker are bound by the Act the ~~Futures Industry Capital Markets and Services~~ —Regulations 2007 and any instrument issued in accordance with the Act, the business rules and customs, usages and practices of the Exchange, the business rules of the Clearing House and the customs, usages and practices of the Clearing House;
  - (b) that the Broker will be trading as a principal at all times (and accordingly be liable to the Exchange as such principal) notwithstanding that the Broker will be carrying out the instructions of the Client as the Client's agent. Any benefit or rights accruing to the Broker in relation to its dealings with the Exchange or in relation to any registration of a futures contract with the Clearing House is personal to the Broker and need not be passed by the Broker to the Client;
  - (c) that the Client will take all reasonable steps to obtain and communicate to the Broker all information and deliver or cause to be delivered to the Broker all documents with respect to dealings by the Client in futures contracts, which are requested by the Exchange or the Clearing House and also authorises the Broker to produce the information or documents to the requesting party;
  - (d) that dealing in futures contracts may create an obligation to give or take delivery or make cash settlement in accordance with the terms of trading of such futures contracts;
  - (e) that the Client has the power and all the requisite approvals to enter into the Agreement with the Broker and to trade in futures contracts;

- (f) that the Broker has the right (subject to section 50 of the Act), either on its own account or on behalf of other Clients, to take opposite positions to the positions taken by the Client in futures contracts;
  - (g) that the Client's conversations with the Broker may be recorded by the Broker or the Exchange, provided that the Client may listen to any recording in the event of a dispute or anticipated dispute;
  - (h) that should the Broker have notice of any act of bankruptcy of the Client (in the case of an individual) or of the presentation of any petition for the winding-up of the Client (in the case of a corporate Client) or should the Client fail to meet any call for payment of deposit, premium or margin (or to lodge any securities acceptable to the Broker) then the Broker may (without prejudice to any other rights or powers available to it) in its absolute discretion, and without creating an obligation to do so, close out without notice, all or some of the Client's futures contracts;
  - (i) that the Client is responsible to pay in cash any deficit owing to the Broker after close out of any of the Client's futures contracts or closure of the Client's account and that if the Client defaults in payment of such deficit, the Broker may realize any deposit and securities held by the Broker and apply the proceeds against the deficiency;
  - (j) that the Broker reserves the right to refuse to deal on behalf of the Client in relation to any dealings, in futures contract (other than closing out existing positions held on behalf of the Client) or limit the number of open positions held on behalf of the Client or both. The Broker will however, inform the Client of any refusal at or before the time of the Client placing any further orders with the Broker, or, as soon as possible thereafter;
  - (k) that the deposit, margin and any securities deposited with the Broker may be utilised in meeting any obligations of the Client or obligations incurred by the Broker in dealing in futures contracts on behalf of the Client, in respect of futures contracts traded by or on behalf of the Client and registered with the Clearing House;
  - (l) that the Broker, its directors, agents, employees or persons related to any of the foregoing may trade in futures contracts on their own account;
  - (m) that the Client agrees to abide by any position and exercise limits set by the Exchange or Clearing House as notified by the Broker to the Client;
  - (n) that the Broker will incur a personal obligation when dealing in contracts on behalf of the Client;
  - (o) that each employee and Registered Representative of the Broker acts as the agent of the Broker in connection with the Broker's business of trading in futures contracts and the Broker is liable for all such acts of the agent; and
  - (p) that the Agreement cannot be varied or added to without the prior written consent of the Client and the Broker.
7. Either party may terminate this Agreement at any time by giving the other notice in writing to that effect. Upon termination of the Agreement, unless otherwise agreed in writing, the Broker will Close Out all the Client's futures contracts and Close Out abandon and exercise any options not yet exercised.
8. The Client in relation to dealings on the Exchange appoints the Chief Executive Officer of the Clearing House as the Client's attorney(and/or agent) to do all things necessary to transfer any open positions held by the Broker on the Client's behalf to another Broker where the participants of the Broker has been suspended or terminated.
9. The Client acknowledges receipt of a risk disclosure statement from the Broker and the execution of a duplicate of that risk disclosure statement after reading (or explanation by the Broker) and understanding the same. The Client states that the

Client has considered the Client's own objectives, financial situation, needs and risks involved and has formed the opinion that dealing in futures contracts is suitable for the Client.

**IN WITNESS WHEREOF** the parties hereto have set their hands the day and year first abovewritten.

Signed by )  
In the presence of )

Signed by )  
In the presence of )

**Appendix 1**

1.	Item Name and address for service of Client	
2.	Deposit Amount	

**Appendix 2**  
*(for limited discretionary accounts)*

1. Limitation on Broker's Discretion

End of Agreement

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*(End of Schedule 1)*



**SCHEDULE 1A**  
**BROKERAGE EXECUTION**  
**SERVICES AGREEMENT**

A Brokerage Execution Services Agreement shall contain provisions to the effect of such of the following clauses are as prescribed below. This schedule is to be used as the basis of establishing minimum agreements between the Executing Broker, the Clearing Broker and the Client.

