



BANK NEGARA MALAYSIA
CENTRAL BANK OF MALAYSIA

Guidance Notes on Repurchase Agreement Transactions

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1 INTRODUCTION

- 1.1 The purpose of the Guidance Notes on Repurchase Agreement Transactions (Guidance Notes) is to provide a set of best practices on repurchase agreement transactions as well as specific regulatory requirements that should be observed by licensed financial institutions (FIs) when undertaking repo transactions.
- 1.2 The Guidance Notes are issued pursuant to Section 126 of the Banking and Financial Institutions Act (BAFIA) 1989 to be complied with by licensed FIs in their conduct of repurchase agreement (repo) and reverse repo transactions. The Guidance Notes should be read together with the: -
- (i) Malaysian Code of Conduct for Principals and Brokers in the Wholesale Money and Foreign Exchange Markets (1994);
 - (ii) Rules on Fully Automated System for Issuing/Tendering (FAST);
 - (iii) Rules on Bond Information and Dissemination System (BIDS);
 - (iv) Rules on the Real Time Electronic Transfer of Funds and Securities (RENTAS) System;
 - (v) Guidelines on Regulated Short Selling in the Wholesale Money Market; and
 - (vi) Any other rules, guidelines, circulars and directives as may be issued by Bank Negara Malaysia (BNM) from time to time.

2 SCOPE AND APPLICATION

- 2.1 The Guidance Notes refer repo to mean both repo and reverse repo unless otherwise mentioned. This shall cover both Classic Repo and Sell Buy-Back transactions regardless whether the collateral is delivered-out or held-in-custody.
- 2.2 These Guidance Notes are applicable to all market dealings in Ringgit repo/reverse repo transactions including any outright sale/purchase of Ringgit securities in cash with the intention to repurchase/resell these securities in the future are treated as repo transactions. The substance of a transaction prevails over its form in determining whether a transaction is governed under these Guidance Notes.
- 2.3 These Guidance Notes are not intended to apply to transactions in which legal ownership of the collateral is not transferred to the repo counterparty.
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3 GENERAL REQUIREMENTS

- 3.1 The conduct of repo transactions should be in line with the principle of maintaining market professionalism and integrity in order for the repo market to operate in a sound and orderly manner.
- 3.2 Licensed FIs must not in any circumstances enter into transactions intended to limit the availability of collateral with the intention of creating a false or distorted market in repo and the underlying securities.
- 3.3 Prior to undertaking repo transactions, licensed FIs are to ensure the following:
- (i) Only competent and professional staffs are authorised to undertake repo transactions;
 - (ii) Adequate policies, procedures and internal controls are established to ensure that any repo transactions have been properly authorised;
 - (iii) Depending on the scale of its repo activities, effective coordination between the related functional areas and appropriate infrastructure should be put in place by the management to support its repo activities including systems for collateral valuation and management, credit control, risk management and record keeping purposes;
 - (iv) Collateral of a repo transaction should be held independent from the counterparty, unless otherwise required under a custody arrangement;
 - (v) There are adequate and effective documentation to cover the types of repo transactions that are intended to be undertaken;
 - (vi) Any deviation from the normal repo market conventions or any other arrangements that would need to be mutually agreed between counterparties should be properly documented in the legal agreement;
 - (vii) The names and identities of parties to repo transaction should be treated as confidential at all times; and
 - (viii) All relevant regulatory and/or legal requirements are complied with on a continuous basis.
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4 ELIGIBLE PARTIES

- 4.1 Eligible parties to a repo transaction include both licensed FIs and non-financial institutions (NFIs) subject to the requirement that at least one principal to the repo transaction must be a licensed FI.

5 ELIGIBLE COLLATERAL

- 5.1 The types of collateral eligible for repo transactions include the following: -
- (i) Specified RENTAS securities;
 - (ii) Private Debt Securities;
 - (iii) Negotiable Instrument of Deposit;
 - (iv) Banker's Acceptances; and
 - (v) Any other types of financial instruments as may be specified by BNM.
- 5.2 The abovementioned eligible collaterals include both Conventional and its Islamic equivalent, whether in the form of scripted securities or RENTAS securities. However, the collateral used for repo must not be convertible and/or rated non-investment grade at the inception of the repo transaction.
- 5.3 BNM may from time to time change the eligibility criteria of collateral that can be used for repo transactions.

