

NEGOTIATED LARGE TRADE (NLT) FREQUENTLY ASKED QUESTIONS (FAQ)

1. What is NLT?

NLT is an off-market trading facility that allows Trading Participants or their clients to arrange and transact orders away from Trading System.

2. What are the benefits of NLT?

NLT allows trades to be done at a single price and it minimizes the possible price impact and time delays that may occur when transacting orders of large size on the exchange. NLTs also allows for matching of large trades during off-exchange hours. These trades, however, will only be cleared as the following day's trades (see Q12 below).

3. Who can use the facility?

The NLT Facility will only be available to Trading Participants to transact block trades on behalf of their client account, house proprietary account or registered futures trader account. In executing an NLT, a Trading Participant has to comply with section 99(1) of the Capital Markets and Services Act 2007 (CMSA) which provides, amongst others, that a Trading Participant must not, as principal, trade with a person who is not a Trading Participant unless he first informs that person in writing that he is acting in the transaction as principal and not as agent. As an example, a Trading Participant must not take the other side of its client's order unless the Trading Participant first informs that client in writing that he is taking the other side of the order as principal and not as agent.

4. Are there any account restrictions in conducting NLT?

Only separate parties are permitted to conduct NLT. In this context, separate parties are defined to be those who have:

- (i) accounts which belong to different beneficial owners; or
- (ii) accounts which are under separate control.

The Trading Participants must undertake all reasonable steps to verify that this requirement is met and retain copies of all relevant documentary evidence relied on by the Trading Participants in its verification process.

Examples of accounts which are under separate control are:

- Treasury and Structured Products division of same bank
- Marketing and Purchasing division of a Refinery

5. Can NLT be conducted for a combination strategy trade involving both futures and options?

Yes. NLT is allowed for strategy combinations whereby options are traded in combination with futures.

In the event the futures portion does not meet the Minimum Volume Threshold (MVT) the NLT for strategy combinations is allowed provided that:

- (i) the options leg must meet the MVT;
- (ii) where the options portion consists of several legs, the total combined volume of each leg must meet the MVT.

- (iii) the trades of both the options and corresponding futures contract must be done between the same counterparties (i.e. a party may not conduct the futures leg with one counterparty and the options leg with another counterparty); and
- (iv) the basis of the strategy (e.g. the delta used) must be disclosed on the NLT Facility Trade Registration eform when registering the NLT with the Exchange. The delta value must correspond with the number of options and futures contracts i.e.
Futures/Options = delta value

For clarity, strategy combination where futures portion meets the MVT (but not the options portion) will not be eligible for NLT.

6. Can the NLT be conducted at any price?

No, NLTs can only be conducted at a price that falls within the daily price limit of the underlying futures contract. This price must be mutually agreed to by the two parties to the transaction. For futures or options contracts that do not have price limits, the NLT trades shall be conducted at a fair and reasonable price.

7. Do position limits apply for NLT?

The speculative position limits imposed on futures and options contracts per client or Participant as specified in the Directive on Position Limits and Exercise Limits (No. 613- 001) of the Rules of Exchange remain applicable and the positions arising from the NLTs are aggregated with the positions established during on-exchange trading.

8. Are all BMD derivative contracts eligible for NLT?

Yes.

9. What is the minimum volume threshold for NLT?

Please refer to no.16.2.6 of Bursa Malaysia Derivatives trading manual

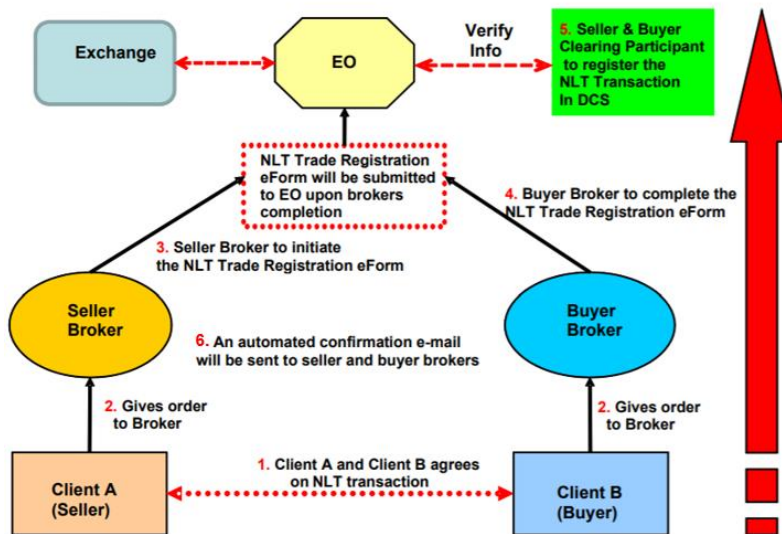
https://www.bursamalaysia.com/sites/5d809dcf39fba22790cad230/assets/6046e2985b711a11a8a8dc67/TradingManual_v4.5_final.pdf

10. Will a facility fee be imposed on NLT transactions?

In addition to the current exchange and clearing fees relevant to each contract, there will be a facility charge of RM0.20 per contract capped at twice the minimum volume threshold. For example, the maximum facility charges for FCPO will be for 400 (200X2) contracts which is equivalent to RM80.

