

BURSA MALAYSIA DERIVATIVES BERHAD

Date : 9 June 2016

Trading Participant Circular : 5/2016

DIRECTIVES ON READINESS AUDIT - SELF ASSESSMENT APPROACH, DECLARATORY APPROACH AND GREEN LANE

1. INTRODUCTION

- 1.1 Reference is made to Guidelines on the Use of Self Assessment Approach and Declaratory Approach in respect of Readiness Audits (“**Readiness Audit Guidelines**”) issued vide Trading Participant Circular No. 33/2012.
- 1.2 Bursa Malaysia Derivatives Berhad (“**the Exchange**”) is introducing a “Green Lane Policy” on readiness audits to be undertaken where Trading Participants which meet the prescribed criteria and take the necessary specified steps are deemed to have obtained the necessary approval from the Exchange to carry out new activities without having to wait for the Exchange’s written approval.

2. AMENDMENTS TO THE READINESS AUDIT GUIDELINES

- 2.1 In light of the above, the Readiness Audit Guidelines have been amended and re-issued as Directive No. 401.4(k)-001 (Directives on Readiness Audit – Self Assessment Approach, Declaratory Approach and Green Lane) (“Directive”). The salient changes are as follows:
- (a) the provisions relating to General Clearing Participants of Bursa Malaysia Derivatives Clearing Berhad have been removed and amendments have been made so that the Directive is now specifically applicable only to Trading Participants and the activities that they carry out;
 - (b) new provisions have been incorporated to reflect the “Green Lane Policy” on readiness audits as mentioned in paragraph 1.2 above;
 - (c) provisions have been streamlined and updated so that the detailed procedures and documents that relate to the Self Assessment Approach and the Declaratory Approach, respectively, are now all set out in the Appendices; and
 - (d) provisions have been included to state that a Trading Participant wishing to offer Discretionary Account Trading facilities to clients or commencing proprietary trading will only require the approval from the Exchange with effect from the Effective Date and that the Trading Participant must undertake a readiness audit in accordance with the Directive for those activities.
- 2.2 The Directive is set out in **Annexure 1**.

3. REVOCATION OF DIRECTIVES

- 3.1 Hence, the Readiness Audit Guidelines issued vide Trading Participant Circular No. 33/2012 is revoked and replaced by this Directive.
- 3.2 With the issuance of this Directive and the requirement stated under paragraph 2.1(d), the Trading Members Circular 13/96, which sets out the requirement for an approval by the Securities Commission prior to commencing proprietary or discretionary trading, is revoked.

4. EFFECTIVE DATE

The Directive is effective from **16 June 2016** (“Effective Date”).

5. CONTACT PERSONS

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This Circular is available at:

<http://www.bursamalaysia.com/market/regulation/rules/bursa-malaysia-rules/derivatives/rules-of-bursa-malaysia-derivatives>

Regulation