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**BROKERAGE EXECUTION SERVICES AGREEMENT**

**AN AGREEMENT** made this \_\_\_\_\_ day \_\_\_\_\_, 200\_, by and among,  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_ (“Executing Broker”),  
\_\_\_\_\_  
\_\_\_\_\_ (“Clearing Broker”) and  
\_\_\_\_\_ (“Client”)

**WHEREAS**

- A. the Client desires to execute orders in futures contracts through the Executing Broker for give-up to the Clearing Broker.
- B. The Executing Broker agrees to execute such orders in accordance with the Client’s instruction and give up such matched orders (hereinafter called “contracts”) to the Clearing Broker pursuant to the terms of this agreement.
- C. The Clearing Broker, if it accepts such give-up, agrees to clear the contracts and maintain such contracts in the Client’s account which the Clearing Broker has agreed to carry and maintain pursuant to the Client Agreement entered into between the Client and the Clearing Broker (hereinafter referred to as “the Client Agreement”).

**NOW THIS AGREEMENT** witnesses as follows:-

**1. DEFINITIONS AND INTERPRETATION**

The Act	:	The <del>Futures Industry Capital Markets Services</del> Act <del>1993</del> 2007 and any modifications, variations or amendments made from time to time and any regulations made thereunder
Business Rules of the Exchange	:	Business Rules, regulations and procedures and manuals of the Exchange as issued and amended from time to time
Business Rules of the Clearing House	:	Business Rules, regulations and procedures and manuals of the Clearing House as issued and amended from time to time
Clearing House	:	Bursa Malaysia Derivatives Clearing Berhad and/or any other clearing house approved under the Act and appointed by the Exchange to act as a clearing house for the Exchange
Exchange	:	Bursa Malaysia Derivatives Berhad

Proprietary Account : As defined in the Business Rules of the Exchange.

## 2. **CLIENT'S ACKNOWLEDGMENT**

The Client agrees and acknowledges that:

- (a) all parties to this Agreement are bound by the Act, Business Rules of the Exchange, Business Rules of the Clearing House and the customs, usage and practices of the Exchange and the Clearing House;
- (b) the Client understands and has executed the risk disclosure statement appended to this Agreement as required by the Act and the Business Rules of the Exchange;
- (c) the Client's conversation with the Executing Broker may be recorded by the Executing Broker or the Exchange, provided that the Client may listen to any recording in the event of a dispute or anticipated dispute; and
- (d) the Executing Broker, acting as principal or on its Proprietary Account or on behalf of another Client, may take the opposite position to the Client in futures contract subject to provisions under the Act.

## 3. **CLIENT'S OBLIGATIONS**

- 3.1 The Client shall by itself or through its authorised representative instruct the Executing Broker to place orders on the Exchange.
- 3.2 The Client shall be responsible for giving accurate instructions for the placement of the orders with and to the Executing Broker.

## 4. **EXECUTING BROKER'S OBLIGATIONS**

- 4.1 For each order in futures contract executed by the Executing Broker at the request of the Client, the Executing Broker will:
  - (a) confirm to Client that the order has been executed, including the quantity and price of the order, and in addition to any other information requested by Client;
  - (b) be responsible for the accuracy of the execution of such order and shall be solely responsible for any and all errors that may occur in connection therewith;
  - (c) to do all that is necessary to ensure that such contract resulting from the said order will be given-up to the Clearing Broker; and
  - (d) be liable for any or all of the defaults by the Client until the time the Executing Broker has given up such contracts to the Clearing Broker and the Clearing Broker has confirmed its acceptance to take up such contracts.
- 4.2 The Executing Broker may refuse to accept orders on behalf of the Client in relation to trading in futures contract, or may limit the number of open positions held on behalf of the Client or both. The Executing Broker will however, inform the Client of any refusal at or before the time of the Client placing any further orders with the Executing Broker, or as soon as possible thereafter.
- 4.3 The Executing Broker may appoint any of its employees and registered representatives to act as agents of the Executing Broker in connection with the Executing Broker's business of trading in futures contracts and the Executing Broker is liable for all such acts of the agents of the Executing Broker.

5. **CLEARING BROKER'S OBLIGATIONS**

- 5.1 The Clearing Broker may place limits or conditions on the positions it will accept for give-up for the Client's account, subject always to prior written notice being given to the Client and the Executing Broker.
- 5.2 Subject to Clause 5.1 above, the Clearing Broker shall be responsible for clearing all contracts executed by the Executing Broker on behalf of or on the instructions of the Client.
- 5.3 The clearing of the Client's contracts pursuant to Clause 5.2 shall be in accordance with the terms and conditions in the Client Agreement which terms and conditions shall be incorporated into this Agreement by inference.

6. **REFUSAL TO CLEAR**

- 6.1 In the event that the Clearing Broker does not, for any reason, accept a contract transmitted to it by the Executing Broker, the Clearing Broker shall promptly notify the Client and the Executing Broker of such non-acceptance, and the Executing Broker shall be entitled:
- (a) to clear the contracts subject to the following provisions:
- (i) the Client and Executing Broker shall enter into a client agreement as provided in the Business Rules of the Exchange;
  - (ii) the Client shall be fully liable for any and all obligations arising out of or related to the trading by or on behalf of the Client by the Executing Broker, including but not limited to chargeable commission and fees as determined by the Exchange and the Clearing House, all stamp duty, costs and expenses incurred for, or to be incurred on behalf of the Client;
  - (iii) the Executing Broker shall have the right to call for margins in such amounts, in such form, by such time and in such manner as the Executing Broker, at its discretion (subject always to the relevant Exchange and Clearing House rules), feels necessary to protect itself from the personal obligation incurred by dealing in futures contract on behalf of the Client; and
  - (iv) the Client is aware and acknowledges that trading in futures contracts may create an obligation to give or take delivery or make cash settlement in accordance with the terms of trading of such futures contracts; or
- (b) to transfer the Client's contract to another Clearing Broker pursuant to the Client's instruction; or
- (c) to execute orders resulting in a closing out of open positions in such manner that the Executing Broker may determine and the Executing Broker shall promptly notify the Client of such close out. Any balance resulting from such close out shall be promptly settled between the Executing Broker and the Client.

