

Bursa Malaysia Derivatives Berhad

Date : 30 June 2014

Trading Participant Circular : 13/2014

1. **AMENDMENTS TO THE RULES OF BURSA MALAYSIA DERIVATIVES BERHAD (“RULES OF BURSA DERIVATIVES”) CONSEQUENTIAL TO CHANGES TO THE SECURITIES COMMISSION’S OUTSOURCING REQUIREMENTS**
2. **REVOCATION OF DIRECTIVES ON MATERIAL OUTSOURCING ARRANGEMENTS BY MARKET INTERMEDIARIES**

1. INTRODUCTION

- 1.1 The Securities Commission (“**SC**”) has on 30 June 2014 replaced the SC’s Guidelines on Outsourcing for Capital Market Intermediaries (“**Guidelines on Outsourcing**”) with Chapter 10 in the SC’s Licensing Handbook, which sets out the SC’s requirements in relation to outsourcing arrangements.
- 1.2 Amendments have been made to the Rules of Bursa Derivatives and the Directives contained in Trading Participant Circular No. 19/2011 have been revoked to reflect the changes in the SC’s requirements on outsourcing arrangements.

2. RULE AMENDMENTS

- 2.1 The salient changes to the Rules of Bursa Derivatives are as follows:
 - (a) the requirement for a Trading Participant to obtain the approval of the Exchange for a material outsourcing arrangement has been removed; and
 - (b) references to “Guidelines on Outsourcing” have been replaced with the “Commission’s Licensing Handbook”.

The rule amendments are set out in “**Annexure 1**” (“**Rule Amendments**”).

3. REVOCATION OF DIRECTIVES ON MATERIAL OUTSOURCING ARRANGEMENTS BY MARKET INTERMEDIARIES

- 3.1 Following the changes in the SC’s requirements on outsourcing arrangements, the Directives in the Trading Participant Circular No. 19/2011 are revoked with effect from the Effective Date.

4. EFFECTIVE DATE

- 4.1 The Rule Amendments and the revocation of the Directives take effect from **30 June 2014** (“**Effective Date**”).

5. **CONTACT PERSON**

Name	Contact Details
Ng G-Ming	nggm@bursamalaysia.com (03 – 2034 7364)

This Circular is available at

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

Regulation

RULES OF BURSA MALAYSIA DERIVATIVES BHD
RULE AMENDMENTS CONSEQUENTIAL TO THE SECURITY COMMISSION'S GUIDELINES ON OUTSOURCING

EXISTING PROVISIONS		AMENDED PROVISIONS
Rule 201	New definition:	<u>"Commission's Licensing Handbook" means the licensing handbook the Commission issues pursuant to Section 377 of the Capital Markets and Services Act and includes any subsequent amendments, modifications, variations, supplements or substitutes.</u>
Rule 201	"Group" has the same meaning as provided for in the Guidelines on Outsourcing;	"Group" has the same meaning as provided for in the Guidelines on Outsourcing <u>Commission's Licensing Handbook</u> ;
Rule 201	"Guidelines on Outsourcing" means the "Guidelines on Outsourcing for Capital Market Intermediaries" issued by the Commission, including any subsequent amendments, modifications, variations, supplements or substitutes and any directives or guidelines as may be issued under the Guidelines;	[Deleted]
Rule 201	"service provider" has the same meaning as is assigned to it in the Guidelines on Outsourcing;	"service provider" has the same meaning as is assigned to it in the Guidelines on Outsourcing <u>as provided for in the Commission's Licensing Handbook.</u>
Rule 201	"sub-contractor" means the service provider to whom the initial service provider has further contracted the outsourced functions;	[Deleted]
Rule 301	A Participant is responsible to the Exchange for all acts and omissions of its employees, agents, service providers and sub-contractors.	A Participant is responsible to the Exchange for all acts and omissions of its employees, agents, <u>and</u> service providers and sub-contractors.

EXISTING PROVISIONS		AMENDED PROVISIONS
Rule 508.1	<p>Rule 508 Action against Participants</p> <p>Rule 508.1</p> <p>The Exchange or any committee or sub-committee established by the Exchange, after completion of a hearing, may:</p> <p>(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</p> <p>(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.</p>	<p>Rule 508 Action against Participants</p> <p>Rule 508.1</p> <p>The Exchange or any committee or sub-committee established by the Exchange, after completion of a hearing, may:</p> <p>(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</p> <p><u>(n) in respect of a breach of these Rules that relates to a function that has been outsourced, impose any restrictions or conditions in relation to the breach committed or on the activities that a Defaulting Participant undertakes; and/or</u></p> <p>(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.</p>
Rule 601.4	<p>Rule 601.4 Outsourcing Arrangements</p> <p>(a) A Trading Participant is not permitted to outsource any of its functions except in accordance with these Rules.</p> <p>(b) A Trading Participant may outsource its functions if it–</p> <p>(i) complies with requirements that must be met prior to the outsourcing as set out under the Guidelines on Outsourcing;</p>	<p>Rule 601.4 Outsourcing Arrangements</p> <p>(a) A Trading Participant is not permitted to outsource any of its functions except in accordance with these Rules.</p> <p>(b) A Trading Participant <u>may outsource its functions if it–which outsources its functions must</u></p> <p>(i) <u>complies with requirements that must be met prior to the outsourcing as set out under the Guidelines on Outsourcing these Rules, the Commission's Licensing</u></p>

EXISTING PROVISIONS	AMENDED PROVISIONS
<p>(ii) has obtained the prior written approval of the Exchange for any material outsourcing arrangement as required under the Guidelines on Outsourcing.</p> <p>(c) A Trading Participant which has outsourced its functions in accordance with this Rule 601.4 must, in relation to such functions:</p> <p>(a) comply with these Rules, the Guidelines on Outsourcing and any directives that may be issued by the Exchange on this matter; and</p> <p>(b) ensure that its service provider or sub-contractor complies with the Rules that are applicable to the outsourced functions in the same manner as the Trading Participant is required to.</p> <p>(d) The Exchange may, at any time, revoke any approval given to the Trading Participant for its material outsourcing or direct the Trading Participant to discontinue any outsourcing, partly or wholly, for any reason whatsoever.</p>	<p><u>Handbook and any Directives that may be issued by the Exchange on this matter.</u>;</p> <p>(ii) has obtained the prior written approval of the Exchange for any material outsourcing arrangement as required under the Guidelines on Outsourcing.</p> <p>(c) A Trading Participant which has outsourced its functions in accordance with this Rule 601.4 must, in relation to such functions, <u>must</u></p> <p>(a) comply with these Rules, the Guidelines on Outsourcing and any directives that may be issued by the Exchange on this matter; and</p> <p>(b) ensure that its the service provider(s) or sub-contractor complies with the Rules that are applicable to the outsourced functions in the same manner as the Trading Participant is required to.</p> <p>(c) A Trading Participant remains accountable for all outsourced functions and will be held liable for any act or omission on the part of the service provider which results in a breach of these Rules.</p> <p>(d) The Exchange may, at any time, revoke any approval given to the Trading Participant for its material outsourcing or direct the Trading Participant to discontinue any outsourcing, partly or wholly, for any reason whatsoever.</p>

[End of Rule Amendments]