11. What is the process for NLT?

The diagram below shows the trading flow for using the NLT facility.



Procedure

- Client A and Client B agree on the details of the trade including contract, quantity and price.
- Both clients will then inform their respective brokers on the agreed trade.
- Brokers will report the pending NLT to the Exchange by submitting the NLT Facility Trade Registration eForm in the Bursa eNLT platform.
 - The Seller Broker to initiate the registration process by login to the Bursa eNLT platform and fill up the NLT Facility Trade Registration eForm.
 - Once Seller Broker completed the initiation, Buyer Broker will receive an e-mail notification.
 - The Buyer Broker to login the Bursa eNLT platform to complete the remaining information and submit the registration eForm to EO.
- Trading Participant is to liaise with Clearing Participant for the Clearing Participant to immediately create the pending NLT in DCS and before market close.
- EO will verify the submitted NLT Facility Trade Registration eForm and subsequently to approve the NLT in the DCS and the eNLT platform. EO will then proceed to broadcast the transaction to the market via messaging/email.

12. How is the NLT reported to the Exchange?

The NLT may be executed between the client account, house account or registered futures trader account of an Exchange Participant. It comprises transactions privately negotiated between two parties.

For NLTs executed during exchange trading hours and before the cut off time, the broker for the seller and the broker for the buyer are obliged to complete the official NLT Facility Trade Registration eForm to Exchange Operations (EO) for confirmation of the proposed transaction. Trading Participants should not submit the NLT Facility Trade Registration eForm to the Exchange for validation until all details of the trade have been agreed.

The NLT Facility Trade Registration eForm needs to be sent to EO before the cut-off time of each contract. Cut-off time for each contract is 15 mins after the market close of each

contract. NLT Facility Trade Registration eForms received by EO after the cut-off time shall be processed on the next business day as the following day's trade.

After submitting the NLT Facility Trade Registration eForm to the Exchange, Trading Participant is to liaise with Clearing Participant for the Clearing Participant to immediately create the pending NLT in Derivatives Clearing System (DCS).

NLTs transacted during the lunch break shall be reported after the market open for the afternoon trading session.

EO will then proceed to broadcast the transaction to the market via email.

13. Can the same Trading Participant do NLT for 2 clients?

Yes, as long as the account requirements for the clients are met as mentioned in Q4 and Q5.

14. What is the expected timeframe for NLT registration?

During market hours, the whole process should take no more than 1 hour from the time of submission of the registration form of the NLT provided that the forms contain all the necessary information.

15. Are there any periods when NLT is unavailable for certain contracts?

For physically delivered spot month contracts like the Crude Palm Oil futures contract, NLT will not be permitted once the contract enters the spot month. For cash settled contracts (e.g. KLCI futures, 3-Month KLIBOR futures and 5-Year MSG futures), NLT may be conducted at any time.

16. How is the NLT settled?

All NLTs are settled based on the futures/options daily settlement price and final settlement prices. In the event the contract is a physically delivered contract, the NLTs will be settled by delivery of the underlying during the tender period.

17. Will my NLT transaction be made public?

Only the volume and time of registration of the NLTs shall be made public and will be broadcasted via email messaging.

18. Will the volume be updated on a real-time basis in the trading system?

The volume will not be updated in the trading system. It will only be reflected at the end-of-day market data reporting which is published on the following day.

19. Are there instances where the NLT may be rejected?

The Trading Participants must ensure that all information provided in the NLT Trade Registration eForm are true and correct. The Trading Participant must submit additional or other information or documents if requested by the Exchange.

The NLT will be rejected if it does not comply with the Rules of BMD and the procedure in the Trading Manual. Below are some of the examples of circumstances where NLT will be rejected:

- Price of the transaction is deemed to be not fair and reasonable.

- Financial standing of the Clearing Participant and/or end-client if transaction results in a negative monetary position.
- Requirement that only separate parties are permitted to conduct NLT has not been met.
- The minimum volume threshold required for NLT is not met.
- In the case of a strategy combination transaction, the futures leg and options leg are not executed between the same counterparties.
- The delta value does not correspond with the number of options and futures contracts.

20. Can the NLT be amended or cancelled once the registration form has been submitted?

Before the NLT is registered, the transaction can be amended or cancelled provided that both the buyer and the seller have mutually agreed to do so. Instruction must be received by Exchange Operations (EO) from both the counterparties to the NLT.

The NLT cannot be cancelled once it has been registered. The 2 parties will be required to enter into another NLT to reverse the first transaction.

21. Can the NLT be mutually cancelled once it has been registered?

The NLT cannot be cancelled once it has been registered. The 2 parties will be required to enter into another NLT to reverse the first transaction.

22. Can omnibus accounts participate in NLT?

Omnibus accounts can participate in NLT as long as the first level sub-account is declared.

[End of FAQ]