7. **FEES**

- 7.1 The Executing Broker will, where applicable, bill commissions for executing orders, as elected in Clause 7.3 below, on a monthly basis. The Client or the Clearing Broker, as

elected in Clause 7.3 below, shall be responsible for verifying billing and making payment. The Clearing Broker will pay all Exchange and Clearing House fees, incurred for all transaction executed by the Executing Broker for and behalf of the Client and subsequently given up to the Clearing Broker.

7.2 The Executing Broker will, where applicable, bill the Client for clearing contracts, in the amount of the standard fee payable for the clearing of contracts, in the event that the Clearing Broker does not accept a contract executed by the Executing Broker and the Executing Broker clears the contract in accordance with Clause 6.

7.3 The Executing Broker will, where applicable, bill commissions in the amount of \_\_\_\_\_ per contract per half turn to the Client/Clearing Broker. *[delete where appropriate].*

8. **CONTRACT NOTES AND MONTHLY STATEMENTS**

8.1 The Clearing Broker shall be responsible for the furnishing to the Client contract notes for all the orders executed under this Agreement and shall also be responsible for providing the Client with monthly statements as required by the Act and the Business Rules of the Exchange.

8.2 In the event of a refusal by the Clearing Broker to clear any contract for the Client, and the Executing Broker clears the contract in accordance with clause 6, the Executing Broker shall furnish the Client with a statement containing the same information that is required to be contained in a monthly statement furnished by a Broker in accordance with the Act and the Business Rules of the Exchange.

9. **TERMINATION**

Any party may terminate this Agreement at any time by giving the other notice in writing to that effect. Any such termination shall have no effect upon any party's rights and obligations arising out of any transaction executed prior to such termination.

10. **EFFECT**

This Agreement shall not amend or vary the Client Agreement and if there is any inconsistency between this Agreement and the Client Agreement, the Client Agreement shall prevail.

11. **CHOICE OF LAW**

This Agreement shall be exclusively governed by and construed in accordance with the laws of Malaysia.

12. **DISPUTE**

All the parties hereby agree that any disputes relating to the execution and clearing of contracts pursuant to and under this Agreement shall be subject to the jurisdiction of the Exchange and where applicable, the Clearing House upon which the dispute arises. The parties to this Agreement shall perform their respective obligations and exercise their respective rights under this Agreement using their judgment in a reasonable manner under the circumstances.

**IN WITNESS WHEREOF** the parties hereto have set their hands the day and year first abovewritten.

Signed by ]  
 ]  
 ]  
 Client ]  
 in the presence of : ]

Signed by ]  
 ]  
 for and on behalf of ]  
 the Executing Broker ]  
 in the presence of : ]

Signed by ]  
 ]  
 for and on behalf of ]  
 the Clearing Broker ]  
 in the presence of : ]

**Appendix I**  
**Risk Disclosure Document**

End of Agreement

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*(End of Schedule 1A)*



## **SCHEDULE 2**

### **RISK ASSOCIATED WITH FUTURES CONTRACT**

This Risk Disclosure Statement is as prescribed in the [Futures Industry Capital Markets and Services – Regulations 2007](#). All Trading Participants must furnish to all clients a document containing at minimum the terms prescribed in the following statement.

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This brief statement does not disclose all of the risks and other significant aspects of trading in futures contracts. In light of the risks, you should undertake such transactions only if you understand the nature of the futures contracts (and contractual relationships) into which you are entering and the extent of your exposure to risk. Trading in futures contracts is not suitable for many members of the public. You should carefully consider whether trading is appropriate for you in light of your experience, objectives, financial resources and other relevant circumstances.

#### **RISKS ASSOCIATED WITH FUTURES CONTRACTS**

##### **1. Effect of “Leverage” or “Gearing”**

Transactions in futures contracts carry a high degree of risk. The amount of initial margin is small relative to the value of the futures contract so that transactions are “leveraged” or “geared”. A relatively small market movement will have proportionately larger impact on the funds you have deposited or will have to deposit - this may work against you as well as for you. You may sustain a total loss of initial margin funds and any additional funds deposited with the [Futures-Broker](#) to maintain your position. If the market moves against your position or margin levels are increased you may be called upon to pay substantial additional funds on short notice to maintain your position. If you fail to comply with a request for additional funds within the time prescribed, your position may be liquidated at a loss as you will be liable for any resulting deficit.