6 LEGAL AGREEMENT

- 6.1 All repo transactions must be subject to the Global Master Repurchase Agreement (GMRA) and the relevant Annex that specify all terms of the transaction, duties and obligations between the parties concerned. Licensed FIs are encouraged to adopt the standard local Annex issued by the Persatuan Pasaran Kewangan Malaysia (PPKM) as attached in Appendix II.
- 6.2 At minimum, the legal agreement should provide for:
- (i) the absolute transfer of title of the collateral including any collateral transferred through substitution or mark-to-market adjustment;
 - (ii) marking-to-market of transactions;
 - (iii) use of haircut and margin maintenance whenever the mark-to-market reveals material change in value;
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- (iv) events of default and the consequential rights and obligations of the parties to the transactions;
 - (v) full set off of claims between the parties to the transaction in the event of default; and
 - (vi) the rights of the parties regarding substitution of collateral and the treatment of coupon payments in respect of the collateral subject to it, including for example, the timing of payments.

6.3 The legal agreement should be subject to Malaysian law.

7 CUSTODY

7.1 Licensed FIs should set up an appropriate custody arrangement for collateral held in its custody on behalf of its counterparty in a repo transaction. Adequate procedures and systems should be established to segregate and monitor the collateral given/taken to avoid the risk of duplicative use of collateral. Licensed FIs must ensure that these areas of systems and controls are subject to independent risk assessment.

7.2 The terms and conditions set out in the custodian agreement including its consequential rights and obligations should be made clear to its counterparty prior to entering into any repo transaction under such custody arrangement.

7.3 Collateral sold under repo and held-in-custody by the same repo seller is not allowed to be repoed out during the term of the repo. However, subject to adequate legal provisions in the legal agreement, the collateral may be substituted with equivalent collateral or other collateral as may be mutually agreed between both parties subject to the eligibility criteria of collateral under paragraph 5 of the Guidance Notes.

8 RISK MANAGEMENT

8.1 Appropriate risk management measures should be formulated by licensed FIs to address risk arising out of repo transactions. These measures include adopting risk mitigation techniques which involve the use of prudent haircut, margin maintenance and timely margin call to maintain effective control of risk exposure.

Counterparty Risk

8.2 Licensed FIs should conduct due diligence on its counterparty to understand the financial capacity, risk profile and creditworthiness of the counterparty prior to entering into any repo transactions.

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- 8.3 Credit ratings supplied by rating agencies or other appropriate indicator may be used by licensed FI to determine the creditworthiness of its counterparties.
 - 8.4 An exposure limit on their counterparties should be established based on its credit assessment. The exposure limit should be subject to review on a regular basis.
 - 8.5 Licensed FIs should apply suitable haircuts that reflect its assessment on the creditworthiness of their counterparty and monitor their net counterparties exposure on a daily basis.

Credit and Market Risk of Collateral

- 8.6 Licensed FIs should negotiate and apply suitable haircuts that reflect its assessment on the credit and market risks of the collateral (e.g. duration and liquidity) involved in the repo transaction.
- 8.7 Collateral received via repo should be marked-to-market on a daily basis or when necessary as frequent as possible, particularly if there has been a large movement in the market within the day. In the event that readily available sources of valuation is lacking, licensed FIs may adopt alternative valuation methodologies subject to compliance with the principles of valuation methodologies outlined in the Market Risk Capital Adequacy Framework issued by BNM.
- 8.8 Whenever a mark-to-market valuation reveals a significant exposure to its counterparty, over and above any agreed margin threshold, licensed FIs should initiate margin call (either in the form of cash or securities)¹ promptly to restore the initial position.
- 8.9 Any re-margining and circumstances of which would trigger re-margining according to the terms of the agreement should be agreed at the outset of the repo transaction with its counterparty.

Settlement Risk

- 8.10 Licensed FIs should minimise settlement risk by settling repo transactions through RENTAS for RENTAS securities or other means of settlement for non-RENTAS securities.

¹ The form of margin should be clearly specified in the legal agreement entered into between both parties.

9 FOREIGN EXCHANGE ADMINISTRATION RULES

9.1 For foreign exchange administration purposes, repo transactions are treated as credit facilities. As such, for securities registered in Malaysia, licensed onshore banks and licensed merchant banks are allowed to enter into:-

(i) repo transaction with a non-resident provided that the total amount of Ringgit credit facilities, including repo, of the non-resident does not exceed RM10.0 million; and

(ii) repo transaction with a non-resident controlled company (NRCC).

