

“ANNEXURE 1”

**AMENDMENTS TO THE RULES OF BURSA MALAYSIA SECURITIES CLEARING SDN BHD
CONSEQUENTIAL TO THE INTRODUCTION OF THE CAPITAL MARKETS AND SERVICES ACT 2007**

EXISTING PROVISIONS		AMENDED PROVISIONS	
INTERPRETATION	“Act” The <i>Securities Industry Act 1983 (Act 280)</i>	INTERPRETATION	“Act” The Capital Markets and Services Act 2007 .
INTERPRETATION	(New definition)	INTERPRETATION	“ Bursa SBL Transaction ” the securities borrowing and lending transaction entered into between the Clearing House and a person enabling the Clearing House to borrow or lend Eligible Securities from or to such person as the Clearing House may determine.
INTERPRETATION	(New definition)	INTERPRETATION	“ clearing facility ” (a) a facility for the clearing or settlement of transactions in securities traded on a stock exchange; (b) a facility for the guarantee of settlement of transactions referred to in paragraph (a); or (c) such other clearing or settlement facility or class of clearing or settlement facilities as the Commission with the approval of the Minister for the time being charged with the responsibility for finance may allow.
INTERPRETATION	“Clearing Participant”	INTERPRETATION	“Clearing Participant”

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	a participant as defined in the Act.		a participant as defined in the Act, in relation to the Clearing House.
INTERPRETATION	<p><i>“Director”</i></p> <p><i>Includes any person occupying the position of director of a corporation by whatever name called and includes a person in accordance with whose directions or instructions the directors of a corporation are accustomed to act and an alternate or substitute director.</i></p>	INTERPRETATION	Deleted.
INTERPRETATION	<p>“Default Rules”</p> <p>Rules which provide for the taking of Default Proceedings by the Clearing House as set out in Chapter 4.</p>	INTERPRETATION	<p>“Default Rules”</p> <p>Rules which provide for the taking of Default Proceedings by the Clearing House in relation to Market Contracts or Bursa SBL Transactions, as the case may be, as set out in Chapter 4.</p>
INTERPRETATION	<p>“Market Contracts”</p> <p>Means:</p> <p>(a) Novated Contract; or</p>	INTERPRETATION	<p>“Market Contract”</p> <p>Means:</p> <p>(a) Novated Contract; or</p>

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	(b) <i>a contract entered into by a Trading Clearing Participant on, or subject to the rules of, the Exchange, which is, or is to be, cleared and settled through the Clearing House.</i>		(b) Direct Business Contract.
INTERPRETATION	<p>“Novated Contract”</p> <p>a contract which is subject to the rules of the Clearing House and entered into by the Clearing House with a Trading Clearing Participant pursuant to a novation for the purpose of the clearing and settlement of transactions in Securities <i>effected on, or subject to the rules of, the Exchange.</i></p>	INTERPRETATION	<p>“Novated Contract”</p> <p>a contract which is subject to the rules of the Clearing House and entered into by the Clearing House with a Trading Clearing Participant pursuant to a novation for the purpose of the clearing and settlement of transactions in Securities using the clearing facility of the Clearing House.</p>
INTERPRETATION	<p>“Rules”</p> <p>Shall have the same meaning as is assigned to that expression in the Act.</p>	INTERPRETATION	<p>“Rules”</p> <p>Shall have the same meaning as is assigned to that expression in the Act, in relation to the Clearing House.</p>
Rule 1.19	<p>FORCE MAJEURE</p> <p>(a) The Clearing House shall not be liable for any action taken or for any failure, hindrance or delay in the provision of services or for any failure to give effect to or delay in giving effect to any instructions from the Clearing Participant with respect to its clearing and</p>	Rule 1.19	<p>FORCE MAJEURE</p> <p>The Clearing House shall not be liable for:</p> <p>(a) any action taken or for any failure, hindrance or delay in the provision of services or for any failure to give effect to or delay in giving effect to any instructions from the Clearing Participant</p>