##### **2. Risk-reducing Orders or Strategies**

The placing of certain orders (e.g. “stop-loss” orders, where permitted under the business rules of an exchange company) which are intended to limit losses to certain amounts may not be effective because market conditions may make it impossible to execute such orders. Strategies using combinations of positions, such as “spread” and “straddle” positions may be as risky as taking simple “long” or “short” positions.

##### **3. Terms and Conditions of Contracts**

You should ask the [Futures Broker](#) with which you deal about the terms and conditions of the specific futures contracts which you are trading and associated obligations (e.g. the circumstances under which you may become obligated to make or take delivery of the underlying instrument of a futures contract and, in respect of futures contracts that are eligible exchange-traded options or futures options (“options”), expiration dates and restrictions on the time for exercise). Under certain circumstances the specifications of outstanding contracts (including the exercise price of an option) may be modified by the Exchange or clearing house to reflect changes in the underlying instrument or state of affairs that is the subject of the futures contract.



#### **4. Suspension or Restriction of Trading and Pricing Relationship**

Market conditions (e.g. illiquidity) and/or the operation of the rules of certain markets (e.g. the suspension of trading in any contract or contract month because of price limits or “circuit breakers”) may increase the risk of loss by making it difficult or impossible to effect transactions or liquidate/offset positions. If you have sold options, this may increase the risk of loss.

Further, normal pricing relationships between the underlying that is the subject of a futures contract and the futures contract, may not exist. This can occur when, for example, the absence of an underlying reference price may make it difficult to judge “fair” value.

#### **5. Deposited Cash and Securities**

You should familiarise yourself with the protections accorded to money or other securities you deposit, particularly in the event of a [Futures Broker's](#) insolvency or bankruptcy. The extent to which you may recover your money or securities may be governed by specific legislation.

#### **6. Commission and Other Charges**

Before you begin to trade, you should obtain a clear explanation of all commission, fees and other charges for which you will be liable. These charges will affect your net profit (if any) or increases your loss.

#### **7. Currency Risks**

The profit or loss in transactions in foreign currency-denominated contracts will be affected by fluctuations in currency rates where there is a need to convert from the currency denomination of the contract to another currency.

#### **8. Trading Facilities**

Most open-outcry and electronic trading facilities are supported by computer-based component systems for the order-routing, execution, matching, registration or clearing of trades. As with all facilities and systems, they are vulnerable to temporary disruption or failure. Your ability to recover certain losses may be subject to limits on liability imposed by the system provider, the market, the clearing house and/or [Futures Brokers](#). Such limits may vary - you should ask the [Futures Broker](#) with which you deal for details in this respect.

#### **9. Electronic Trading**

Trading on an electronic trading system may differ not only from trading in an open-outcry market but also from trading on other electronic trading systems. If you undertake transactions on an electronic trading system, you will be exposed to risks associated with the system including the failure of hardware and software. The result of any system failure may be that your order is either not executed according to your instructions or is not executed at all.

**ADDITIONAL RISKS ASSOCIATED WITH OPTIONS**

**10. Variable Degree of Risk**

Transactions in options carry a high degree of risk. Purchasers and sellers of options should familiarise themselves with the type of option (i.e. put or call) which they contemplate trading and the associated risks. You should calculate the extent to which the value of the options must increase for your position to become profitable, taking into account the premium and all transaction costs.

The purchaser of options may offset or exercise the options or allow the options to expire. The exercise of an option results either in a cash settlement or in the purchaser acquiring or delivering the underlying instrument. If the option is on a futures contract, the purchaser will acquire a long position or short position (as the case may be) in relation to the futures contract, with associated liabilities for margin. If the purchased options expire worthless, you will suffer a total loss of your investment (which is the option premium) in addition to incurring transaction costs. If you are contemplating purchasing deep-out-of-the-money options, you should be aware that the chance of such options becoming profitable ordinarily is remote.

Selling (“writing” or “granting”) an option generally entails considerably greater risk than purchasing options. Although the premium received by a seller is fixed, the seller may sustain a loss well in excess of that amount. The seller will be liable for additional margin to maintain the position if the market moves unfavourably. The seller will also be exposed to the risk of the purchaser exercising the option and the seller will be obligated to either settle the option in cash or to acquire or deliver the underlying instrument. If the option is on a futures contract, the seller will acquire a position in the futures contract with associated liabilities for margin. If the option is “covered”, for example by the seller assuming a corresponding long position in the underlying that is the subject of the option, the risk may be reduced. If the option is not covered, the risk of loss can be unlimited.

I hereby acknowledge that I have received and understood this risk disclosure statement.

\_\_\_\_\_  
Date

\_\_\_\_\_  
Signature of Client

End of Document

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*(End of Schedule 2)*

**SCHEDULE 3**  
**POSITION LIMITS**

**3.1 POSITION LIMITS**

**3.1.1 Position Limits for Client or Participant**

**3.1.1.1 Stock Option Contract**

With regard to Stock Option Contract, the Exchange has decided on a three (3) tiered speculative position limit whereby no Client or a Participant, acting alone or in concert with others, directly or indirectly, own or control an aggregate position in excess of this limit on the same side of the Market in all contract months combined. For this purpose, a long Call Option and a short Put Option are on the same side of the Market; similarly a short Call Option and a long Put Option are on the same side of the Market.

