



THE INTERNATIONAL
REC STANDARD

Empowering Electricity Purchasers

PRELIMINARY REPORT FOR INTEGRATION WITH EVIDENT REGISTRY BURSA CARBON EXCHANGE PLATFORM OWNED BY BURSA MALAYSIA CARBON MARKET SDN BHD

April 2024

Notice from the I-TRACK Foundation

This report has been completed by a Platform Operator and is a disclosure form, required by the International Tracking Standard Foundation (I-TRACK Foundation), to inform potential users about the functioning of the operator's Platform and its interaction with an Accredited Registry (Evident's Registry).

Potential and existing Platform users are to be informed that there are different ways to access I-REC(E) and participate in the market. Every I-REC(E) is validated by nationally appointed issuers and ownership records are maintained on the Evident I-REC(E) Registry. Throughout the lifecycle of an I-REC(E) certificate, from issuance to eventual redemption, the certificate ownership is determined and recorded in the I-REC(E) Registry. The Registry also provides basic functionalities including device registration, I-REC(E) transfers and I-REC(E) redemptions. These services are accessible to anyone who is registered in the Registry and can also be accessed through existing market players (e.g., Registrants and Participants) who are familiar with the rules and requirements of the International Attribute Tracking Standard and associated I-REC(E) Product Code.

However, the Registry can also be indirectly accessed via Accredited Platforms. These Platforms may provide different services, visualizations or tools which supplement the functionality provided by the Registry. However, use of a Platform is never mandatory for the issuance, trade, or redemption of I-REC(E). Users should, as a result, be informed of the Platforms they intend to make use of and determine if a Platform provides added value for them.

The I-TRACK Foundation and Evident Services periodically check that the Platform is adherent to the rules of Accreditation and well-integrated with the Registry. However, the Foundation, Evident Services or any Accredited Market Facilitator cannot be held responsible for the quality of services provided by Platform Operators.

If you have any further questions about the interaction between Platforms and the Evident Registry, please contact the I-TRACK Foundation secretariat at secretariat@irecstandard.org.

Who is the legal owner of the Platform (e.g., the Platform Operator)?

Answer: Bursa Malaysia Carbon Market Sdn Bhd (Formerly known as BM Carbon Market Sdn Bhd.), a wholly owned subsidiary of Bursa Malaysia Berhad, the national multi-asset exchange in Malaysia.

Please provide a short description of the purpose of the Platform.

Answer: Bursa Carbon Exchange (the "Platform") is an exchange that facilitates the trading of high-quality verified carbon credits (VCC) via standardised carbon contracts. Corporates may purchase these credits to offset their carbon footprint while the sale of carbon credits, in return, will help to finance and drive the development of domestic GHG emission reduction and removal solutions and projects. The Platform intends to be a one-stop regional centre for environmental products and hence, the platform offers the trading of RECs *via* standardised contracts. In that regards, standardised contracts offered by BCX have underlying environmental assets such as verified carbon credits and RECs. Each unit of contract represents either 1 tonne CO₂e of GHG emissions (carbon credit) or 1MWh (RECs).

Please define the primary markets or jurisdictions in which the Platform will operate.

Answer: The jurisdiction in which the Platform will operate is Malaysia. However, the Platform is open to BCX participants from both Malaysia and any other countries except those in the sanctions list as below:

- 1 The Malaysian Ministry of Home Affairs.
- 2 The Malaysian Ministry of International Trade and Industry.
- 3 The United States Department of Treasuries Office of Foreign Assets Control.
- 4 The European Commission (represented by the Directorate-General for Financial Stability, Financial Services and Capital Markets Union).
- 6 The United Kingdom Department for International Trade/United Kingdom Treasury.
- 7 The relevant United Nations Security Council Resolutions

How can users register at the Platform and where can contracts or terms and conditions be found?

Answer: Onboarding forms can be found at <https://bcx.bursamalaysia.com/web/resources>. Rules and Operating Procedures can be found in the [Rules of Bursa Carbon Exchange](#) and [Operating Procedure](#). Rules governing the trading of RECs, will only be incorporated once we are approved as a Platform Operator of Evident Registry.

Please define the intended steps for various users of the Platform to be registered with the Platform Operator prior to use. Are legal agreements required? If so are these prepared?

Answer:

1. Interested applicants must first fill out the onboarding form that can be downloaded from <https://bcx.bursamalaysia.com/web/resources> and submit to BCX with supporting documents. Note: In the application form, applicants will have to declare and undertake to agree to and comply with the [Rules of Bursa Carbon Exchange \("Rules"\)](#). A copy of the Rules is attached together with this Preliminary Report for your reference. The capitalised terms used hereafter shall have the same meaning as those in the Rules. Under Rule 1.05, the Rules have the effect of a binding contract between the Operator, the Unit Custodian, Cash custodians and the BCX Participants.
2. BCX will conduct know your customers (KYC) on the applicant based on KYC policy and procedures. As prescribed in the Rules, an applicant must pass all KYC and anti-money laundering (AML), anti-bribery, anti-corruption and countering financing terrorism requirements due diligence and checks against any sanctions lists undertaken by the Operator.
3. Once approved as Participants, BCX will provide Designated Users of Participants access (i.e. account creation and login details) to BCX trading platform.

How can users access the Platform and who can they contact for questions?

Answer: Platform access is limited to Designated Users. The Platform is a web based and access to the Platform by Designated Users through a link that is specific to a Participant. Inquiries can be made via <https://bcx.bursamalaysia.com/web/contactus>.

What languages does the Platform support?

Answer: English

Please describe in detail the functionality of your Platform.