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	<p>settlement services, the ISS or other services and facilities or the performance in whole or in part of its obligations under the Rules or under any Market Contract or ISS Transaction if such failure, hindrance or delay arises out of causes beyond the Clearing House' control.</p> <p>(b) military authority, embargoes, fire, flood, explosion, accidents, labour disputes, mechanical breakdowns, computer or system failure, defects in computer or system software, interruptions of power supply or other utilities or service, any law, decree, regulations or orders of government or courts, and any other causes beyond the control of the Clearing House, including without limitation to the foregoing, any similar causes affecting the Exchange or the Central Depository (whether or not specified in their rules).</p>		<p>with respect to its clearing and settlement services, the ISS or other services and facilities or the performance in whole or in part of its obligations under the Rules or under any Market Contract or ISS Transaction if such failure, hindrance or delay arises out of causes beyond the Clearing House's control; and</p> <p>(b) military authority, embargoes, fire, flood, explosion, accidents, labour disputes, mechanical breakdowns, computer or system failure, defects in computer or system software, interruptions of power supply or other utilities or service, any law, decree, regulations or orders of government or courts, and any other causes beyond the control of the Clearing House, including without limitation to the foregoing, any similar causes affecting the Exchange or the Central Depository (whether or not specified in their rules).</p>
Rule B2.2	<p>ORGANISATION ENGAGED IN INVESTMENT BUSINESS</p> <p>In order to establish that it is an organisation which falls within the criteria of Rule B2.1 (a) above, the organisation <i>has to</i> satisfy the Clearing House that it <i>is either</i>:</p> <p>(a) A body corporate incorporated within Malaysia and by notice prescribed in the gazette declared to be a public authority or agency of</p>	Rule B2.2	<p>ORGANISATION ENGAGED IN INVESTMENT BUSINESS</p> <p>In order to establish that it is an organisation which falls within the criteria of Rule B2.1 (a) above, the organisation must satisfy the Clearing House that it falls within one of the following:</p> <p>(a) (No change)</p>

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	<p>the Government of Malaysia or any state of Malaysia and engages in investment business;</p> <p>(b) a statutory body established under an Act of Parliament and engages in investment business;</p> <p>(c) a bank licensed under the Islamic Banking Act 1983 or a bank, merchant bank or finance company licensed under the Banking and Financial Institutions Act 1989;</p> <p>(d) A unit trust fund approved by the Commission or an asset management corporation duly licensed under the <i>Securities Industry Act 1983</i>;</p> <p>(e) An issuer within the meaning of Section 2 (1) (c) of the Insurance Act 1963 authorised by the Director General of Insurance and engages in investment business; or</p> <p>(f) Any organisation which in the ordinary course of business engages in financial services and/or holds or manages the investment or Securities listed and traded on the Exchange by virtue of a licence or under an exempt status granted by the Commission or other regulatory authority under any law of Malaysia.</p>		<p>(b) (No change)</p> <p>(c) (No change)</p> <p>(d) A unit trust fund approved by the Commission or an asset management corporation duly licensed under the Act;</p> <p>(e) (No change)</p> <p>(f) (No change)</p>
Rule B2.4	<p>OUTSOURCING OF BACK OFFICE FUNCTIONS</p> <p>(a) A Non Trading Clearing Participant may</p>	Rule B2.4	<p>OUTSOURCING OF BACK OFFICE FUNCTIONS</p> <p>(a) A Non Trading Clearing Participant may</p>

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	<p>which is located in Malaysia and has its operations conducted in Malaysia.</p> <p>(iii) The service provider shall not further assign or sub-contract the back office functions to another party;</p> <p>(iv) The legal relationship between the Non Trading Clearing Participant and the service provider shall be a principal-agent relationship;</p> <p>(v) The Non Trading Clearing Participant must ensure compliance by the service provider with all relevant requirements stipulated in any provision in these Rules, agreement between the Non Trading Clearing Participant and the Clearing House and direction issued by the Clearing House;</p> <p>(vi) The Non Trading Clearing Participant shall be deemed liable as a principal in relation to any breach by the service provider of any provision in these Rules, agreement between the Non Trading Clearing Participant and the Clearing House and direction issued by the Clearing House;</p> <p>(vii) Any direction issued by the Clearing House and directed to the Non Trading Clearing Participant is deemed to have</p>		<p>(iii) (No change)</p> <p>(iv) (No change)</p> <p>(v) (No change)</p> <p>(vi) (No change)</p> <p>(vii) (No change)</p>

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	<p>also been issued and directed to the service provider and shall be regarded to be within the knowledge of the service provider;</p> <p>(viii) The Non Trading Clearing Participant shall procure from the service provider a written undertaking that the service provider shall maintain the secrecy and confidentiality of the documents and information of clients that the service provider shall have access to, from any intentional or inadvertent disclosure to unauthorised person(s), and that the service provider's security policies, procedures and controls enable the protection of such confidentiality and security of client information;</p> <p>(ix) The Non Trading Clearing Participant must have in place an insurance policy to protect it against any liability, loss or damage arising from any action or omission of the service provider in performing the said back office functions;</p> <p>(x) The Non Trading Clearing Participant must ensure that the Clearing House or its agent shall at all times :-</p> <p>(a) have access to and be allowed to make copies of the books (as defined in the <i>Securities</i></p>		<p>(viii) (No change)</p> <p>(ix) (No change)</p> <p>(x) The Non Trading Clearing Participant must ensure that the Clearing House or its agent shall at all times :-</p> <p>(a) have access to and be allowed to make copies of the books (as defined in the Act) of the Non</p>