The three (3) tiered speculative position limits shall be based on the following criteria:

<b>Past Six (6) Months Trading Volume For The Underlying Market</b>		<b>Underlying Market Free Float</b>	<b>Position Limit</b>
More than 45 million	and	More than 500 million	5,000
	or		
More than 60 million	and	More than 250 million	5,000

<b>Past Six (6) Months Trading Volume For The Underlying Market</b>		<b>Underlying Market Free Float</b>	<b>Position Limit</b>
More than 45 million	and	More than 250 million	2,500
	or		
More than 60 million	and	250 million or less	2,500
	or		
45 million or less	and	More than 500 million	2,500
None of the above			1,000

The above criteria used in determining the position limit shall be subject to review every six (6) months by the Exchange. The Exchange also reserves the right to change the position limits, with the approval of the Commission, as and when it deems appropriate based on prevailing market condition.

**3.1.1.2 Stock Index Futures Contract**

The Exchange has decided that for Stock Index Futures contract, no one Client or Participant acting alone or in concert with others, shall directly or indirectly own or control more than 10,000 contracts net long or net short for all contract months combined.

**3.1.1.3 Stock Index Option Contract**

The Exchange has decided that for Stock Index Option Contract, no Client or Participant acting alone or in concert with others, directly or indirectly own or control more than 5,000 Contracts on the same side of the Market in all contract months combined.

For this purpose, a long Call Option and a short Put Option would be on the same side of the Market; similarly a short Call Option and a long Put Option are on the same side of the Market.

#### **3.1.1.4 Three Month KLIBOR Futures Contracts**

A Client or a Participant acting alone or in concert with others shall not own or control an open position of more than 5,000 contracts net long or net short in all contract months combined.

#### **3.1.1.5 CPO Futures Contracts**

The maximum number of net long or net short positions which a Client or a Participant may hold or control is:

- (1) 500 contracts for spot month;
- (2) 5,000 contracts for any one delivery month except for spot month; and
- (3) 8,000 contracts for all months combined,

or such other number as may be determined by the Commission pursuant to Section [55101](#) of the [Futures Industry Capital Markets Services Act 1993](#).

#### **3.1.1.6 5-year MGS Futures Contract**

The maximum number of net long or net short positions which a Client or a Participant may hold or control in any one quarterly month or all months combined shall be 10,000 contracts or such other number as may be determined by the Commission pursuant to Section [55101](#) of the [Futures Industry Capital Markets Services Act 1993](#).

#### **3.1.1.7 3-year MGS Futures Contract**

The maximum number of net long or net short positions which a Client or a Participant may hold or control in any one quarterly month or all months combined shall be 10,000 contracts or such other number as may be determined by the Commission pursuant to Section [55101](#) of the [Futures Industry Capital Markets Services Act 1993](#).

#### **3.1.1.8 10-year MGS Futures Contract**

The maximum number of net long or net short positions which a Client or a Participant may hold or control in any one quarterly month or all months combined shall be 10,000 contracts or such other number as may be determined by the Commission pursuant to Section [55101](#) of the [Futures Industry Act Capital Markets Services Act 1993](#).

### **3.1.1.9 CPKO Contracts**

The maximum number of net long or net short positions which a Client or a Participant may hold or control in:

- (1) 250 contracts for spot month;
- (2) 1,000 contracts for any one delivery month except for spot month; and
- (3) 1,500 contracts for all months combined or such other number as may be determined by the Commission pursuant to Section [55101](#) of the ~~Futures Industry Act~~ [Capital Markets Services Act 1993](#).

### **3.1.1.10 Single Stock Futures Contract**

The maximum number of net long or net short positions which a Client or a Participant may hold or control in any month or all months combined shall be 1,350 Contracts or 2,300 Contracts (if Average Daily Trading Volume of the underlying stocks is more than 20 million units of stocks for the most recent six-month period) for each individual Single Stock Futures Contract or such other number as may be determined by the Commission or the Exchange, with the approval of the Commission pursuant to Section [55101](#) of the ~~Futures Industry Act~~ [Capital Markets Services Act 1993](#).

## **3.1.2 Position Limits for Market Makers**

### **3.1.2.1**

Market makers shall be granted twice the standard position limit as stipulated in Schedule 3.1.1.

### **3.1.2.2 Temporary Exemption for Market Makers**

Market makers may seek an exemption to the standard position limit in the Contracts traded on the Exchange for the purpose of assuring that there is sufficient depth and liquidity in the marketplace. The market makers are required to submit to the Exchange a written request seeking approval for the exemption and must state the specific reasons why an exemption should be granted.

## **3.1.3 Exemption for Bona Fide Hedging Transactions**

### **3.1.3.1**

Positions in Contracts which result from bona fide hedging transactions shall not be included in the computation of positions restricted by position limits of any accounts if the Trading Participant maintaining such positions has received prior approval from the Exchange to exempt such bona fide hedging transactions.

### **3.1.3.2**

The Exchange may allow persons desiring to carry net of all gross open positions in excess of the position limits if the open positions held are for hedging and the proposed open position will also be for hedging.

### **3.1.3.2A**

The Exchange may require that brokers of Trading Participants to procure from its clients details of exposure to the underlying market to justify the granting of the exemption for hedging purposes.