10 REGULATORY REQUIREMENTS

10.1 Securities held under reverse repo which have been identified to have fulfilled the qualifying criteria of liquefiable asset under the Liquidity Framework, are eligible for liquefiable asset status for the period under the reverse repo.

10.2 Securities sold under repo will not be eligible:

(ii) for liquefiable asset status; and

(iii) as collateral for intra-day facility from BNM.

during the repo period.

10.3 Securities acquired through reverse repo and reported under the trading book of licensed FIs are eligible for deduction of eligible liabilities for the purpose of Statutory Reserve Requirement (SRR) computation, provided that the Trading Book Policy Statement under Market Risk Capital Adequacy Framework has been approved by BNM.

11 REPORTING AND SETTLEMENT REQUIREMENTS

11.1 All repo transactions must be reported in the Bond Information and Dissemination System (BIDS) or any other system that may be deemed appropriate by BNM.

11.2 Repo transactions involving RENTAS securities as collateral, collateral for substitution and/or margin transfer must be settled through RENTAS.

11.3 Cash margin can be transferred via RENTAS or any other mode of fund transfer as agreed by the parties to the repo transaction.

12 APPENDIX I: GLOSSARY

“Authorised Depository Institutions (ADIs)”

Financial institutions licensed under the Banking and Financial Institutions Act 1989 (BAFIA) that is a member of RENTAS or any other person who is authorised or approved by BNM to hold RENTAS securities, to receive or make payment relating to such securities, on behalf of customers who are not members of RENTAS.

“Classic Repo”

A type of repo where securities are sold against cash with a commitment to repurchase the equivalent securities on a specified date at a specified price, where both date and price are fixed at the initiation of the transaction.

The Repo Seller delivers securities and receives cash from the Repo Buyer. The cash is supplied at the prevailing repo rate that remains constant during the term of the transaction. The opposite position of the Repo Buyer is the reverse repo transaction.

“Licensed Financial Institutions (FIs)”

Commercial banks, merchant banks and discount houses licensed under Section 6(4) of the BAFIA.

“Non-Financial Institutions (NFIs)”

Institutions not licensed under the BAFIA.

“Non-Resident Controlled Company (NRCC)”

A company in Malaysia as defined in the Exchange Control of Malaysia (ECM).

“Non-RENTAS securities”

Scripted securities and not deposited with RENTAS.

“Principal”

A party to a repo transaction who acts on their own behalf or who authorises an agent to act on their behalf.

“Private Debt Securities (PDS)”

Securities issued by a corporation which can be either short-term, medium-term or long-term papers under Conventional or Islamic principles as approved by BNM and/or the Securities Commission.

“RENTAS”

Real Time Electronic Transfer of Funds and Securities System, which is the real time electronic funds and securities transfer settlement system maintained by BNM.

“RENTAS Rules”

Rules on the RENTAS Securities Under the Real Time Electronic Transfer of Funds and Securities (RENTAS) System.

“RENTAS Members”

The persons approved by BNM to have access to or utilise the RENTAS system.

“Repo Buyer/Cash Lender”

The party who purchases securities for the term of the transaction and commits to sell back equivalent securities at maturity and earns a repo rate on the transaction.

“Repo Seller/Cash Borrower”

The party who sells securities for cash for the term of the transaction and commits to buy back the equivalent securities at maturity and has to pay a repo rate.

“Resident/Non-resident”

An entity as defined in ECM.

“RENTAS Securities”

RENTAS securities deposited under RENTAS.

“Repo”

A sale of securities and a simultaneous agreement to repurchase the equivalent securities on a future date for the original price plus a rate of return on the use of the cash. The base currency for repo is denominated in Malaysian Ringgit. The maximum tenure of repo is 365 days.

Repo is transacted in standard market lot size as follows:

- (a) Standard lot for inter-bank repo is RM 1 million
 - (b) Minimum market lot for repo is RM 100,000.00
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“Reverse Repo”

A repo transaction from the view of the repo buyer i.e. the party who is purchasing the securities.

“Repo Rate”

The rate of interest on the cash leg in a repo transaction expressed in a percentage.

“Repo Proceeds”

Repo proceeds is calculated as follows:

$$1^{\text{st}} \text{ leg proceeds} = (P/100) * \text{Face Value}$$

where, P = price

$$2^{\text{nd}} \text{ leg proceeds} = 1^{\text{st}} \text{ leg proceeds} + [\text{Repo rate (\%)} \times 1^{\text{st}} \text{ Leg Proceeds} \times D/365]$$

where, D = No. of days to maturity date or termination date using Act/365 as the day count basis.