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	<p><i>Industry Act 1983</i>) of the Non Trading Clearing Participant or the service provider and further to obtain promptly any other information concerning activities that are relevant for the performance of its regulatory duties; and</p> <p>(b) have access to the premises of the Non Trading Clearing Participant or the service provider for the purposes of conducting any audit, inspection or investigation.</p> <p>The Non Trading Clearing Participant shall procure a written consent from the service provider to allow the Clearing House to exercise its powers as stated above; and</p> <p>(xi) The Non Trading Clearing Participant shall provide a letter of undertaking to the Clearing House on an annual basis, that the service provider has complied with all relevant requirements imposed on the Non Trading Clearing Participant under any provision in these Rules, agreement between the Non Trading Clearing Participant and the Clearing House and direction issued by the Clearing House.</p>		<p>Trading Clearing Participant or the service provider and further to obtain promptly any other information concerning activities that are relevant for the performance of its regulatory duties; and</p> <p>(b) have access to the premises of the Non Trading Clearing Participant or the service provider for the purposes of conducting any audit, inspection or investigation.</p> <p>The Non Trading Clearing Participant shall procure a written consent from the service provider to allow the Clearing House to exercise its powers as stated above; and</p> <p>(xi) (No change)</p>

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EXISTING PROVISIONS		AMENDED PROVISIONS	
Rule 4.2	DEFAULT PROCEEDINGS	Rule 4.2	DEFAULT PROCEEDINGS IN RELATION TO NOVATED CONTRACTS
Rule A4.1	<p>CHAPTER 4</p> <p>SECTION A DIRECT BUSINESS CONTRACTS</p> <p>(a) Subject to sub-rule (b), on the occurrence of a default by either party to a Direct Business Contract, the following shall apply:-</p> <p>(i) in the event of default in delivery of Securities to the Clearing House, the Clearing House shall not complete the settlement of the Direct Business Contract; and</p> <p>(ii) in the event of default in the financial settlement of the Direct Business Contract, the Clearing House shall return the Securities in the Clearing House Direct Business Account to the selling Trading Clearing Participant's securities account or the ultimate seller's securities account, as the case may be.</p> <p>(b) The Clearing House shall not be responsible for any default by the Trading Clearing Participant in respect of Direct Business Contracts and the Trading Clearing Participant itself shall pursue all claims against its</p>	Rule A4.1	<p>CHAPTER 4</p> <p>DEFAULT RULES</p> <p>SECTION A</p> <p>DEFAULT PROCEEDINGS IN RELATION TO DIRECT BUSINESS CONTRACTS</p> <p>(a) Subject to sub-rule (b), on the occurrence of a default by either party to a Direct Business Contract, the following Default Proceedings shall apply:-</p> <p>(i) in the event of default in delivery of Securities to the Clearing House, the Clearing House shall not complete the settlement of the Direct Business Contract; and</p> <p>(ii) in the event of default in the financial settlement of the Direct Business Contract, the Clearing House shall return the Securities in the Clearing House Direct Business Account to the selling Trading Clearing Participant's securities account or the ultimate seller's securities account, as the case may be.</p>

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	counterparty Trading Clearing Participant in default.		(b) The Clearing House shall not be responsible for any default by the Trading Clearing Participant in respect of Direct Business Contracts and the Trading Clearing Participant itself shall pursue all claims against its counterparty Trading Clearing Participant in default.
	(New Section of Chapter 4)	Rule B4.1	CHAPTER 4 DEFAULT RULES SECTION B DEFAULT PROCEEDINGS IN RELATION TO BURSA SBL TRANSACTIONS On the occurrence of a default by a Clearing Participant in a Bursa SBL Transaction, the Clearing House may institute any action or proceedings set out in these Rules or the SBL Conditions which provide for the taking of Default Proceedings in relation to Bursa SBL Transactions.
<i>Rule 4.2.3</i>	The Clearing House shall upon the completion by it of the Default Proceedings under this Chapter: (a) make a report on such Default Proceedings containing such particulars as required in Section 105(1) of the Act; and (b) supply the report to :-		CHAPTER 4 DEFAULT RULES SECTION C GENERAL SECTION

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	<ul style="list-style-type: none">(i) the Commission;(ii) any relevant office-holder acting for the Defaulter to whom the report relates or that Defaulter's estate;(iii) if there is no relevant office-holder referred to in sub-rule (b)(ii), the Defaulter to whom the report relates; and(iv) such other person as the Commission deems fit.	Rule C4.1	The Clearing House shall upon the completion by it of the Default Proceedings under this Chapter: <ul style="list-style-type: none">(a) make a report on such Default Proceedings containing such particulars as required in Section 45(1) of the Act; and(b) (No change)