### **3.1.3.3**

Hedging with Stock Index Futures or Stock Index Option Contracts will only qualify for exemption if the underlying stock portfolio meets the following requirements:

- a) the underlying stock portfolio contains at least ten (10) Kuala Lumpur Composite Index (KLCI) stocks and none of these stocks can account for more than twenty per cent (20%) of the total value of the underlying stock portfolio; and
- b) the underlying stock portfolio comprises of stocks in at least three (3) industry groups.

Provided always the Exchange reserves the right to approve other underlying stock portfolio that may not meet the above requirements, if it is of the opinion that the underlying stock portfolio does represent a bona fide hedge.

#### **3.1.4**

*[This paragraph has been deleted]*

#### **3.1.5 Limit on Uncovered Short Positions for Stock Option Contract**

The uncovered short in the money positions for Stock Option Contract on a market wide basis shall not be more than ten (10) percent of the underlying free float, or any other percentage as may be determined by the Exchange in light of the prevailing market condition in the Market and Underlying Market. In event if this limit is breached, the Exchange may prohibit any further opening writing transactions in that class of options, or it may prohibit the uncovering of any existing covered Short Positions in one or more series of that class of options.

#### **3.1.6 Imposition of Fine for Violation of Position Limits**

Notwithstanding any provisions contained herein on the violation of these Rules, Trading Participants or Associate Participants who are in violation of position limits shall be liable to a maximum fine of RM1,000 per Contract over the limit, be ordered to limit trading to liquidation only and/or other action deemed appropriate by the Compliance Sub-Committee

### **3.2 EXERCISE LIMITS**

#### **3.2.1**

The Exchange has determined that the exercise limits for Stock Index Option Contract and Stock Option Contract shall be equivalent to the position limits.

For Stock Option Contract, no Client, or a Participant, acting alone or in concert, directly or indirectly, can exercise more than the exercise limits within any five (5) consecutive Business Days its aggregate Long Positions for all contract months combined.

#### **3.2.2 Imposition of Fine for Violation of Exercise Limits**

Trading Participants or Associate Participants who are in violation of exercise limits shall be liable to a maximum fine of RM1,000 per Contract over the limit and/or other action deemed appropriate by the Exchange.

### **3.3 EXEMPTION FROM POSITION LIMITS AN EXERCISE LIMITS**

#### **3.3.1**

A Participant may allow a Client who maintains an omnibus account to hold position limits and/or exercise limits that exceeds the position limits and/or exercise limits prescribed in this Schedule subject to the following conditions –

- (a) that the Participant is satisfied as to the financial probity of the Client;
- (b) that the position limits and/or exercise limits of each of the Underlying Clients in the omnibus account shall not exceed the position limits and/or exercise limits prescribed in this Schedule; and
- (c) any other terms or conditions that may be prescribed by the Exchange from time to time.

### **3.3.2**

Upon granting the exemption under Schedule 3.3.1, the Participant shall notify the Exchange of the following –

- (a) that the conditions set out in Schedule 3.3.1 above have been complied with;
- (b) details of the omnibus account which includes the identity of the Client and the Underlying Clients; and
- (c) any other information as may be requested by the Exchange from time to time.

### **3.3.3**

The Exchange may revoke the exemption granted by the Participant herewith, in the event that the Exchange is of the view that the provisions set out in Schedule 3.3 are not complied with or as it deems fit.

### **3.3.4**

Where an exemption has been granted pursuant to Schedule 3.3.1, any provisions in these Rules in relation to position limits and/or exercise limits including any provisions relating to a breach thereof, that are applicable to a Client, whether directly or indirectly (“the relevant provisions”) shall also be applicable to each of the Underlying Clients and in this respect all actions of each of the Underlying Clients shall be construed to be the actions of the Client. For the avoidance of doubt, where the word ‘Client’ is used in any of the relevant provisions, it shall be construed to include the Underlying Clients.

### **3.3.5**

The Participant shall ensure that an omnibus account which has been granted exemption under Schedule 3.3.1 shall be identified as such in the books and records of the Participant.

### **3.3.6**

For the purpose of this Schedule, reference to the following terms shall be construed as follows –

- (a) ‘omnibus account’ means a Client Account utilised by a Client for the trading of Contracts and Options for the Underlying Clients of the Client.
- (b) ‘Underlying Clients’ means the persons whom the Client is trading in Contracts and Options for.