“Sell/Buy-Back”

A type of repo with an outright sale of securities on the value date at spot price and a simultaneous outright buy back of the equivalent securities for value on a forward date. The repo rate and any coupon income accrued during the term of the transaction on the nominal amount of the securities are embedded in the forward price and realized at the maturity of the transaction.

“Specified RENTAS Securities”

Conventional/Islamic, short/long term scripless securities issued by the Government of Malaysia, Bank Negara Malaysia (BNM), BNM Sukuk Berhad and any other securities as may be specified by BNM.

13 APPENDIX II: PERSATUAN PASARAN KEWANGAN MALAYSIA (PPKM) ANNEX 1

Supplemental Terms or Conditions

Unless the context otherwise requires, paragraph references are to paragraphs in the Agreement.

1. The following elections shall apply -
 - (a) paragraph 1(c)(i). Buy/Sell Back Transactions may be effected under this Agreement, and accordingly the Buy/Sell Back Annex shall apply.
 - (b) paragraph 1(c)(ii). Transactions in Net Paying Securities may not be effected under this Agreement and the provisions of sub-paragraphs (i) and (ii) below shall not apply.
 - (i) The phrase "other than equities and Net Paying Securities" shall be replaced by the phrase "other than equities".
 - (ii) In the Buy/Sell Back Annex the following words shall be added to the end of the definition of "IR"; "and for the avoidance of doubt the reference to the amount of Income for these purposes shall be to an amount paid without withholding or deduction for or on account of taxes or duties notwithstanding that a payment of such Income made in certain circumstances may be subject to such a withholding or deduction".
 - (c) paragraph 1(d). Agency Transactions may not be effected under this Agreement, and accordingly the Agency Annex shall not apply.
 - (d) paragraph 2(d). The Base Currency shall be Ringgit Malaysia.
 - (e) paragraph 2(p). Designated Office with respect to :

Party A

Party B
 - (f) paragraph 2(cc). The pricing source for calculation of Market Value shall be based on any one of the following :-
 - (i) last done prices via the Bond Information and Dissemination System ("BIDS") or any other dissemination system provided by Bank Negara Malaysia; or
 - (ii) interpolated yield to maturity based on indicative yield to maturity in BIDS; or

- (iii) prices or yield to maturity as mutually agreed by both parties

The following additional definition shall be inserted as paragraph 2(nnA) immediately after paragraphs 2(nn):

(nnA) "RENTAS", the Real Time Transfer of Securities And Funds Systems maintained by Bank Negara Malaysia (or any successor thereto), or any system in addition thereto or in replacement thereof for the transfer of any scripless securities and funds as contemplated in this Agreement

- (g) paragraph 2(rr). Spot rate to be: Not applicable.
 - (h) paragraph 3(b). Both Seller and Buyer shall each deliver a Confirmation to the other in such form as is acceptable to the parties.
 - (i) paragraph 4(f). Interest rate on Cash Margin shall be the official Bank Negara Malaysia daily overnight inter-bank weighted average rate as quoted on Reuters page "NEGARZ" (or such other page as may replace "NEGARZ" on Reuters), compounded daily and payable within two Business Days after the last Business Day of each calendar month and on the date of repayment of the Cash Margin.
 - (j) paragraph 4(g). Delivery period for Margin Calls to be:
 - (i) in the case of Cash Margin, no later than the close of business on the same Business Day such demand is received and for Margin Securities or Equivalent Margin Securities which are SSTS Securities, no later than the close of business on the second Business Day after such demand is received; and
 - (ii) in all other cases, two (2) Business Days after the Margin Call
 - (j)(1) paragraph 6(a), the words "the book entry system of Euroclear or Clear-Stream" are to be deleted and replaced with "the RENTAS securities transfer settlement system of Bank Negara Malaysia".
 - (k) paragraph 6(j). Paragraph 6(j) shall apply and the events specified in paragraph 10(a) identified for the purposes of paragraph 6(j) shall be those set out in paragraphs 10(a)(i) to (x) of the Agreement.
 - (l) paragraph 10(a)(ii). Paragraph 10(a)(ii) shall apply subject to such paragraph being amended to read as follows:
 - (ii) if the parties have specified in Annex 1 hereto that this sub-paragraph shall apply, Seller fails to deliver Purchased Securities on the Purchase Date or Buyer fails to deliver Equivalent Securities on the Repurchase Date and does
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not remedy such failure within two (2) Business Days after notice is given by the non-Defaulting Party requiring it to do so and the non-defaulting Party serves a Default Notice on the Defaulting Party; or