Answer:

Functionality of Trading Platform:

1. Three trading modes on BCX are available from the following timeline:
 - (i) By end of Q2 2024: an electronic auction facility for the purpose of price discovery of new standardised products introduced.
 - (ii) By end of Q3 2024:
 - a. continuous trading in Central Limit Order Book based on price time priority, and
 - b. off-market transactions (i.e. transaction mutually agreed between BCX participants and to be cleared on BCX trading platform).
2. Facilitation of Redemption/Retirement

The current BCX trading platform also facilitates the retirement of carbon credits on behalf of participants. The platform will interact with Verra Registry to inform of the retirement of carbon credits. For RECs, the platform will extend similar service by facilitating redemption of RECs on behalf of our participants. Users of the BCX Platform can redeem I-RECs directly in the Platform and an official redemption statement on behalf of the beneficiary will be downloadable for the user.

More detailed functionality is described in the User Guide, a copy of which is attached to this Preliminary Report for your reference.

How does the above functionality relates to the Accredited Registry (Evident's Registry)? .

Answer: The BCX platform operates based on a bare trustee model to facilitate transactions conducted on the platform. The Operator has appointed its fully owned subsidiary, Bursa Malaysia Carbon Market Nominees Sdn Bhd, as its Unit Custodian and Cash Custodian to hold Units and Cash on behalf of all Participants and records all transactions between Participants. More details on how this model works can be found in the BCX Rules and the BCX Operating Procedures which can be found in the [BCX website](#)

The Unit Custodian is expected to open a Platform Operator account with Evident Registry and will hold all Units (including units of RECs Contracts) on trust on behalf of BCX Participants. Upon the occurrence of a trade, instantaneous settlement is made possible in keeping with the pre-funding model. This reduces the risk of failed transactions.

Upon withdrawal request of any Units of RECs (only for BCX participants who have their own Evident Registry account), BCX will facilitate the transfer of these Units to the Participant's Evident Registry account. In the event of a redemption request, BCX will facilitate the redemption of Units of RECs on behalf of BCX participants.

Who can use your platform? (more than one are possible)

- Registrants¹ registered in the Evident Registry
- Participants² registered in the Evident Registry
- Entities without an account in the Evident Registry

Which of the following best describe your platform (more than one are possible):

- Market, trade, or exchange functionality

¹ A registrant is the only entity that is able to request device registration or certificate issuance. They can do this on behalf of a device owner or on their own behalf (if they themselves are device owners).

² A participant is a market player, trader or potentially a consumer with an account in Evident Registry and can hold, sell, buy, and redeem I-REC(E)s on their behalf or on behalf of their clients.

- Facilitation of Redemptions and/or creation of Platform Redemption statements
- Visualization tool or creation of reports on usage
- Mechanism to support increased granularity
- Mechanism to support registration of small or distributed devices
- Platform to simplify the issuance process
- Platform only for internal use (back-office/mid-office use)
- Other, namely: [Click or tap here to enter text.](#)

Please provide a description of the fees associated with the use of the Platform (e.g., link to fee structure).

Answer: The fee schedule for RECs can be found in the table below. This fee schedule will be included in the Auction terms and conditions (June 2024), as well as the Operating Procedure (September 2024).

Fee	Amount	Remarks
Onboarding Fee	RM6,000.00	Fee waived until 30 June <u>2024</u>
Fee charged upon application to open an account with Operator		
Redemption Fee per REC	RM0.50	Direct cost pass through to Evident (I-REC) for redemption (8 Euro cent/REC)
Fee charged for redemption under the participant or beneficiaries		
Withdrawal Fee per REC	RM0	NIL
Fee charged for transferring to the participant		
Basic Trade Fee: Auction/Off-Market Transaction/Continuous Trading	0.80%	Rebate of 75% until 31 Dec <u>2024</u>
Basic Trade Fee charged upon a successful trade		
Cash Handling Fee	0.50%	NIL
Fee charged on the profit earned on the Participant's funds placed in the Cash Custodian account		
Late Payment Fee	1.00% p.a.	Late payment will be accrued on a daily basis and charged monthly.
Fees charged for any late payments from the Participant		

In case certificates can be redeemed directly on the Platform, please provide a screenshot of the template Redemption Statement users can expect when using this redemption service on the Platform

Answer: For the continuous trading and off market transactions which will be available on BCX System by end of September 2024, the certificates can be redeemed directly on the trading platform. We intend to use the Redemption Statement from Evident (I-REC(E)) and incorporate Bursa Malaysia's logo.

What design elements have been considered to ensure that live, tradable certificates cannot be perceived as being owned or redeemed by an End-User prior to the act of redemption?

Answer: Once there is a request for withdrawal or redemption of RECs, the BCX trading platform will ear-marked these RECs. In that regards, these RECs will no longer be available for trading.

Where can users find more information about the Platform? (e.g., links to documentation)

Answer: Please refer to <https://bcx.bursamalaysia.com/web/resources>.

In the situation that the platform has a market, trade, or exchange functionality, has an agreement with an associated financial institution been discussed? Are there expectations as to the needs for associated collateral?

Answer: Bursa Malaysia Carbon Market Nominees Sdn Bhd opens and maintains a Cash Custodian Account with Maybank Islamic Berhad, of which Maybank Islamic Berhad is the service provider and Bursa Malaysia Carbon Market Nominees Sdn Bhd is a customer. No collateral is required as BCX collect full prefund and credits part of the pre-trade criteria. Bursa Malaysia Carbon Market Sdn Bhd (Operator of BCX) also has a bank account with Maybank Islamic Berhad to collect fee revenues generated from operating the BCX platform.