*(End of Schedule 3)*

**Appendix C**

**List of Specified Exchanges and the Approved Classes of Futures Contract**

<b>Item No.</b>	<b>Country</b>	<b>Futures Market</b>	<b>Approved Classes of Futures Contracts</b>
1.	United States of America	Chicago Board of Trade	30 Year U.S. Treasury Bonds Futures, 30 Year U.S. Treasury Bond Options, 5 Year Treasury Notes Futures, 5 year Treasury Notes Options. 10 Year U.S. Treasury Notes Futures, 10 Year U.S. Treasury Note Options, 2 Year U.S. Treasury Notes Futures, Soybean Options, Soybean Oil Options, Soybean Meal Options, Corn Options, Wheat Options, Dow Jones Industrial Average \$10 Futures, Dow Jones Industrial Average \$10 Options, Mini-sized Dow (\$5) Futures, Mini-sized Dow (\$5) Options, Mini-sized Soybean Futures, Mini-sized Corn Futures, Mini-sized Wheat Futures, Wheat Futures, Corn Futures, Soybean Futures, Soybean Meal Futures, Soybean Oil Futures, Oats Futures
		Chicago Mercantile Exchange	NASDAQ 100 Futures, NASDAQ 100 Options, Nikkei 225 (\$) Futures, Nikkei 225 (\$) Options, B-Mini NASDAQ 100 Futures, S&P 50 Futures, S&P 500 Options, Euro Yen Futures, Japanese Yen Futures, Japanese Yen Options, Euro FX Futures, Euro FX Options, British Pound Futures, British Pound Options, Australian Dollar Futures, Australian Dollar Options, Swiss Franc Futures, Swiss Franc Options, Eurodollar Futures, Eurodollar Options, Random Length Lumber Futures, Lean Hogs Futures, Frozen Pork Bellies Futures, Feeder Cattle Futures, Live Cattle Futures, Live Cattle Options, Feeder Cattle Options
		New York Board Of Trade	Cocoa Options, Cotton Options, Coffee Options, Sugar No. 11 Futures Cocoa Futures, Coffee Futures, Cotton No. 2 Futures
		New York Mercantile Exchange	Light, Sweet Crude Oil Futures, Light, Sweet Crude Oil Options, Heating Oil Options, Henry Hub Natural Gas Options, Platinum Options, Unleaded Gasoline Futures, Unleaded Gasoline Options, Gold Options, Silver Options, Henry Hub Natural Gas Futures, Brent Crude oil Futures, Heating Oil Futures, Palladium Futures, Platinum Futures, gold Futures, Silver Futures, Copper Futures
		Chicago Board Options Exchange	S&P 500 Index Options, NASDAQ 100 Index Options, Dow Jones Industrial Average (DJIA) Index Options



2.	Japan	<p>Tokyo International Financial Futures Exchange</p> <p>Osaka Securities Exchange</p> <p>Tokyo Stock Exchange</p> <p>Tokyo Grain Exchange</p> <p>Tokyo Commodity Exchange</p> <p>Yokohama Commodity Exchange</p>	<p>Three-month Euroyen Futures, Options on Three-month Euroyen Futures</p> <p>Nikkei 225 Futures, Nikkei 225 Options</p> <p>TOPIX Futures, 10-year JGB Futures</p> <p>Soybean Meal Futures, Non-GMO Soybean Futures, Arabica Coffee Futures, Robusta Coffee Futures, Raw Sugar Futures, Options on Corn Futures, Options on Raw Sugar Futures, Options on Soybean Futures, Azuki Futures, Corn futures, Soybean Futures</p> <p>Gasoline Futures, Kerosene Futures, Silver futures, Aluminium Futures, Crude Oil Futures, Gold Futures, Gold Options, Palladium Futures, Platinum Futures, Gas Oil Futures, Rubber Futures</p> <p>Japan Raw Silk Futures</p>
3.	United Kingdom	<p>Euronext, Liffe</p> <p>International Petroleum Exchange</p> <p>London Metal Exchange</p>	<p>FTSE 100 Index Futures, FTSE 100 Index Options (European-Style Exercise), FTSE 100 Index Flex Options (European-Style Exercise, three Month Euro (Euribor) Futures, Options on Three Month Euro (Euribor) Futures, Japanese Government Bond Futures, Long Gilt Futures, White Sugar Futures, Cocoa Futures</p> <p>IPE Brent Crude Futures, IPE Brent Crude Options</p> <p>Coppe Grade A futures</p>
4.	Australia	<p>Sydney Futures Exchange</p> <p>Australian Stock Exchange</p>	<p>3 Year Commonwealth Treasury Bond Futures, Options on 3 Year Commonwealth Treasury Bond Futures, 90 Day Bank Accepted Bills Futures, 10 Year Commonwealth Treasury Bond Futures, Options on 10 Year Commonwealth Treasury Bond Futures, SFE SPI 200 Index Futures, Options on SFE SPI 200 Index Futures, Australian Dollar Futures, NZSX15 Index Futures</p> <p>S&amp;P/ASX 200 Index Futures</p>
5.	China	Dalian Commodity Exchange	No. 1 Soybeans Futures Contract, Soy Meal Futures Contract
6.	Hong Kong	HKEx	Hang Seng Index Futures, Hang Seng Index options, Mini Hang Seng Index Futures, Mini Hang Seng Index Options, H-shares Index Futures
7.	Korea	Korea Exchange	KOSDAQ50 Futures, Kospi200 Futures,