(m) paragraph 14. For the purposes of paragraph 14 of this Agreement -

(i) Address for notices and other communications for Party A -

Address :
Attention :
Telephone :
Facsimile :
Telex :
Answerback :
Other :

(ii) Address for notices and other communications for Party B -

Address :
Attention :
Telephone :
Facsimile :
Telex :
Answerback :
Other :

1. The following supplemental terms and conditions shall apply -

Existing Transactions

(a) All outstanding Transactions entered into between Party A and Party B prior to the date of the Agreement (whether or not expressed to be subject to a TBMA/ISMA Global Master Repurchase Agreement), which are outstanding at the date of this Agreement are deemed to be entered into pursuant to this Agreement and shall be governed by the terms and conditions of this Agreement.

Forward Transactions

(b) The parties agree that Forward Transactions (as defined in sub-paragraph (i)(A) below) may be effected under this Agreement and accordingly the provisions of sub-paragraphs (i) to (iv) below shall apply.

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- (i) The following definitions shall apply: -
- (A) "Forward Transaction", a Transaction in respect of which the Purchase Date is at least three Business Days after the date on which the Transaction was entered into and has not yet occurred;
 - (B) "Forward Repricing Date", with respect to any Forward Transaction the date which is such number of Business Days before the Purchase Date as is equal to the minimum period for the delivery of margin applicable under paragraph 4(g).
- (ii) The Confirmation relating to any Forward Transaction may describe the Purchased Securities by reference to a type or class of Securities, which, without limitation, may be identified by issuer or class of issuers and a maturity or range of maturities. Where this paragraph applies, the parties shall agree the actual Purchased Securities not less than two Business Days before the Purchase Date and Buyer and Seller (or both), as shall have been agreed, shall promptly deliver to the other party a Confirmation which shall describe such Purchased Securities.
- (iii) At any time between the Forward Repricing Date and the Purchase Date for any Forward Transaction the parties may agree either -
- (A) to adjust the Purchase Price under that Forward Transaction; or
 - (B) to adjust the number of Purchased Securities to be sold by Seller to Buyer under that Forward Transaction.
- (iv) Where the parties agree to an adjustment under paragraph (iii) above, Buyer or Seller (or both), as shall have been agreed, shall promptly deliver to the other party a Confirmation of the Forward Transaction, as adjusted under paragraph (iii) above.
- (c) Where the parties agree that paragraph 2(b) above applies, paragraphs 2 and 4 of the Agreement are amended as follows.
- (i) Paragraph 2(ww) is deleted and replaced by the following -
- "(ww) "Transaction Exposure" means -
- (i) with respect to any Forward Transaction at any time between the Forward Repricing Date and the Purchase Date, the difference between (A) the Market Value of the Purchased Securities at the relevant time and (B) the Purchase Price;
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- (ii) with respect to any Transaction at any time during the period (if any) from the Purchase Date to the date on which the Purchased Securities are delivered to Buyer or, if earlier, the date on which the Transaction is terminated under paragraph 10(g), the difference between (A) the Market Value of the Purchased Securities at the relevant time and (B) the Repurchase Price at the relevant time;

 - (iii) with respect to any Transaction at any time during the period from the Purchase Date (or, if later, the date on which the Purchased Securities are delivered to Buyer or the Transaction is terminated under paragraph 10(g)) to the Repurchase Date (or, if later, the date on which Equivalent Securities are delivered to Seller or the Transaction is terminated under paragraph 10(h)), the difference between (A) the Repurchase Price at the relevant time multiplied by the applicable Margin Ratio (or, where the Transaction relates to Securities of more than one description to which different Margin Ratios apply, the amount produced by multiplying the Repurchase Price attributable to Equivalent Securities of each such description by the applicable Margin Ratio and aggregating the resulting amounts, the Repurchase Price being for this purpose attributed to Equivalent Securities of each such description in the same proportions as those in which the Purchase Price was apportioned among the Purchased Securities) and (B) the Market Value of Equivalent Securities at the relevant time.

In each case, if (A) is greater than (B), Buyer has a Transaction Exposure for that Transaction equal to the excess, and if (B) is greater than (A), Seller has a Transaction Exposure to Buyer equal to the excess."

