

BURSA MALAYSIA DERIVATIVES BERHAD

Date: 12 February 2015

Trading Participant Circular: 4/2015

CLARIFICATION ON THE REGISTRATION OF BURSA MALAYSIA DERIVATIVES BERHAD AS A FOREIGN BOARD OF TRADE BY THE UNITED STATES COMMODITY FUTURES TRADING COMMISSION

1. INTRODUCTION

- 1.1 Reference is made to Trading Participant Circular No. 3 of 2015 dated 23 January 2015.
- 1.2 As stated in the above circular, the United States (“**U.S.**”) Commodity Futures Trading Commission (“**CFTC**”) has registered Bursa Malaysia Derivatives Berhad (“**the Exchange**”) as a foreign board of trade pursuant to an order granted under Section 4(b)(1) of the Commodity Exchange Act, as amended, and Part 48 of the CFTC’s regulations promulgated thereunder on 22 January 2015 (“**Order of Registration**”).

2. EFFECT OF REGISTRATION

- 2.1 Under Part 48 of the CFTC’s regulations, the Order of Registration may be granted to a foreign board of trade¹ which has demonstrated that it, and where applicable, its clearing organization, has met the CFTC’s requirements in Part 48.
- 2.2 In accordance with Part 48, a registered foreign board of trade may permit members and other participants of the foreign board of trade that are located in the U.S. to enter trades directly into the trading and order matching system of the foreign board of trade, to the extent that such members or other participants are:²
- (1) Entering orders for the member's or other participant's proprietary accounts;
 - (2) Registered with the CFTC as futures commission merchants and are submitting customer orders to the trading system for execution; or
 - (3) Registered with the CFTC as a commodity pool operator or commodity trading advisor, or are exempt from such registration pursuant to §4.13 or §4.14 of Chapter 1, Part 4 of the CFTC’s regulations, and are submitting orders for execution on behalf of a U.S. pool that the member or other participant operates or an account of a U.S. customer for which the member or other participant has discretionary authority, respectively,

¹ 17 C.F.R. § 48.2(b). *Foreign board of trade eligible to be registered.* A foreign board of trade eligible to be registered means a foreign board of trade that satisfies the requirements for registration specified in §48.7 and:

- (1) Possesses the attributes of an established, organized exchange,
- (2) Adheres to appropriate rules prohibiting abusive trading practices,
- (3) Enforces appropriate rules to maintain market and financial integrity,
- (4) Has been authorized by a regulatory process that examines customer and market protections, and
- (5) Is subject to continued oversight by a regulator that has power to intervene in the market and the authority to share information with the CFTC.

² 17 C.F.R. § 48.4(b).

provided that a futures commission merchant or a firm exempt from such registration pursuant to §30.10 of Chapter 1, Part 30 of the CFTC's regulations acts as clearing firm and guarantees, without limitation, all such trades of the commodity pool operator or commodity trading advisor effected through submission of orders to the trading system.

- 2.3 Pursuant to the Order of Registration, the Exchange may permit identified Participants or their Affiliates located in the U.S. to enter trades directly into the Exchange's order entry and trade matching system. Such circumstance does not apply at the moment.
- 2.4 The Exchange would like to clarify that Trading Participants may provide Direct Market Access ("**DMA**") (as defined in Rule 617 of the Rules of the Exchange) to persons located in the U.S. if:
- (1) the Trading Participant is exempt from registration as a futures commission merchant pursuant to CFTC Regulation 30.10 ("**Regulation 30.10 Exempt Firm**"); or
 - (2) in a situation where the Trading Participant is not a Regulation 30.10 Exempt Firm, the person located in the U.S. is a CFTC-registered futures commission merchant ("**FCM**") that carries the FCM's customer omnibus account or the FCM's proprietary account with the Trading Participant.

3. CONTRACTS CURRENTLY AVAILABLE TO PERSONS LOCATED IN THE U.S.

Persons located in the U.S. may engage in all futures and options on futures offered by the Exchange through DMA except securities-based contracts such as the 3-Year MGS Futures Contract ("**FMG3**"), 5-Year MGS Futures Contract ("**FMG5**"), 10-Year MGS Futures Contract ("**FMGA**") and Single Stock Futures ("**SSF**") contracts. The contracts that can be offered and sold to persons located in the U.S. currently are:

- (a) FTSE Bursa Malaysia Kuala Lumpur Composite Index (FBM KLCI) Futures ("**FKLI**");
- (b) Ringgit Malaysia Denominated Crude Palm Oil Futures ("**FCPO**");
- (c) Crude Palm Kernel Oil Futures ("**FPKO**");
- (d) United States Dollar (USD) Denominated Crude Palm Oil Futures ("**FUPO**");
- (e) 3 Month KLIBOR Futures ("**FKB3**");
- (f) Option on FBM KLCI Futures ("**OKLI**");
- (g) Option on Ringgit Malaysia Denominated Crude Palm Oil Futures ("**OCPO**");
- (h) Gold Futures Contract ("**FGLD**"); and
- (i) USD Denominated Refined, Bleached and Deodorized (RBD) Palm Olein Futures Contract ("**FPOL**").

4. CONTACT PERSONS

In the event of any queries in relation to the above matter, please contact the following persons:

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

Regulation