			Kospi200 Options
8.	Singapore	SGX	SGX Nikkei 225 Index Futures, SGX Nikkei 225 Index Options, SGX Straits Times Index Futures, SGX MSCI Taiwan Index Futures, SGX MSCI Taiwan Index Options, SGX Eurodollar Futures, SGX Eurodollar Options, SGX Euroyen (TIBOR) Futures, SGX Euroyen (TIBOR) Options, SGX Japanese Government Bond Futures, SGX MSCI Singapore Index futures, SGX S&P CNX Nifty Index Futures
9.	Taiwan	Taiwan Futures Exchange	TAIEX Futures, TAIEX Options
10.	Germany	Eurex Germany	Euro Bund Futures, Option on the Euro Bund Future, DAX Future, DAX Option, Dow Jones Euro Stoxx 50 Futures, Euro Schatz Future, Euro Bobl Future
11.	Switzerland	Eurex Switzerland	SMI Future
12.	France	Euronext Paris	European Rapeseed Futures, Rapeseed Option, CAC 40 Index Futures, CAC 40 Index Options
13.	Italy	Italian Derivatives Market	S+/MIB Index Future
14.	Spain	MEFF	IBEX-35 Futures
15.	Austria	Wiener Borse	Austrian Traded Index Futures, Russian Traded index Futures
16.	Belgium	Euronext Brussels	BEL20 Index Futures
17.	South Africa	SAFEX	FTSE/JSE Top 40 Index Future, FTSE/JSE INDI 25 index Future, FTSE/JSE FINI 15 Index future, FTSE/JSE FNDI 30 Index future, FTSE/JSE Gold Mining Index Future, FTSE/JSE RESI 20 Index future, FTSE/JSE Capped Top 40 Index Future, FTSE/JSE Shareholder Weighted Top 40 Index Future
18.	Sweden	Stockholm Stock Exchange	OMX Index Futures
19.	Netherlands	Euronext Amsterdam	Amsterdam Index Futures
20.	India	National Stock Exchange of India  The Stock Exchange Mumbai (BSE)	S&P CNX NIFTY Index Futures  Sensex Futures
21.	Canada	Montreal Exchange	Ten-Year Government of Canada Bond Futures

# **ANNEXURE 2**

**Amendments to the Rules of Bursa Malaysia Derivatives Berhad Consequential to the Capital Markets and Services Act 2007**

No.	Rule	Relevant section of the Capital Markets and Services Act 2007 to which the amendment is consequential / Rationale for amendment
1.	100	Amended to be consistent with the amended terminology provided in Rule 201.
2.	201	Amended to be consistent with the terminology used in the Capital Markets and Services Act 2007.
3.	300 to 323.9	Amended to be consistent with the amended terminology provided in Rule 201.
4.	400 to 406.1	Amended to be consistent with the amended terminology provided in Rule 201.
5.	500 to 515.2  502.5 (d)  502.9  502.10  510.2(v)	Amended to be consistent with the amended terminology provided in Rule 201.  Amended to remove the inconsistency in wordings with the Capital Markets and Services Act 2007.  Amended consequential to Regulation 20 of the Capital Markets and Services Regulations 2007.  Amended consequential to Regulation 21 of the Capital Markets and Services Regulations 2007.  Amended to reflect the removal of the prohibition of the employees of the Exchange or clearing house to trade in futures contracts previously stated under Section 85 of the Futures Industry Act 1993.
6.	600 to 616  601.3(b)& (c)  601B  603.4(a) & 609.(b)(i)  603.4(b) & 609.(b)(ii)	Amended to be consistent with the amended terminology provided in Rule 201.  Amended to be consistent with section 104(7) of the Capital Markets and Services Act 2007 and the Capital Markets and Services Regulations 2007 in relation to the keeping of records and retention period for keeping of records.  Amended to be consistent with Section 58(1) in relation to the licence to carry out the business in any regulated activity governed thereof under the Capital Markets and Services Act 2007.  Amended to be consistent with Regulation 16 of the Capital Markets and Services Regulations 2007 which allow issuance of electronic contract notes by the holder of Capital Markets and Services Licence i.e Trading Participant.  Amended to reflect Regulation 19A of the Capital

No.	Rule	Relevant section of the Capital Markets and Services Act 2007 to which the amendment is consequential / Rationale for amendment
	608.1, 608.2 & 608.3(a)  608.9	<p>Markets and Services Regulations 2007 in relation to the issuance of electronic monthly statement by the holder of Capital Markets and Services Licence i.e Trading Participant.</p> <p>Amended to reflect Regulation 17(2) of the Capital Markets and Services Regulations 2007 in relation to the details or information to be contained in the monthly statement to clients.</p> <p>Note: 1) Details of the monthly statement (for non discretionary account) as stipulated in Regulation 17(1) have already been incorporated into the current Rule 603.4(b). 2) In relation to details of the monthly statement for discretionary account under Regulation 17(2), para 17(2)(e) cross refers to para 14(5)(b), which is non existent, as such, no amendment is made to cater for this.</p> <p>Amended to be consistent with Section 118 in relation to segregation of assets.</p> <p>To prescribe for the requirement in relation to the keeping of records stipulated in Section 108 to the Trading Participant.</p>
7.	711.1(a)(ii) & Appendix C	Amended to be consistent with Section 105 in relation to trading in futures contracts outside Malaysia.
8.	Schedule 1	Amended to be consistent with the terminology used in the Capital Markets and Services Act 2007 and the amended terminology provided in Rule 201.
9.	Schedule 1A	Amended to be consistent with the terminology used in the Capital Markets and Services Act 2007 and the amended terminology provided in Rule 201.
10.	Schedule 2	Amended to be consistent with the amended terminology provided in Rule 201.
11.	Schedule 3	Amended to be consistent with the amended terminology provided in Rule 201.
12.	Appendix C	Amended to provide the list of Specified Exchanges pursuant to Section 105 of the Capital Markets and Services Regulations 2007 in relation to trading in futures contracts outside Malaysia