- (ii) In paragraph 4(c) -
 - (aa) the words "any amount payable to the first party under paragraph 5 but unpaid" are deleted and replaced by "any amount which will become payable to the first party under paragraph 5 during the period after the time at which the calculation is made which is equal to the minimum period for the delivery of margin applicable under paragraph 4(g) or which is payable to the first party under paragraph 5 but unpaid"; and

 - (bb) the words "any amount payable to the other party under paragraph 5 but unpaid" are deleted and replaced by "any amount which will become payable to the other party under paragraph 5 during the period after the time at which the calculation is made which is equal to the minimum period for the delivery of margin applicable under paragraph 4(g) or which is payable to the other party under paragraph 5 but unpaid".
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- (d) The parties agree that the provisions of this Agreement shall apply only to :
- (i) Malaysian Government Securities;
 - (ii) Malaysian Private Debt Securities; and
 - (iii) other securities that may be specified by Bank Negara Malaysia that may be used for the purpose of Repurchase Transactions.
- (e) Paragraph 2(a)(ii) shall be amended to read as follows:
- "its being unable to pay its debts within the meaning of Section 218 of the Companies Act 1965."
- (f) Paragraph 2(a)(v) shall be amended to read as follows :
- "the appointment of a receiver, administrator, liquidator or trustee or analogous officer of such party or over any material part of such party's property; or"
- (g) Paragraph 2(a)(vi) shall be amended to read as follows:
- "a compromise or arrangement is proposed between it and its creditors or any class of its creditors; or"
- (h) The following additional sub-paragraphs shall be added to paragraph 2(a):
- "(vii) its failure to maintain capital funds unimpaired by losses, in such ratio to all or any assets or to all or any liabilities, of itself and all its offices in and outside Malaysia as may be specified by Bank Negara Malaysia;
 - (viii) its informing Bank Negara Malaysia that it considers that it is insolvent, or is likely to become unable to meet all or any of its obligations or that it is about to suspend payment to any extent; or
 - (ix) the publication of an order of the Minister of Finance in the Gazette which authorises Bank Negara Malaysia to do any of the following things in relation to such party:
 - (a) to assume control of the whole of the property, business and affairs of the party, and carry on the whole of its business and affairs, or to assume control of such part of its property, business and affairs, and carry on such part of its business and affairs, as may be set out in the order, or for Bank Negara Malaysia to appoint any person to do so on behalf of Bank Negara Malaysia;
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- (b) to make an application to the High Court to appoint a receiver or manager to manage the whole of the business, affairs and property of the party, or such part thereof as may be set out in the order;
 - (c) to present a petition to the High Court for the winding up of the party;
or
 - (d) to apply to the High Court for an order staying for a period not exceeding six months the commencement or continuance of all, or any class, category or description of, actions and proceedings of a civil nature by or against the party with respect to all business, or any class, category or description of business, of the party."
- (i) The following additional definition shall be inserted as paragraph 2(a1):
- "(a1) "Affiliate", in relation to any party, any entity controlled, directly or indirectly, by that party, any entity which controls, directly or indirectly, that party or any entity directly or indirectly under common control with that party. For this purpose, "control" of any entity or person means ownership of a majority of the voting power of the entity or person".
- (j) Paragraph 2(i) shall be deleted.
- (k) Paragraph 2(y) shall be replaced with the following:
- "2(y) "KLIBOR" in relation to any sum in Ringgit Malaysia, the one-month Kuala Lumpur Inter-Bank Offered Rate as quoted on Reuters page "KLIBOR =" (or such other page as may replace page "KLIBOR =" on Reuters) as of 11.00 a.m. Kuala Lumpur time on the date on which it is to be determined."
- Any reference in the Agreement to LIBOR shall be replaced by references to KLIBOR.
- (l) The following additional definition shall be inserted as paragraph 2(y1):
- "(y1) "Malaysian Government Securities", debentures, stocks or bonds of the Federal Government of Malaysia".
- (m) The following additional definition shall be inserted as paragraph 2(y2):
- "(y2) "Malaysian Private Debt Securities", debentures as defined in the Securities Commission Act 1993, not being negotiable certificates of deposit, which are (i) denominated in Ringgit Malaysia (ii) issued by any company incorporated in Malaysia and (iii) which are not listed for trading in any stock exchange".
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- (n) The definition of "Market Value" in paragraph 2(cc) shall be replaced with the following:-

"(cc) "Market Value", with respect to any Securities as of any time on any date, the price for such Securities at such time on such date determined by Market Quotation (and where different prices are obtained for different delivery dates, the price so obtainable for the earliest available such delivery date) provided that the price of Securities that are suspended shall (for the purposes of paragraph 4) be nil unless the parties otherwise agree and (for all other purposes) shall be the price of those Securities as of close of business on the dealing day in the relevant market last preceding the date of suspension) plus the aggregate amount of Income which, as of such date, has accrued but not yet been paid in respect of the Securities to the extent not included in such price as of such date. Where although the Securities are not suspended, it is not possible to determine a price for such Securities by Market Quotation, each party shall determine the amount which, in its reasonable opinion, represents their fair market value, having regard to such pricing sources and methods (which may include, without limitation, available prices for Securities with similar maturities, terms and credit characteristics as the relevant Securities) as such party considers appropriate, and taking into account the aggregate amount of income which, as of such date, has accrued but not yet been paid in respect of such Securities, and the Market Value for such Securities shall be the arithmetic mean of the amounts determined by each of the parties".

- (o) The definition of "Net Margin" in paragraph 2(ee) shall be amended by the deletion therefrom of the words "and for this purpose any amounts not denominated in the Base Currency shall be converted into the Base Currency at the Spot Rate prevailing at the relevant time".

- (p) In paragraph 2(ii) the words "on a 360 days basis or 365 day basis in accordance with the applicable ISMA convention" are deleted and replaced by the words "on a 365 day basis".

- (q) Paragraph 2(rr) shall be deleted.

- (r) The following additional definition shall be inserted as paragraph 2(rr2):

"(rr2) "SSTS Securities", securities which are traded on the Scripless Securities Trading System ("SSTS") implemented by Bank Negara Malaysia to effect and record the trading of such securities."

- (s) The last sentence of paragraph 4(c) shall be deleted.

- (t) The words "or such other currency as the parties may agree" shall be deleted from paragraph 4(e).

- (u) Paragraph 7 shall be deleted.
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- (v) Paragraph 8 of the Agreement shall be amended by adding at the end of the paragraph the following paragraphs (e) and (f):

"(e) In the case of any Transaction for which the Repurchase Date is not the Business Day immediately following the Purchase Date and with respect to which Seller does not have any existing right to vary the Transaction, Seller shall have the right (subject to the proviso to this sub-paragraph) by notice to Buyer (such notice to be given at or prior to 12 noon Kuala Lumpur time on that Business Day) to vary that Transaction in accordance with sub-paragraphs (a) and (b) above, provided however that Buyer may elect by close of business on the Business Day notice is received (or by close of business on the next Business Day if notice is received after 12 noon Kuala Lumpur time on that day) not to vary that Transaction. If Buyer elects not to vary the Transaction, Seller shall have the right, by notice to Buyer, to terminate the Transaction on the Business Day specified in that notice, such Business Day (unless the Parties otherwise agree) not to be later than two Business Days after the date of the notice.

(f) Where one party (the "Requesting Party") has requested the other party to transfer Equivalent Margin Securities to it in exchange for the transfer to the other party of new Margin Securities in accordance with paragraph 8(d) but the other party does not agree to the request, if the Requesting Party so elects by written notice specifying the Equivalent Margin Securities to be transferred and the Business Day on which those Equivalent Margin Securities are to be transferred (such Business Day (unless the Parties otherwise agree) not to be later than two Business Days after the date of the notice) the other party shall, unless otherwise agreed, transfer those Equivalent Margin Securities to the Requesting Party in exchange for the transfer to the other party of Cash Margin of an amount equal to the Market Value of the Equivalent Margin Securities so transferred."

- (w) The last sentence of paragraph 10(c)(ii) shall be deleted.

- (x) Paragraph 10(k)(i) shall be replaced with the following:

"(k)(i) Subject to sub-paragraph (ii) below, if as a result of a Transaction terminating before its agreed Repurchase Date under paragraphs 8(e), 10(b), 10(g)(iii) or 10(h)(iii), Buyer, in the case of paragraph 8(e), the non-Defaulting Party, in the case of paragraph 10(b), Buyer, in the case of paragraph 10(g)(iii), or Seller, in the case of paragraph 10(h)(iii), (in each case the "first party") incurs any loss or expense in entering into replacement transactions, the other party shall be required to pay to the first party the amount determined by the first party in good faith to be equal to the loss or expense incurred in connection with such replacement transactions (including all fees, costs and other expenses) less the amount of any profit or gain made by that party in

connection with such replacement transactions; provided that if that calculation results in a negative number, an amount equal to that number shall be payable by the first party to the other party."

- (y) Paragraph 12 shall be amended by the deletion therefrom of the words "360 day basis" and the words "in accordance with the applicable ISMA convention".
- (z) Paragraph 17 shall be replaced with the following:

"17. **Governing Law**

This Agreement shall be governed by and construed in accordance with the laws of Malaysia. Buyer and Seller hereby irrevocably submit for all purposes of or in connection with this Agreement and each Transaction to the jurisdiction of the courts of Malaysia.

Nothing in this paragraph shall limit the right of any party to take proceedings in the courts of any other country of competent jurisdiction."

- (aa) Paragraph 19 shall be replaced with the following:

"19. **Waiver of Immunity**

Each party hereto waives, to the fullest extent permitted by applicable law, all immunity (whether on the basis of sovereignty or otherwise) from jurisdiction, attachment (both before and after judgement) and execution to which it might otherwise be entitled in any action or proceeding in the courts of Malaysia or of any other country of jurisdiction, relating in any way to this Agreement or any Transaction, and agrees that it will not raise, claim or cause to be pleaded any such immunity at or in respect of any such action or proceeding."

- (bb) Paragraph 21 shall be deleted.
 - (cc) Without prejudice to the provision of paragraph 10 of the Agreement, each party acknowledges that :
 - (i) upon the occurrence of an Event of Default with respect to a party ("X"), the other party ("Y") will have the right to set-off (but will not be obliged) without prior written notice to X or any other person, to set-off or apply any obligation of X owing to Y (whether matured or not and whether or not arising under this Agreement, and regardless of the currency, place of payment or booking office of the obligation) against any obligation of Y to pay any amount to X pursuant to paragraph 10(b) of the Agreement;
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- (ii) any obligation to set-off or apply which is not denominated in the Base Currency may be converted by Y into the Base Currency at a rate determined by Y in good faith;
 - (iii) any obligation to transfer Securities shall be considered as an obligation to pay an amount of money in the Base Currency to be determined at the Default Valuation Time;
 - (iv) if an obligation of X is unascertained, Y may in good faith estimate that obligation and effect a set-off or application in respect of the amount so ascertained, subject to the relevant party accounting to the other when the obligation is ascertained.
 - (v) the non-Defaulting Party is to notify the Defaulting Party of any set-off effected under this paragraph; and
 - (vi) this paragraph (cc) shall not constitute a mortgage, charge, lien or other security interest upon any of the property or assets of the other party to the Agreement.
- (dd) In the event that the parties enter into a hold in custody Repurchase Transaction hereunder in which either party acts as the Seller, segregation of the Securities the subject of such Repurchase Transaction shall (where the Securities are book entry Securities) take place by movement of such Securities from the Seller's proprietary account within the relevant settlement system to its customer account within such relevant settlement system and (where the Securities are not book entry Securities) the Seller shall separately identify all Securities on its records as being held for the Buyer and, to the extent possible, segregate all Securities held on behalf of the Buyer from the assets of the Seller. The other party as the Buyer hereby consents to such segregation arrangements.
- (ee) Each party authorises the transfer of any information relating to it to and between the branches, related corporations, affiliates and agents of the other party and third parties selected by any of them, wherever situated, for confidential use (including for data processing purposes, statistical and risk analysis purposes) and further acknowledges that the other party and any such branch, related corporation, affiliate, agent or third party shall be entitled to transfer any such information as required by any law, court, legal process or as requested by any authority in accordance with which it is required to act. In addition to and not in derogation of the above, each party may be or is required, whether pursuant to law or otherwise, to provide information to Bank Negara Malaysia or any other regulator having authority over the disclosing party from time to time and at any time on its customers and in particular for the purposes of a central credit bureau maintained by Bank Negara Malaysia or any other regulator having authority over the disclosing party. No liability shall arise from the provision of such information whether by reason of any misstatement, omission, delay or any other matter in connection thereto whatsoever save for the
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disclosing party's negligence or fraud in which case the disclosing party shall only be liable for direct and not indirect or consequential damages.

- (ff) Neither party shall be required to make a Margin Transfer to the other party under Paragraph 4, unless the first mentioned party's Net Exposure to the other party is in excess of a sum equivalent to one percent of the aggregate of all Repurchase Prices for all outstanding Transactions from time to time or RM500,000, whichever is lower.
 - (gg) To the extent that any provisions in these Supplemental Terms and Conditions are in conflict with the provisions contained in the Agreement, the provisions of these Supplemental Terms and Conditions shall prevail.
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